Beazley Furlonge Limited | Syndicate 6107 at Lloyd's
Annual report 2013

The Cuthbert Heath Award
2013 Winner
For excellence in claims service

Premier Partner of BRITISH FENCING

Contents

Highlights

	2013	2012
Syndicate capacity (£'000)	18,381.5	10,152.6
Gross premiums written ($'000)	29,033.1	14,508.0
Earned premiums, net of reinsurance ($'000)	22,008.0	11,065.3
Profit for the financial year ($'000)	**7,879.4**	**1,962.7**
Claims ratio	40%	60%
Expense ratio	21%	24%
Combined ratio	61%	84%

Strategic report of the managing agent

Overview

Syndicate 6107 continued to write a share of the property reinsurance business written by syndicates 623 and 2623 in 2013 following its establishment in 2010.

For 2013 total managed premium capacity for Beazley Furlonge Limited was £1,408.1m (2012: £1,318.1m), which includes £15.0m, £125.0m and £18.4m for 3622, 3623 and 6107 respectively. Syndicate 623 contributed £224.7m and Beazley plc, through syndicate 2623, the remaining £1,025.0m. Syndicate 6107 has achieved a profit for the year ended 31 December 2013 of $7,879.4k.

Year of account results

Despite the natural catastrophe activity during the year, the 2011 underwriting year declares a profit of $2,357.0k, representing a return on capacity of 10.1%. The 2012 underwriting year, while impacted by superstorm Sandy in December 2012, continues to develop well and currently forecasts a return on capacity of 28%.

Rating environment

New entrants to the reinsurance market have led to an increasingly competitive rating environment, particularly in the US. Following rate increases in 2011 and 2012, the syndicate experienced a decrease of 3% (2012: an increase of 5%) on premium rates on renewal business in 2013.

Combined ratio

The combined ratio of an insurance entity is a common measure of its operating performance and represents the ratio of its total costs (excluding foreign exchange movements) to total premium income. The syndicate's combined ratio for 2013 was 61% (2012: 84%). Within the combined ratio, the claims ratio was 40%, while the expense ratio made up 21%.

Claims

Overall, claims have developed favourably during 2013. Losses to date on the 2013 underwriting, including the floods in Europe and Calgary, have been within our catastrophe margin. In keeping with our reserving philosophy, we will not start to review catastrophe margins on the 2013 underwriting year until mid 2014.

The syndicate also benefitted from prior year releases of $5,166.1k.

Net operating expenses

Net operating expenses, including business acquisition costs and administrative expenses were $5,224.7k (2012: $2,482.7k). The breakdown of these costs is shown below:

	2013 $'000	2012 $'000
Brokerage costs	3,535.4	1,992.1
Total acquisition costs	**3,535.4**	**1,992.1**
Administrative expenses	1,689.3	490.6
Net operating expenses	**5,224.7**	**2,482.7**

Brokerage costs are the premium commissions paid to insurance intermediaries for providing business. As a percentage of net earned premium they are approximately 16% (2012: 18%). Brokerage costs are deferred and expensed over the life of the associated premiums in accordance with accounting guidelines. Administrative expenses comprise primarily IT costs, facilities costs, Lloyd's central costs and other support costs (including foreign exchange gains and losses). While expenses have grown significantly when compared to 2012 this growth is in line with the overall growth in premium. The expense ratio for 2013 is 21% (2012: 22%).

Reinsurance

In 2013, the amount spent on reinsurance was $4,125k (2012: $3,000k). This growth in reinsurance spend was driven by the growth in gross written premium during the year.

Reinsurance is purchased for a number of reasons:
- to mitigate the impact of catastrophes such as hurricanes;
- to enable the syndicate to write large or lead lines on risks we underwrite; and
- to manage capital to lower levels.

We have continued to purchase a level of reinsurance which reduces our net exposures, particularly where commercially beneficial terms are available.

Individual capital assessment

The syndicate is required to produce an individual capital assessment (ICA) which sets out the amount of capital that is required to reflect the risks contained within the business. Lloyd's reviews this assessment to ensure that ICAs are consistent across the market.

