

SYNDICATE 6103

Report and Financial Statements
31 December 2009

MAP

Underwriting at Lloyd's

CONTENTS

	Page
Chairman's Report	2
SYNDICATE 6103	
UNDERWRITING YEAR DISTRIBUTION ACCOUNTS	
2007 YEAR OF ACCOUNT	
Directors and Administration	4
Report of the Directors of the Managing Agent	5
Statement of Managing Agent's Responsibilities	9
Independent Auditors' Report	10
Profit and Loss Account: Technical Account – General Business	11
Profit and Loss Account: Non-Technical Account	11
Balance Sheet	12
Cash Flow Statement	13
Notes to the Accounts	14
SYNDICATE 6103	
ANNUAL REPORT AND FINANCIAL STATEMENTS UNDER UK GAAP	
YEAR ENDED 31 DECEMBER 2009	
Directors and Administration	20
Report of the Directors of the Managing Agent	21
Statement of Managing Agent's Responsibilities	25
Independent Auditors' Report	26
Profit and Loss Account: Technical Account – General Business	27
Profit and Loss Account: Non-Technical Account	28
Statement of Total Recognised Gains and Losses	28
Balance Sheet: Assets	29
Balance Sheet: Liabilities	29
Cash Flow Statement	30
Notes to the Accounts	31

CHAIRMAN'S REPORT

As the first Special Purpose Syndicate established in Lloyd's, 6103 was dependent on a proactive approach from the Franchise Performance Department, the FSA and most of all from capital providers and their advisers, so it is pleasing to report such a strong result for Syndicate 6103 in its first closed year, and even more satisfying that the Syndicate is forecasting a profit for the 2008 account in spite of substantial hurricane activity. While premium volume and exposure are being managed down for 2010, the Syndicate continues to perform a useful role, both in helping to shape 2791's portfolio and in giving capital providers access to a high quality, seasoned book of specialist catastrophe business.

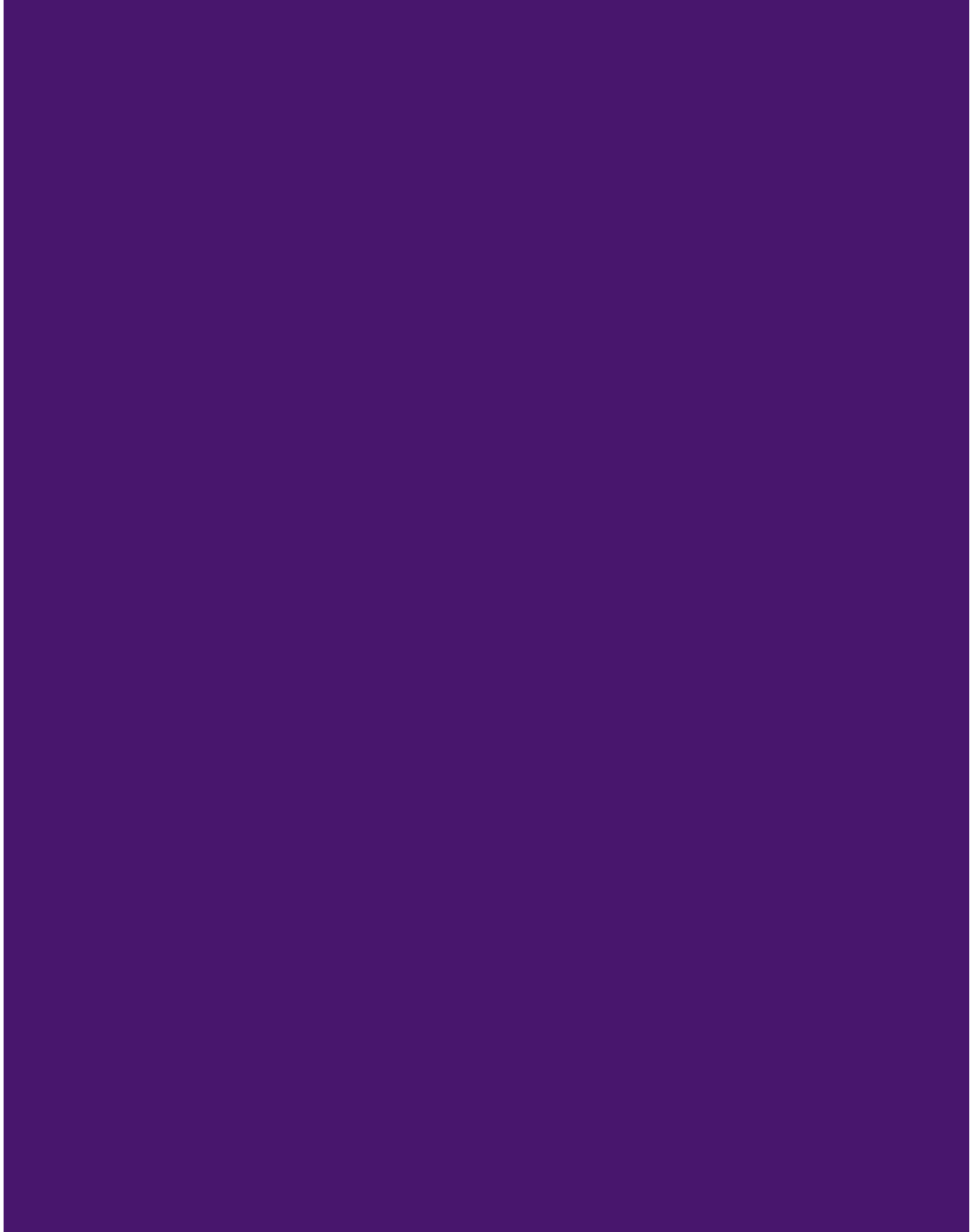
D E S Shipley

Chairman

16 March 2010

SYNDICATE 6103

Underwriting Year Distribution Accounts
2007 Year of Account



DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent

Managing Agency Partners Limited (MAP)

Directors

C E Dandridge (Non-executive)

J D Denoon Duncan

H R Dumas (Non-executive)

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

Registered Auditors

Ernst & Young LLP, London

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The managing agent presents its report on the 2007 year of account of Syndicate 6103 as closed at 31 December 2009.

These accounts have been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Separate annual accounts under UK GAAP on the calendar year results are available to all the syndicate's members (see pages 20 to 36).

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

The syndicate commenced underwriting for the 2007 year of account. For 2007 and 2008 all its business was written by way of a 30% quota share of all US property catastrophe business (other than terrorism and retrocession business) written by Syndicate 2791. This cession was increased to 40% for the 2009 year of account, and reduced back to 30% for 2010.

The syndicate is charged a 5% ceding commission on all gross premiums written under the contract and an overriding commission of 1.5% of its capacity to cover Lloyd's levies and subscriptions. The syndicate does not pay any brokerage costs in respect of business ceded by Syndicate 2791. A profit commission of 15% of any underwriting profit is payable to the managing agent.

The syndicate retains all business net for its own account. The maximum exposure appetite is managed to 125% of capacity, after reinstatement premium, in any one of Lloyd's mandated Realistic Disaster Scenarios.

2007 Year of Account

Capacity £42.7 million

The 2007 year has closed with a profit of £17.4 million after all members' personal expenses, equivalent to 40.8% of stamp capacity, compared with the forecast range of 37% to 42%. The closing rate of exchange was US\$1.61:£1. The RITC is with Syndicate 2791; following the commutation of the quota share reinsurance contract there will be no outstanding residual liability.

Utilisation of capacity

The final utilisation was 50% at closing rates of exchange. There was no reinsurance spend.

Performance review

There were very few losses. The only matter for regret concerns the relatively low utilisation – a direct consequence of the cession percentage assumed from 2791.

2008 Year of Account Forecast

Our forecast range for the 2008 year of account is a profit of 7.5% to 12.5% on Stamp Capacity after all expenses.

Overview 2008 and 2009

Following two largely loss free years, 2008 came under sustained rating pressure, and we lost over 15% of our premium volume. In September 2008, Hurricane Ike caused some US\$18 billion of insured damage to Texas and the mid-west all the way up into Ohio. Our estimated ultimate losses for this event are US\$16.5 million, or a 54% loss ratio. Additionally the 2008 account is estimated to sustain a further US\$5.25 million of losses from Hurricane Gustav and various other catastrophic events. There are no live risks remaining.

As a result of this activity, coupled with the turmoil in the capital markets, we anticipated greatly increased opportunities in the US catastrophe market for 2009. The cession percentage from Syndicate 2791 was increased to 40% and some US\$49 million of volume has been written, with maximum capacity usage in all the key zones. Despite continued tornado/hail losses in the mid-west, the current incurred loss ratio is less than 10%, although there remains considerable risk until July.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

continued

Current Trading Conditions

Following a benign year, catastrophe excess of loss is again coming under rating pressure. Many clients are also using their own, strengthened balance sheets to retain more exposures net, raising retentions and increasing co-participations. Technical pricing is still largely adequate however, and we are tailoring the opportunities to fit with the reduced risk appetite of the syndicate.

The Future

Syndicate 6103 has proved to be a useful, accretive facility for the host Syndicate 2791, and profitable in its own right so far. As long as capital providers are willing, and the technical rate adequacy of the business continues, we would view the SPS mechanism as an intrinsic part of MAP's portfolio. The drop in capacity for 2010 was disappointing, although we recognise the dilutive effect of the rate of exchange being rebased from US\$1.99:1 in 2009 to US\$1.5:1. We are also cognisant that capital providers have a finite appetite for catastrophic risk, just as we do, although we would hope that our reputation for sound technical pricing coupled with Syndicate 2791's track record would encourage continued support.

Analysis of premium written by syndicate classification

	Gross written £'000	Net written £'000
Property reinsurance	17,344	17,344

Investment Return

The investment return for the period was £1.34 million. The average return on assets held over the last three years is 3.4%.

The syndicate operates on a funds withheld basis vis-à-vis Syndicate 2791, from which it accepts its business; the contract between the syndicates provides that the investment return receivable by Syndicate 6103 follows that achieved by Syndicate 2791 on its own funds, principally the Credit for Reinsurance Trust Fund in respect of the US Dollar balances. Where there have been creditors balances (arising out of sterling funds advanced on behalf of the syndicate), the contract specifies that the relevant month's six-month duration Treasury Bill rate plus 1.5% per annum be used.