The current capital assessment has been established using our Solvency II internal model which has been run within the ICA regime as prescribed by Lloyd's. In order to determine the capital assessment, we have made significant investments in both models and process:
- we use sophisticated mathematical models that reflect the key risks in the business allowing for probability of occurrence, impact assessment, and interaction between risk types. A key focus of these models is to understand the risk posed to individual teams, and to the business as a whole, of a possible deterioration in the underwriting cycle; and
- the ICA process is embedded so that the teams can see the direct and objective link between underwriting decisions and the capital allocated to that team. This gives a consistent and comprehensive picture of the risk reward profile of the business and allows teams to focus on strategies that improve return on capital.

Solvency II

Beazley has set two guiding principles for Solvency II, namely:
- to develop a framework that can be used to inform management and assist with business decision making; and
- to hold an appropriate and efficient level of capital for the agreed risk appetite through risk identification and mitigation.

During 2013, Beazley has continued to embed the principles of Solvency II and the use of our internal model in our business. As well as providing the basis for Lloyd's capital setting, our internal model is used extensively to inform risk management, capital allocation and decision making both on a routine and an ad hoc basis. In December, Lloyd's confirmed that it assesses us as continuing to meet the principles of Solvency II as currently drafted.

Following the provisional agreement that has been reached between the European Parliament, the European Commission and the European Council on the Omnibus II Directive, we now look forward with a greater degree on certainty to the recently revised implementation date for Solvency II of 1 January 2016. The European Insurance and Occupational Pensions Authority's guidelines for the preparation of Solvency II provide for a lead in to implementation over the next two years. The work which we have already done in our programme to date leaves us well placed to respond to this final phase of Solvency II preparation.

Outlook

The 2012 underwriting year continues to develop well. The 2013 underwriting year has achieved premium growth and has only moderate exposure to the 2013 European floods and hailstorms. Whilst rates on renewal business continue to fall from historic highs, particularly in the US market, we believe that our offices in Munich, Singapore and Miami give the syndicate good access to a diverse geographic spread of business beyond that which may come through Lloyd's. The syndicate capacity for 2014 is £21.1m (2013: £18.4m).

N P Maidment
Active Underwriter

12 March 2014

Managing agent's report

The managing agent presents its report for the year ended 31 December 2013.

These annual accounts have been prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Principal activity

The principal activity of syndicate 6107 is the transaction of property reinsurance business with syndicates 623 and 2623 at Lloyd's.

Risk management philosophy

Beazley's risk management philosophy is to balance the risks the business takes on with the associated cost of controlling these risks, whilst also operating within the risk appetite agreed by the board. In addition, our risk management processes are designed to periodically monitor our risk profile against risk appetite and to exploit opportunities as they arise.

Risk governance and reporting

Beazley Furlonge Limited's board of directors has the responsibility for defining and monitoring the risk appetite within which Beazley Furlonge Limited and the syndicates operate, with key individuals and committees accountable for day-to-day management of risks and controls. Regular reporting by the risk management team in board meetings and senior management committees ensures that risks are monitored and managed as they arise.

2013 in review

We have now been using the revised risk management framework for four years and, supported by a comprehensive training programme, the framework has become part of usual business activity. The risk management function has also remained stable and at full capacity during 2013 and has supported the operation of the framework through facilitation, challenge and the provision of timely risk information. It is by embedding an effective risk management culture throughout the managing agency, underpinned by a robust risk management framework that we can anticipate and plan for our future challenges.

A robust risk assessment is an important cornerstone of the framework. The risks and opportunities in the insurance environment have not changed significantly in 2013, and for this reason neither has our risk management strategy of maintaining a diversified portfolio of insurance risks, executing on our cycle management expertise, employing a conservative investment strategy and operating a robust underwriting and claims control environment. The top three risks to the syndicate have remained relatively static, and are common to many of our peers. These are underwriting and reserving risks (specifically, systematically mispricing across a number of years), catastrophe risk and market risk.