The Effect of Exchange Rates on the Distribution Account

As these accounts are reported over the three consecutive years from 2007 the effect of the £:US Dollar exchange rate improving, then weakening, then improving again is a £2.81 million exchange gain.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

continued

2008 Year of Account Forecast

An estimate of the 2008 underwriting result as at 36 months is set out below:

	£'000
Stamp capacity	39,452
Gross premiums written	19,138
Net premiums written	19,138
Claims incurred – net of reinsurance	(13,487)
Net operating expenses	(957)
Investment return	635
Profit commission	(771)
Personal expenses	(191)
Estimate of profit for the year of account after personal expenses	4,367

Assumptions underlying the 2008 Estimated Result:

- (i) There will be no material reinsurance failures.
- (ii) Syndicate expenses, incurred in the calendar year 2010 to be charged to the 2008 year of account, will continue the pattern of previous years as refined by current budgets.
- (iii) Exchange rates at 31 December 2010 will not be materially different from those at 31 December 2009.
- (iv) Investment returns attributable to 2008 during 2010: Stg 2.5%, Can\$ 2.5%, Euro 2.5% and US\$ 2.5%.
- (v) Claims will be paid in line with our expected development patterns.

Summary of Closed Year of Account

	Note	2007
Syndicate allocated capacity (£m)		42.7
Number of Underwriting Members		1,028
Aggregate net premiums (£m)		17,344
Results for illustrative share of £10,000		%
Utilisation of capacity at premium income monitoring rates of exchange		45.5
Gross premiums written (% of illustrative share)		40.6
Net premiums (% of illustrative share)		40.6
Profit (% of gross premiums)		100.4
Results for illustrative share of £10,000		£
Gross premiums		4,062
Net premiums		4,062
Reinsurance to close from an earlier year of account		–
Net claims		(81)
Reinsurance to close		81
Underwriting profit		4,062
Acquisition costs		–
Other syndicate operating expenses, excluding personal expenses		(348)
Reinsurers' and profit commissions		–
Exchange movement on foreign currency translation		658
Net investment income		314
Illustrative personal expenses:		
Managing agent's fee		–
Profit commission		(606)
Other personal expenses		–
Profit after illustrative personal expenses and illustrative profit commission		4,080

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

continued

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

16 March 2010

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 ('the Lloyd's Regulations') require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December.

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 annual 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 annual 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 prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

to the Members of Syndicate 6103 – 2007 Closed Year of Account

We have audited the syndicate's underwriting year accounts for the 2007 year of account for the three years ended 31 December 2009, which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement, the related notes 1 to 18 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 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Managing Agent and 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 2008. 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 result of the 2007 closed year of account.

Kevin Senior (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP (Statutory Auditor)

London

16 March 2010

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the 2007 Closed Year of Account for the three years ended 31 December 2009

	Note	2007 £'000
Syndicate allocated capacity		42,696
Earned premiums net of reinsurance:		
Gross premiums written	3	17,344
Allocated investment return transferred from the non-technical account		1,343
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(345)
Reinsurance to close premium payable, net of reinsurance	4	343
Net operating expenses	6	(4,072)
Profit on exchange	10	2,809
Balance on the technical account – general business	9	17,422

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

for the 2007 Closed Year of Account for the three years ended 31 December 2009

	Note	2007 £'000
Balance on the general business technical account		17,422
Investment income	8	1,343
Allocated investment return transferred to general business technical account		(1,343)
Profit for the 2007 closed year of account		17,422

BALANCE SHEET

2007 Closed Year of Account as at 31 December 2009

	Note	2007 £'000
Assets		
Debtors	12	22,094
Other assets		
Other		–
Prepayments and accrued income		
Accrued interest		–
Prepayments and other accrued income		–
Total assets		22,094
Liabilities		
Amounts due to members	13	17,422
Reinsurance to close premiums payable to close the account – gross amount	5	85
Other creditors	14	4,587
Accruals and deferred income		–
Total liabilities		22,094

The financial statements on pages 11 to 18 were approved by the Board of Managing Agency Partners Limited on 16 March 2010 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

16 March 2010

CASH FLOW STATEMENT

for the 2007 Closed Year of Account for the three years ended 31 December 2009

	Note	2007 £'000
Net cash inflow from operating activities	15	–
Transfer to members in respect of underwriting participations		–
Cash flows were invested as follows:		
Increase in cash holdings	16	–
Increase in deposits		–
Net portfolio investment		–
Net investment of cash flows		–

NOTES TO THE ACCOUNTS

for the 2007 Closed Year of Account for the three years ended 31 December 2009

1. Basis of Preparation

These financial statements have been prepared under regulation 6 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) 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 2007'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.

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 2007 year of account which has been closed by reinsurance to close at 31 December 2009; consequently the balance sheet represents the assets and liabilities of the 2007 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. The syndicate has not purchased any reinsurance cover.

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

NOTES TO THE ACCOUNTS

continued

2. Accounting Policies *continued*

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.

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.

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 have been used in the preparation of these accounts.

	Year end rate 2009	2009	Average rates during 2008	2007
USD	1.61	1.57	1.85	2.00
CAD	1.69	1.78	1.96	2.15
EUR	1.13	1.12	1.26	1.46

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.

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

The syndicate's expenses are fixed under the reinsurance contract with Syndicate 2791 at 5% of written premium for ceding commission and 1.5% of capacity for overrider to cover Lloyd's Central Fund, Subscriptions and Managing Agency fees. These expenses are charged in line with written premium for ceding commission and in the first year for overrider.

NOTES TO THE ACCOUNTS

continued

2. Accounting Policies *continued*

Taxation

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

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

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

Profit commission

Profit commission is charged by the managing agent at a rate of 15% 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

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

The geographical destination of the reinsurance premiums is the USA.

4. Movement in Underwriting Reserves

	Reserves £'000	Exchange to closing rate £'000	Closing RITC £'000
2007 pure			
Change in three year period	343	(428)	(85)
Unallocated loss and loss adjustment expenses	–	–	–
	343	(428)	(85)

5. Reinsurance to Close Premium Payable

	2007 pure £'000
Gross and net outstanding claims	58
Provision for gross and net claims incurred but not reported	27
Unallocated loss and loss adjustment expenses	–
Net premium for reinsurance to close	85

The reinsurance to close is effected to the 2008 year of account of Syndicate 2791.

6. Operating Expenses

	£'000
Outwards profit commission	2,587
Other administrative expenses	1,485
Loss on exchange	–
	4,072

Other administrative expenses comprise Lloyd's subscriptions, central fund contributions and the ceding commission payable to Syndicate 2791 in accordance with the terms of the contract. All other syndicate expenses, including audit fees, are charged to and borne by Syndicate 2791 for which the syndicate is charged a ceding commission of 5% of gross premiums written. Personal expenses are also charged to Syndicate 2791 but these are covered by an equivalent charge of up to 1.5% of premium capacity.

NOTES TO THE ACCOUNTS

continued

7. Staff Numbers and Costs

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

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

8. Investment Return

	£'000
Investment income	1,343

9. Balance on Technical Account

All income and expenses relate to the 2007 year of account.

10. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	£'000
On 2007 balances brought forward: from opening to closing rates	2,843
On transactions during 2009: from average to year end rates	(34)
	2,809

11. Financial Investments

The syndicate does not hold any investments.

12. Debtors

	£'000
Arising out of direct insurance operations	–
Members' agents' fees advances	259
Inter-syndicate loans	469
Arising out of reinsurance operations	21,366
	22,094

13. Amounts Due to Members

	£'000
Profit for the 2007 closed year of account and amount due to members at 31 December 2009	17,422

14. Creditors

	£'000
Arising out of reinsurance operations	1,513
Profit commissions	3,074
Other	–
Inter year loan	–
	4,587

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

	£'000
Operating profit on ordinary activities for the closed year of account	17,422
Realised and unrealised investments losses including exchange movements	–
Net reinsurance to close payable	85
(Increase) in debtors, prepayments and accrued income	(22,094)
Increase in creditors, accruals and deferred income	4,587
Net cash inflow from operating activities	–

NOTES TO THE ACCOUNTS

continued

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

The syndicate has no portfolio investments and consequently there are no movements in cash, portfolio investments and financing.

17. Related Parties

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

The managing agent, MAP, is a wholly owned subsidiary of Managing Agency Partners Holdings Limited, the equity of which is 90.1% owned by MAP Equity Limited, a company that is 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, at 31 December 2009 were as follows:

	A Shares (voting)	B Shares (non-voting)
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, or their related parties, participate on syndicate 6103 via a dedicated, but unaligned to the managing agent, corporate member Nomina No. 208 LLP.

Nomina No. 208 LLP commenced underwriting on the 2007 year of account. For the 2007 year of account Nomina No. 208 LLP provided £396,155 of capacity on Syndicate 6103 representing 0.9% of capacity. MAP has no direct interest in the share capital of Nomina No. 208 LLP.

Profit commission of £3.1 million is due to MAP in respect of the profit of the 2007 closed year.

Syndicate 2791 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. That syndicate's participation on this fund is at arm's length and it was charged fees and profit commissions amounting to US\$1.4 million during 2009 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 on Syndicate 2791 through a corporate vehicle – the syndicate does not invest in this fund.

Messrs Shipley and Kong, directors of MAP, have interests in Steadfast International Limited of US\$1 million and US\$0.25 million respectively. These investments have been made on an arms length basis within their personal investment portfolios.

There are no other transactions or arrangements requiring disclosure.