Members of the Beazley Furlonge Limited board met in May 2013 and, amongst other topics, discussed emerging and strategic risks. These were summarised into five categories, namely; socio-political risks, market conditions, distribution, talent and regulation. Developments in these areas, along with activity undertaken by Beazley, have been reported in the quarterly Own Risk and Solvency Assessment (ORSA) report throughout the year.

The quarterly ORSA has been a feature at Beazley boards since 2010 and has become a valuable tool for the directors to understand current and prospective risks and capital requirements, and has helped the board steer the strategic direction of the syndicate.

Another report that has developed into a valuable risk management tool is the risk management report to the group remuneration committee. In this report, the design of the remuneration structure is reviewed from a risk perspective to test that it does not inadvertently reward inappropriate behaviour. The remuneration related calculations are also reviewed to confirm they are in line with the remuneration policy in light of the risk taken and results produced.

During 2013, the board performed a review of Beazley's product led operational structure from a risk perspective and has confirmed that it remains appropriate. The board also reviewed the oversight of Beazley's global offices in the context of a product led, rather than a geographical, operational structure. Although some enhancements were introduced subsequent to the review, the board has confirmed that this governance framework is operating in line with expectations.

Whilst the risk and capital teams were brought together in 2010 to better align risk assessment and risk quantification to drive improvements in decision making, Beazley's internal model has been used extensively by the business since it was introduced in 2004. In 2013, the internal model has been used to optimise further the reinsurance structure and to assess the appropriateness of natural catastrophe model changes and how the risk budget should be adjusted. Beazley's internal model continues to be tested by an independent and external validator and the results of that work have been reported to the relevant boards within the validation report.

Risk training continues to be provided to the business with a tiered educational programme. In 2013, the second e-learning module, which is a scenario based approach to considering risk issues, was completed by all employees.

As in previous years, members of the risk management department have visited most Beazley offices to meet with members of staff. A theme from these office visits is that there is a consistent Beazley culture across the organisation within which the careful consideration of risk and reward is an important part. These risk behaviours have been a substantial ingredient in the syndicate's performance in 2013.

Risk management strategy

The board of Beazley Furlonge Limited has delegated the oversight of the risk management department to the executive committee, which in turn has delegated immediate oversight to the risk and regulatory committee.

Clear roles, responsibilities and accountabilities are in place for the management of risks and controls, and all employees are aware of the role they play in all aspects of the risk management process, from identifying sources of risk to their part in the control environment. The impact of each risk is recorded in the risk register on a 1:10 likelihood of that risk manifesting in the next 12 months. A risk owner has been assigned responsibility for each risk, and it is the responsibility of that individual to periodically assess the impact of the risk and to ensure appropriate risk mitigation procedures are in place. External factors facing the business and the internal controls in place are continually reassessed and changes are made when necessary. On an annual basis, the board agrees the risk appetite and this is documented in the risk framework document. The value of the residual financial impact is managed in a number of ways, including:
- mitigating the impact of the risk through the application of controls;
- transferring or sharing risk through outsourcing and purchasing insurance and reinsurance; and
- tolerating risk in line with the risk appetite.

In addition, we have adopted the following risk management principles:
- risk management is a part of the wider governance environment;
- techniques employed are fit for purpose and proportionate to the business;
- risk management is a core capability for all employees;
- risk management is embedded in day to day activities;
- there is a culture of risk awareness, in which risks are identified, assessed and managed;
- risk management processes are robust and supported by verifiable management information; and
- risk management information and reporting is timely, clear, accurate and appropriately escalated.

Managing the cycle

Market cycle risk is characterised by the periodic rise and fall in reinsurance prices and is driven largely by changes in supply and demand rather than the actual cost of cover. The cycle varies between a soft market where insurance is readily available and premium rates fall as a result of increased competition and a hard market, where clients find insurance coverage more difficult to obtain and rates rise and terms and conditions become more restrictive. Our focus on managing market cycle risk lies at the heart of our underwriting philosophy and this is demonstrated by our strong and consistent trading record.

On a day to day basis, market cycle risk is managed in the following ways:
- business planning – transitioning the portfolio of business to ensure a sufficiently diverse range of good quality products, whose profitability is aligned to the correct position in the cycle. During a hard market we maximise profits by targeting growth on the best opportunities available and in a soft market we focus our portfolio on less volatile areas;
- cascaded peer review and underwriter challenge – monitoring of individual risks against limits allocated to each underwriter and performing a 'second pair of eyes' check to ensure that there is sufficient oversight of the whole portfolio and that it remains in line with the business plan;
- rate adequacy and benchmark pricing – quantitative monitoring of risks to ensure that we are charging appropriate premiums for the risks we are taking; and
- reserving – having a clear view of the underlying profitability of individual products with transparent links to capital allocation.

Catastrophe risk

Catastrophe risk is assessed both in terms of modelled losses and the risk of losing more than expected through poor exposure management. Our portfolio is analysed for classes of business where accumulations of losses can result from a single or a series of large catastrophic events.

Managing agent's report *continued*

Catastrophe risk is managed through:
- risk appetite setting and monitoring of exposures – risk appetite limits are defined in the business planning process and set by the board and calculated on a probabilistic basis using catastrophe models. We acknowledge the uncertainty present within these models and therefore also monitor deterministic output using Lloyd's realistic disaster scenarios (RDS) and our aggregate position to stress test our book. Risk appetite is set based upon the impact on earnings and capital, whilst being mindful of potential opportunities that exist following the event; and
- individual risk monitoring – in certain classes of business we model the impact of individual property locations to our overall exposure prior to quoting to ensure we are not creating accumulations of risk and to ensure we are receiving an appropriate minimum premium on catastrophe exposed business.

Asset risk
Asset risk is limited given the cash or cash equivalent nature of the assets held.

Liquidity risk
Liquidity risk is the risk that we do not have sufficient financial resources to meet our obligations as they fall due. Strategically, we seek to maintain sufficient liquid assets or assets that can be liquidated at short notice and without capital loss to meet our expected cash flow requirements. Our RDS are stress tested on a regular basis.

Credit risk
Credit risk arises from the failure of another party to perform its financial or contractual obligations for the syndicate in a timely manner. The primary sources of credit risk for the syndicate are:
- reinsurers – whereby reinsurers may fail to pay valid claims against a reinsurance contract held by the syndicate; and
- cash and cash equivalents.

Our exposure to credit risk is mitigated by vetting of all of our key counterparties before trading with them. Performance is closely monitored and managed through our committee structure.

Operational risk
Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or from external events.

We actively manage operational risks and minimise them where appropriate by implementing and communicating guidelines to staff and other third parties. The impact of control failure is quantified and compared to the effectiveness of these controls to allow us to see where our attention should be focussed. The quantitative impact of operational risk, and those controls designed to mitigate those risks, are captured in the capital modelling process so that there is a clear link between operational risk and its financial impact on the business.

Directors
A list of directors of the managing agent who held office during the year can be found on page 17 of these syndicate annual accounts.

Disclosure of information to the auditor
The directors of the managing agent who held office at the date of approval of this managing agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the syndicate's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the syndicate's auditor is aware of that information.

Auditor
Our auditor, KPMG Audit Plc has instigated an orderly wind down of business. The managing agent's board has decided to put KPMG LLP forward to be appointed as auditors and the resolution concerning their appointment will be put forward for approval at the forthcoming board meeting of the managing agent.

By order of the board

M L Bride
Finance Director

12 March 2014

Statement of managing agent's responsibilities

The managing agent is responsible for preparing the syndicate annual report and 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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice). The syndicate 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 directors of the managing agent are required to:
- select suitable accounting policies and then apply them consistently, subject to the changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate annual accounts; and
- prepare the syndicate 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 that 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 UK governing the preparation and dissemination of the syndicate annual accounts may differ from legislation in other jurisdictions.