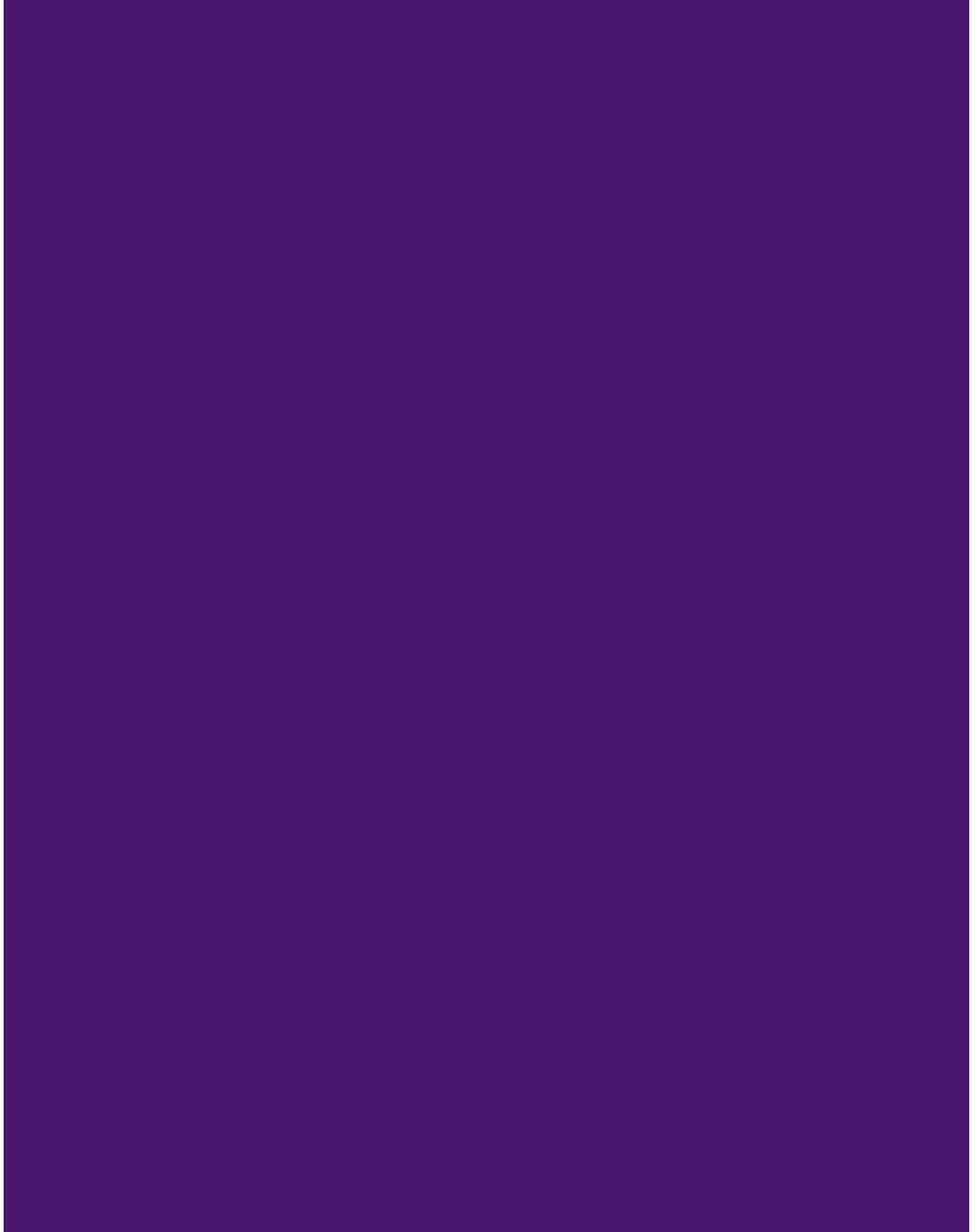
18. Contingent Liabilities

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 as required. The board of the managing agent considers each action carefully and appropriate provisions are made accordingly. There are no such provisions required at the year end.

SYNDICATE 6103

Annual Report and Financial Statements under UK GAAP
Year ended 31 December 2009



DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent

Managing Agency Partners Limited (MAP)

Directors

C E Dandridge (Non-executive)

J D Denoon Duncan

H R Dumas (Non-executive)

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

Registered Auditors

Ernst & Young LLP, London

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of the managing agent present their report for the year ended 31 December 2009.

The principal activity of the syndicate is that of writing reinsurance business.

This annual report is prepared using the annual basis of accounting as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations').

The syndicate commenced underwriting for the 2007 year of account. For 2007 and 2008 all its business is written by way of a 30% quota share, and for 2009 by way of a 40% quota share, of all US property catastrophe business (other than terrorism and retrocession business) written by Syndicate 2791.

The syndicate is charged a 5% ceding commission on all gross premiums written under the contract and an overriding commission of up to 1.5% of its capacity (1% of written premium for 2008 and 2009) to cover Lloyd's levies and subscriptions borne by Syndicate 2791. The syndicate does not pay any brokerage costs. A profit commission of 15% of any underwriting profit is payable to the managing agent. The syndicate retains all business net for its own account. The maximum exposure appetite is managed to 125% of capacity, after reinstatement premium, in any one of Lloyd's mandated Realistic Disaster Scenarios.

During 2009, the syndicate has accepted premiums amounting to £30.3 million (2008: £16.3 million) and paid ceding commission of £1,508,000 (2008: £817,000) and overriding commission of £287,000 (2008: £226,000) to Syndicate 2791. All the syndicate's funds are held by Syndicate 2791 which makes payments of liabilities on the syndicate's behalf. The syndicate has been credited with US\$2,023,000 (2008: US\$925,000) in respect of interest on funds held by Syndicate 2791 and has been charged £23,000 and EUR 3,000 (2008: £55,000 and EUR 15,000) in respect of net balances funded by Syndicate 2791. The rates of interest credited on credit balances to the syndicate are those achieved by Syndicate 2791 on its own funds and the rates charged on debit balances are relevant currency six month duration Treasury Bills rates +1.5%.

UNDERWRITER'S REPORT

A Review of the Calendar Year Result

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

The 2009 calendar year produced an annually accounted profit of £17.08 million (2008: £7.4 million) on earned premiums of £30.8 million (2008: £16.4 million). All the syndicate's business comprises US property catastrophe risks. The syndicate has exposure to losses arising from Hurricanes Gustav and Ike and these have been reserved at £2.3 million, excluding reinstatement premiums, part of total reserves of £11.0 million.