By order of the board

M L Bride
Finance Director

12 March 2014

Independent auditor's report to the members of syndicate 6107

We have audited the syndicate 6107 annual accounts for the year ended 31 December 2013, as set out on pages 9 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of the managing agent and the auditor

As explained more fully in the statement of managing agent's responsibilities set out on page 7, the managing agent is responsible for the preparation of syndicate annual accounts which give a true and fair view. Our responsibility is to audit, and express an opinion on, the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on syndicate 6107 annual accounts

In our opinion the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

In our opinion the information given in the managing agent's report for the financial year in which the annual accounts are prepared is consistent with the annual accounts.

Matters on which we are required to report by exception

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

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

Stuart Crisp
Senior Statutory Auditor
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

12 March 2014

Profit and loss account

year ended 31 December 2013

	Notes	2013 $'000	2012 $'000
Gross premiums written		29,033.1	14,508.0
Outward reinsurance premiums		(4,125.0)	(3,000.0)
Net premiums written		**24,908.1**	**11,508.0**
Change in the gross provision for unearned premiums	9	(2,911.2)	(442.7)
Change in the provision for unearned premiums, reinsurers' share	9	11.1	–
Change in the net provision for unearned premiums		(2,900.1)	(442.7)
Earned premiums, net of reinsurance		**22,008.0**	**11,065.3**
Allocated investment return transferred from the non-technical account		196.3	43.9
Gross claims paid		(8,369.9)	(9,638.1)
Reinsurers' share of claims paid		–	–
Claims paid net of reinsurance		(8,369.9)	(9,638.1)
Change in the gross provision for claims	9	(1,541.4)	2,875.6
Change in the provision for claims, reinsurers' share	9	1,123.5	98.7
Change in the net provision for claims		(417.9)	2,974.3
Claims incurred, net of reinsurance		**(8,787.8)**	**(6,663.8)**
Net operating expenses	3	**(5,224.7)**	**(2,482.7)**
Balance on the technical account		**8,191.8**	**1,962.7**
Investment income	4	196.3	43.9
Allocated investment return transferred to general business technical account		(196.3)	(43.9)
Other charges	5	(312.4)	–
Profit for the financial year		**7,879.4**	**1,962.7**

All of the above operations are continuing.

Statement of total recognised gains and losses

year ended 31 December 2013

	2013 $'000	2012 $'000
Profit for the financial year	7,879.4	1,962.7
Foreign exchange (loss)/gain on brought forward reserves	(11.2)	345.0
Total recognised gains since last annual report	**7,868.2**	**2,307.7**

Balance sheet
as at 31 December 2013

	Notes	2013 $'000	2012 $'000
Assets			
Reinsurers' share of technical provisions			
Provision for unearned premiums, reinsurers' share	9	11.1	–
Claims outstanding, reinsurers' share	9	1,149.1	67.1
		1,160.2	**67.1**
Debtors			
Debtors arising out of reinsurance operations		7,603.7	3,515.7
Other debtors	6	29,590.3	27,472.0
		37,194.0	**30,987.7**
Deferred acquisition costs		**1,077.0**	**499.3**
Cash at bank and in hand	7	**621.9**	**–**
Total assets		**40,053.1**	**31,554.1**
Liabilities, capital and reserves			
Capital and reserves			
Members' balances attributable to underwriting participations	8	8,514.3	2,456.1
		8,514.3	**2,456.1**
Technical provisions			
Provision for unearned premiums	9	6,463.0	3,501.0
Claims outstanding	9	25,075.8	22,596.8
		31,538.8	**26,097.8**
Creditors			
Creditors arising out of reinsurance operations		–	3,000.0
Other creditors		–	0.2
		–	**3,000.2**
Total liabilities, capital and reserves		**40,053.1**	**31,554.1**

The syndicate annual accounts on pages 9 to 17 were approved by the board of Beazley Furlonge Limited on 12 March 2014 and were signed on its behalf by:

N P Maidment
Active Underwriter

M L Bride
Finance Director

Cash flow statement

year ended 31 December 2013

	2013 $'000	2012 $'000
Reconciliation of profit for the year to net cash flow from operating activities		
Profit for the financial year	7,879.4	1,962.7
Increase/(decrease) in net technical provisions	4,347.9	(2,736.3)
Increase in debtors	(6,784.0)	(13,365.3)
(Decrease)/increase in creditors	(3,000.2)	3,000.2
Net cash flow from operating activities	**2,443.1**	**(11,138.7)**
Transfer to member in respect of underwriting participations	(1,810.0)	–
Cash call received from members	–	11,084.0
Translation difference	(11.2)	(54.7)
	621.9	**–**
Cash flows were invested as follows:		
Increase in cash holdings	621.9	–
Net investment of cash flows	**621.9**	**–**

Notes to the syndicate annual accounts

1 Accounting policies

Basis of preparation

These syndicate annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the Regulations') and applicable Accounting Standards in the United Kingdom. They comply with the Statement of Recommended Practice on accounting for Insurance Business issued by the Association of British Insurers in December 2006 ('the ABI SORP').

The principal accounting policies applied in the preparation of these syndicate annual accounts are set out below. All amounts presented are stated in US dollars, being the syndicate's functional currency, and in thousands, unless noted otherwise.

Use of estimates and judgements

The preparation of syndicate annual accounts requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the syndicate annual accounts are described in this statement of accounting policies.

The most critical estimate included within the syndicate's financial position is the estimate for losses incurred but not reported. The total estimate as at 31 December 2013 is included within claims outstanding in the balance sheet.

The syndicate annual accounts have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

a) Premiums

Gross premiums written represent premiums on business commencing in the financial year together with adjustments to premiums written in previous accounting periods and estimates for premiums from contracts entered into during the course of the year. Gross premiums written are stated before deduction of brokerage, taxes, duties levied on premiums and other deductions.

b) Unearned premiums

The provision for unearned premiums comprises the proportion of premiums written which is estimated to be earned in the following or subsequent financial periods, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

c) Claims

Claims incurred represent the cost of claims and claims handling expenses paid during the financial year, together with the movement in provisions for outstanding claims, claims incurred but not reported (IBNR) and future claims handling provisions. Reinsurance recoveries are accounted for in the same period as the incurred claims for the related business.

The provision for claims comprises amounts set aside for claims advised and IBNR. The IBNR amount is based on estimates calculated using widely accepted statistical techniques (e.g. 'chain ladder') which are reviewed annually by external consulting actuaries. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. For more recent underwriting, regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating claims provisions are that the past experience is a reasonable predictor of likely future claims development and that the rating and other models used to analyse current business are a fair reflection of the likely level of ultimate claims to be incurred.

The reinsurers' share of provisions for claims is based on calculated amounts for 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.

1 Accounting policies *continued*

d) Liability adequacy testing

At each reporting date, liability adequacy tests are performed to ensure the adequacy of the claims liabilities net of DAC and unearned premium reserves. In performing these tests, current best estimates of future contractual cash flows, claims handling and administration expenses as well as investment income from the assets backing such liabilities are used. Any deficiency is immediately charged to the income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests ('unexpired risk provision').

e) Acquisition costs

Acquisition costs comprise brokerage, premium levy and staff-related costs of the underwriters acquiring new business and renewing existing contracts. The proportion of acquisition costs in respect of unearned premiums is deferred at the balance sheet date and recognised in later periods when the related premiums are earned.

f) Foreign currencies

Income and expenditure in sterling, Canadian dollars and euros are translated at the average rates of exchange for the period.

Assets and liabilities are translated into US dollars at the rates of exchange at the balance sheet dates unless contracts to sell currency for US dollars have been entered into prior to the year end, in which case the contracted rates have been used. Foreign exchange differences on opening reserves are taken through the statement of recognised gains and losses. All other differences arising on translation of foreign currency amounts are included in the profit and loss account.

g) 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 (currently at 20%) 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. Capital appreciation falls within trading income and is also distributed 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 have been included in the balance sheet under the heading 'other debtors'. No provision has been made for any other overseas tax payable by members on underwriting results.

h) Profit commission

Profit commission is charged by the managing agent at a rate of 20% of the profit after a 10% expense allowance on a year of account basis subject to the operating of a two-year deficit clause. This is charged to the syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months.

i) Ceded reinsurance

These are contracts entered into by the syndicate with reinsurers under which the syndicate is compensated for losses on contracts issued by the syndicate and that meet the definition of an insurance contract. Insurance contracts entered into by the syndicate under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

Any benefits to which the syndicate is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers and include reinsurers' share of provisions for claims. These balances are based on calculated 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 period and the current security rating of the reinsurer involved. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The syndicate assesses its reinsurance assets for impairment. If there is objective evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the income statement.

Notes to the syndicate annual accounts *continued*

1 Accounting policies *continued*

j) Insurance debtors and creditors

Insurance debtors and creditors are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. These are classified as insurance debtors and creditors as they are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Insurance debtors are measured at amortised cost less any provision for impairments. Insurance creditors are stated at amortised cost less any impairment losses.

k) Other debtors

Other debtors are carried at amortised cost less any impairment losses.

l) Other creditors

Other creditors are stated at amortised cost determined on the effective interest rate method.

2 Segmental analysis

All risks were underwritten in the UK and relate to property reinsurance business.

3 Net operating expenses

	2013 $'000	2012 $'000
Acquisition costs	4,108.1	2,073.4
Change in deferred acquisition costs	(572.7)	(81.3)
Administrative expenses	1,100.6	682.4
Loss/(gain) on foreign exchange	588.7	(191.8)
	5,224.7	**2,482.7**

Administrative expenses include:

	2013 $'000	2012 $'000
Fees payable to the syndicate's auditor for the audit of these syndicate annual accounts	17.1	16.8
Fees payable to the syndicate's auditor and its associates in respect of:		
Other services pursuant to legislation	32.2	28.9
	49.3	**45.7**

4 Net investment income

	2013 $'000	2012 $'000
Interest income	196.3	43.9

5 Other charges

	2013 $'000	2012 $'000
Profit commissions paid to syndicate 623/2623	312.4	–

6 Other debtors

	2013 $'000	2012 $'000
Amount due from syndicate 623	13,438.9	13,130.5
Amount due from syndicate 2623	15,644.3	13,764.4
Amount due from members	507.1	577.1
	29,590.3	**27,472.0**

These balances are due within one year.

7 Cash at bank and in hand

	2013 $'000	2012 $'000
Cash at bank and in hand	621.9	–

8 Reconciliation of members' balances

	2013 $'000	2012 $'000
Members' balances at 1 January	2,456.1	(10,645.3)
Profit for the financial year	7,879.4	1,962.7
Foreign exchange on brought forward reserves	(11.2)	345.0
Other translation differences	–	(290.3)
Profit distribution before members agent's fees – 2010 year of account	(1,810.0)	–
Cash call made	–	11,084.0
Members' balances carried forward at 31 December	**8,514.3**	**2,456.1**

Members participate on the 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.

9 Technical provisions

	Provision for unearned premium outstanding $'000	Claims $'000
Gross technical provisions		
As at 1 January 2013	3,501.0	22,596.8
Movement in the provision	2,911.2	1,541.4
Exchange adjustments	50.8	937.6
As at 31 December 2013	**6,463.0**	**25,075.8**
Reinsurers' share of technical provisions		
As at 1 January 2013	–	67.1
Movement in the provision	11.1	1,123.5
Exchange adjustments	–	(41.5)
As at 31 December 2013	**11.1**	**1,149.1**
Net technical provisions		
As at 1 January 2013	3,501.0	22,529.7
As at 31 December 2013	**6,451.9**	**23,926.7**

Notes to the syndicate annual accounts *continued*

9 Technical provisions *continued*

	Provision for unearned premium outstanding $'000	Claims $'000
Gross technical provisions		
As at 1 January 2012	3,010.2	25,756.8
Movement in the provision	442.7	(2,875.6)
Exchange adjustments	48.1	(284.4)
As at 31 December 2012	**3,501.0**	**22,596.8**
Reinsurers' share of technical provisions		
As at 1 January 2012	–	–
Movement in the provision	–	98.7
Exchange adjustments	–	(31.6)
As at 31 December 2012	**–**	**67.1**
Net technical provisions		
As at 1 January 2012	3,010.2	25,756.8
As at 31 December 2012	**3,501.0**	**22,529.7**

10 Related parties transactions

The business written by syndicate 6107 is ceded from syndicates 2623 and 623, for which syndicate 6107 pays a profit commission. This profit commission payable is disclosed in note 5 and the overrider commission is included within operating expenses.