Movement on underwriting years of account during the 2009 calendar year

	2007 £'000	2008 £'000	2009 £'000	Total £'000	2008 £'000
Gross written premium	59	(798)	31,065	30,326	16,264
Net premium earned	422	1,170	29,195	30,787	16,367
Net claims incurred	500	(571)	(10,105)	(10,176)	(7,036)
Operating expenses	(235)	(73)	(4,493)	(4,801)	(2,367)
Investment income	694	285	290	1,269	433
Annual accounted profit	1,381	811	14,887	17,079	7,397
Currency translation differences	(1,962)	(424)	(373)	(2,759)	5,576
Total recognised gains and losses	(581)	387	14,514	14,320	12,973
As previously reported	18,003	3,703	–	21,706	8,733
Cumulative pure year result	17,422	4,090	14,514	36,026	21,706
Net annual accounting ratios:					
Claims ratio				33.1%	42.3%
Expense ratio				15.6%	14.5%
Combined ratio				48.7%	56.8%

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

continued

A Review of the Calendar Year Result *continued*

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

	2009	2008
	Gross and net written £'000	Gross and net written £'000
Property reinsurance	30,326	16,264

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

Current Trading Conditions

Following a benign year, catastrophe excess of loss is again coming under rating pressure. Many clients are also using their own, strengthened balance sheets to retain more exposures net, raising retentions and increasing co-participations. Technical pricing is still largely adequate however, and we are tailoring the opportunities to fit with the reduced risk appetite of the syndicate.

The Future

Syndicate 6103 has proved to be a useful, accretive facility for the host Syndicate 2791, and profitable in its own right so far. As long as capital providers are willing, and the technical rate adequacy of the business continues, we would view the SPS mechanism as an intrinsic part of MAP's portfolio. The drop in capacity for 2010 was disappointing, although we recognise the dilutive effect of the rate of exchange being rebased from \$1.99:1 in 2009 to \$1.5:1. We are also cognisant that capital providers have a finite appetite for catastrophic risk, just as we do, although we would hope that our reputation for sound technical pricing coupled with Syndicate 2791's track record would encourage continued support.

FINANCIAL REPORT

Investment Return

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

The investment return contributed £1.27 million (2008: £0.4 million) to the annual result.

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

Currency Translation Differences

Whilst virtually all of the syndicate's assets are held in United States Dollars the results are published in Sterling. The result of this is that changes in the £:US Dollar exchange rate can alter the reported Sterling results. However, capital providers receive distributions in US Dollars only, therefore the accounting exchange loss booked (or the profit, as last year) has no effect on the distributions to capital providers.

The accounting exchange loss for the year is £2.76 million (2008: profit £5.58 million). This principally reflects the US Dollar weakening against Sterling from the opening rate of 1.44 to the current year end rate of 1.61.

Reinsurance

The syndicate does not purchase any reinsurance protections.

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.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

continued

Principal Risks

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

Insurance risk

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

Underwriting strategy is agreed by the Board and set out in the Syndicate Business Plan which is submitted to Lloyd's each year. Processes are in place to identify, quantify and manage aggregate exposures and technical prices within each of our underwriting classes. Reinsurance 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 brokers to settle their debts as they fall due.

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 all our premiums and claims are settled in currencies other than sterling. Our reported financial results are denominated in sterling and are therefore affected by the exchange rate against sterling of our main currency assets (USD, EUR and CAD). The syndicate will settle its surplus assets in 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.

Operational risk

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

Regulatory risk

The agency is required to comply with the requirements of the Financial Services Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The agency has a compliance officer who monitors regulatory developments and assess the impact on agency policy. She is supported by two assistants who carry out a compliance monitoring programme.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

continued

CORPORATE GOVERNANCE

Directors and Directors' Interests

The Directors of the managing agent who served during the year ended 31 December 2009 together with their participations on the syndicate were as follows:

	2009 year of account £'000	2008 year of account £'000
C E Dandridge	–	–
J D Denoon Duncan ⁽¹⁾	6	4
H R Dumas (Non executive)	30	30
A S Foote (Non executive) ⁽²⁾	–	–
A Kong ⁽¹⁾	32	30
B S McAuley ⁽¹⁾	18	18
D E S Shipley (Non executive Chairman) ⁽¹⁾	134	164
C Smelt ⁽¹⁾	31	29
R J Sumner ⁽¹⁾	15	15
R K Trubshaw (Active Underwriter) ⁽¹⁾	295	137

(1) Participate via Nomina No. 208 LLP, an unaligned corporate member.

(2) 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 2009 year of account of the syndicate was £39,425,687 (2008: £39,452,452).

Reappointment of Auditors

Ernst & Young LLP have indicated their willingness to continue in office as the syndicate's auditors.

Disclosure of Information to the Auditors

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

Annual General Meeting

As permitted under the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000) MAP does not propose holding a Syndicate Annual General Meeting of the members of the Syndicate.

Members may object to this proposal or the intention to reappoint the auditors within 21 days of the issue of these accounts. Any such objection should be addressed to B S McAuley, Compliance Director at the registered office of Managing Agency Partners Limited.

By order of the Board

R K Trubshaw

Active Underwriter

Managing Agency Partners Limited

London

16 March 2010

B S McAuley

Secretary

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

to the Members of Syndicate 6103

We have audited the syndicate's annual accounts for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 21. These 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 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Managing Agent and Auditors

As described in the Statement of Managing Agent's Responsibilities the managing agent is responsible for the preparation of the annual accounts in accordance with applicable United Kingdom law and Accounting Standards.

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 of the state of the syndicate's affairs as at 31 December 2009 and of its profit for the year then ended; have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and have been properly prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We also report to you whether in our opinion the information given in the Managing Agent's Report 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 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 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 of the state of the syndicate's affairs as at 31 December 2009 and of its profit for the year then ended;
- the annual accounts have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the annual accounts have been properly prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008; and
- the information given in the Managing Agent's Report is consistent with the annual accounts.

Kevin Senior (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP (Statutory Auditor)

London

16 March 2010

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2009

	Note	£'000	2009 £'000	£'000	2008 £'000
Earned premiums, net of reinsurance					
Gross premiums written	3		30,326		16,264
Change in the provision for unearned premiums:					
Gross amount			461		103
Earned premiums, net of reinsurance					
Allocated investment return transferred from the non-technical account					
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	3	(4,768)		(6,933)	
Change in the provision for claims					
Gross amount	3	(5,408)		(103)	
Claims incurred, net of reinsurance					
Ceding and overriding commission	5	(1,795)	(10,176)	(1,043)	(7,036)
Administrative expenses	5	(3,006)		(1,324)	
Net operating expenses					
Balance on the technical account for general business					
17,079					
7,397					

All operations are continuing.

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Balance on the general business technical account		17,079	7,397
Investment income	7	1,269	433
Allocated investment return transferred to general business technical account		(1,269)	(433)
Profit for the financial year		17,079	7,397

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Profit for the financial year		17,079	7,397
Exchange difference on foreign currency translation	9	(2,759)	5,576
Total recognised gains and losses since the last annual report		14,320	12,973

BALANCE SHEET ASSETS

at 31 December 2009

	Note	£'000	2009 £'000	£'000	2008 £'000
Investments					
Financial investments			-		-
Debtors					
Debtors arising out of reinsurance operations	10	70,804		46,087	
Other debtors	11	1,392		595	
			72,196		46,682
Other assets					
Other			-		-
Prepayments and accrued income					
Accrued interest		-		-	
Other prepayments and accrued income		-		-	
			-		-
Total assets			72,196		46,682

BALANCE SHEET LIABILITIES

at 31 December 2009

	Note	£'000	2009 £'000	£'000	2008 £'000
Capital and reserves					
Members' balances	12		36,026		21,706
Technical provisions					
Provision for unearned premiums		1,830		2,541	
Claims outstanding	4	11,029		6,435	
			12,859		8,976
Creditors					
Creditors arising out of reinsurance operations	13	16,378		11,468	
Other creditors	14	6,933		4,532	
			23,311		16,000
Accruals and deferred income					
			-		-
Total liabilities			72,196		46,682

The financial statements on pages 27 to 36 were approved by the Board of Managing Agency Partners Limited on 16 March 2010 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

16 March 2010

CASH FLOW STATEMENT

for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Net cash inflow from operating activities	15	–	–
Transfer to members in respect of underwriting participations:			
Continuous solvency transfer		–	–
Profits distributed		–	–
		–	–
Cash flows were invested as follows:			
Increase in cash holdings		–	–
Increase in deposits		–	–
Net portfolio investment	16	–	–
Net investment of cash flows		–	–

NOTES TO THE ACCOUNTS

for the year ended 31 December 2009

1. Basis of Preparation

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, 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 inception during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Premiums 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

The syndicate is not charged with acquisition costs.

Claims provisions

Claims paid comprise claims and claims 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.

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 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.

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.

NOTES TO THE ACCOUNTS

continued

2. Accounting Policies *continued*

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

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

	2009		2008	
	Year end	Average	Year end	Average
USD	1.61	1.57	1.44	1.85
CAD	1.69	1.78	1.77	1.96
EUR	1.13	1.12	1.03	1.26

Investments

The syndicate does not hold any investments.

Investment return

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

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

Allocation of investment return

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

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.

NOTES TO THE ACCOUNTS

continued

2. Accounting Policies *continued*

Profit commission

Profit commission is charged by the managing agent at a rate of 1.5%. This is charged to the syndicate as incurred on an earned basis but does not become payable until after the appropriate year of account closes, normally at 36 months.

3. Segmental Analysis

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

The geographical destination of premiums is the USA.

4. Claims Outstanding

	2009 £'000	2008 £'000
Gross outstanding claims	2,658	3,910
Provision for gross claims incurred but not reported	8,371	2,525
Unallocated loss and loss adjustment expenses	–	–
Reserves	11,029	6,435

5. Administrative Expenses

All syndicate expenses, including audit fees, are charged to and borne by Syndicate 2791 for which the syndicate is charged a ceding commission of 5% of gross premiums written. Personal expenses, which are charged to Syndicate 2791 are covered by an overriding commission of up to 1% of capacity.

A profit commission of 15% of profits for each Underwriting Year of Account is payable to the managing agent.

6. Staff Numbers and Costs

All staff are employed by the managing agent. No recharge of salaries for staff or in respect of directors' remuneration is made specifically to the syndicate – all such charges are made to Syndicate 2791 and covered by the ceding commission as set out in note 5 above.

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

7. Investment Return

	2009 £'000	2008 £'000
Investment income	1,269	433

8. Calendar Year Investment Yield

	2009 £'000	2008 £'000
Average syndicate funds available for investment	36,775	19,224
Investment return	1,269	433
Analysis of calendar year investment yield by currency		
United States Dollars	3.4%	2.5%
Canadian Dollars	0.6%	3.4%
Euros	1.8%	(18.3%)
Combined	3.4%	2.3%

The syndicate borrowed sterling to cover its sterling expenses and interest was paid at an average rate of 1.9% (1.5% over six month duration Treasury Bills) (2008: 7%) during the year.

NOTES TO THE ACCOUNTS

continued

9. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	2009 £'000	2008 £'000
On balances brought forward: from opening to year end rates	(2,332)	3,426
On transactions during 2009: from average to year end rates	(427)	2,150
	(2,759)	5,576

10. Debtors Arising out of Reinsurance Operation

Of the debtors arising out of reinsurance operations £21,366,000 (2008: £46,087,000) are due after one year and £49,438,000 (2008: £nil) are due within one year.

11. Other Debtors

	2009 £'000	2008 £'000
Members' agents fees funded		
Due within one year	259	–
Due within one year	664	595
Inter-syndicate loans	469	–
	1,392	595

12. Reconciliation of Members' Balances

	2009 £'000	2008 £'000
Members' balances brought forward at 1 January	21,706	8,733
Profit for the financial year	17,079	7,397
Exchange rate difference – transfer from the Statement of Recognised Gains and Losses	(2,759)	5,576
Members' balances carried forward at 31 December	36,026	21,706

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.

13. Creditors Arising out of Reinsurance Operation

Of the creditors arising out of reinsurance operations £1,512,000 (2008: £11,468,000) are due after one year and £14,866,000 (2008: £nil) are due within one year.

14. Other Creditors

	2009 £'000	2008 £'000
Due within one year		
Profit commissions	3,074	–
	3,074	–
Due after one year		
Profit commissions	3,283	3,831
Inter-syndicate loans	576	701
	3,859	4,532

NOTES TO THE ACCOUNTS

continued

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

	2009 £'000	2008 £'000
Operating profit on ordinary activities	17,079	7,397
Increase in technical provisions	3,882	2,481
(Increase) in debtors	(25,514)	(29,283)
Increase in creditors	7,312	13,829
Exchange differences on foreign currency translation	(2,759)	5,576
Movement on members' balances	–	–
Net cash inflow from operating activities	–	–

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

The syndicate has no portfolio investments and consequently there are no movements in cash, portfolio investments and financing.

17. Related Parties

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

During 2009, the following transactions between the syndicates occurred:

	2009 £'000	2008 £'000
Premiums receivable	30,326	16,264
Paid claims	(4,768)	(6,933)
Ceding commission	(1,508)	(817)
Override commission	(287)	(226)
Net interest received	1,269	433

Profit commission of £3,006,000 (2008: £1,324,000) is due to the managing agent in respect of the results for this calendar year.

MAP is a wholly owned subsidiary of Managing Agency Partners Holdings Limited, the equity of which is 90.1% owned by MAP Equity Limited, a company that is 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 2009, were as follows:

	A Shares (voting)	B Shares (non-voting)
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 Shipley, Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Ms McAuley, or their related parties, participate on Syndicate 6103 via a dedicated, but unaligned to the managing agent, corporate member, Nomina No. 208 LLP. Nomina No. 208 LLP commenced underwriting on the 2007 year of account. For the 2009 year of account Nomina No. 208 LLP provided £530,970 (2008: £396,155) of capacity on Syndicate 6103 representing 1.3% (2008: 1.0%) of capacity. MAP has no direct or indirect interest in Nomina No. 208 LLP.

NOTES TO THE ACCOUNTS

continued

17. **Related Parties** *continued*

Profit commission of £3.0 million is due to MAP in respect of the profit of 2009 (2008: £1.3 million).

Syndicate 2791 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. That syndicate's participation on this fund is at arm's length and it was charged fees and profit commissions amounting to US\$1.4 million during 2009 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 on Syndicate 2791 through a corporate vehicle – the syndicate does not invest in this fund.

Messrs Shipley and Kong, directors of MAP, have interests in Steadfast International Limited of US\$1 million and US\$0.25 million respectively. These investments have been made on an arms length basis within their personal investment portfolios.

There are no other transactions or arrangements requiring disclosure.

18. **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.

19. **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 are made as required. The board of the managing agent considers each action carefully and appropriate provisions are made accordingly. There are no such provisions required at the year end.

20. **Post Balance Sheet Event**

In accordance with the reinsurance contract with Syndicate 2791, the 2007 Year of Account will be commuted and an RITC effected with Syndicate 2791 and the reserves carried for the 2007 Year of Accounting (amounting to £85,000) transferred to that syndicate in 2010.

21. **Off-Balance Sheet Items**

The syndicate has not been party to any arrangement which is not reflected in its balance sheet.

MAP Managing Agency Partners Ltd
Syndicate 6103 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



Recycled
Supporting responsible
use of forest resources

Cert no. TT-COC-002228
www.fsc.org
©1996 Forest Stewardship Council

Produced by Royle Print

.....
CarbonNeutral® printing company