Beazley Furlonge Limited, the managing agency of syndicate 6107, is a wholly-owned subsidiary of Beazley plc. The directors of Beazley Furlonge Limited during the period covered by these syndicate annual accounts who participated on syndicate 6107, managed by the managing agent, indirectly through Beazley Staff Underwriting Limited are as follows:

As at the balance sheet date, the syndicate has no intercompany balances outstanding with the managing agent. There were also no amounts due at the 2013 balance sheet date.

£	Total bonuses deferred and at risk	2012 year of account underwriting capacity	2013 year of account underwriting capacity	2014 year of account underwriting capacity
M L Bride	199,000	400,000	400,000	400,000
A P Cox	199,000	400,000	400,000	400,000
J G Gray	199,000	400,000	400,000	400,000
D A Horton	199,000	400,000	400,000	400,000
N P Maidment	199,000	400,000	400,000	400,000
C A Washbourn	199,000	400,000	400,000	400,000

10 Related parties transactions *continued*

The directors of Beazley Furlonge Limited have shareholdings in Beazley plc which provides the capacity for syndicates 2623, 3622 and 3623.

	Shareholding of Beazley plc as at 31 December 2013	Shareholding of Beazley plc as at 31 December 2012
D Holt	50,000	50,000
G P Blunden	50,000	107,156
M L Bride	350,000	340,875
A P Cox	581,985	422,618
A Crawford-Ingle	13,500	–
R V Deutsch	–	–
N H Furlonge	756,375	1,006,375
J G Gray	759,549	1,009,549
A G K Hamilton*	37,991	37,991
D A Horton	1,630,087	1,281,610
N P Maidment	3,817,523	3,624,001
R A W Tolle	60,000	60,000
C A Washbourn	610,331	516,737

* Represents shareholding as at date of cessation as a director.

Beazley plc has the following service companies (managing general agents):

- Beazley Solutions Limited – (UK & Europe);
- Beazley USA Services, Inc. – (USA);
- Beazley Limited – (Hong Kong); and
- Beazley Pte Limited – (Singapore).

All of the above companies are coverholders for syndicates 623 and 2623 (the syndicates).

The syndicates are charged commissions for the type of business underwritten by these companies. The commission is based on the costs incurred by these service companies in generating the business on behalf of the syndicates. As Beazley plc owns 100% of the share capital, it could receive profits from these entities in the future from the business underwritten by the names on syndicate 623.

11 Post balance sheet events

The following amounts are proposed to be transferred to members' personal reserve funds. The figures stated are after members' agents' fees incurred.

	2013 $'000	2012 $'000
2011 year of account	2,357.0	–
2010 year of account	–	1,578.9
	2,357.0	**1,578.9**

2011 year of account for syndicate 6107

Managing agent's report

The syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 'Lloyd's Regulations') and in accordance with the Syndicate Accounting Byelaw (No.9 of 2005), applicable accounting standards in the United Kingdom and comply with the Statement of Recommended practice issued by the Association of British Insurers in December 2006 ('the ABI SORP').

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 2011 year of account which has been closed by reinsurance to close at 31 December 2013; consequently the balance sheet represents the assets and liabilities of the 2011 year of account and the profit and loss account reflect the transactions for that year of account during the 36 months period until closure.

Directors

A list of directors of the managing agent who held office during the current year can be found on page 27 of the syndicate annual accounts.

Disclosure of information to the auditor

The directors of the managing agent who held office at the date of approval of this managing agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the syndicate's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the syndicate's auditor is aware of that information.

Auditor

Our auditor, KPMG Audit Plc has instigated an orderly wind down of business. The managing agent's board has decided to put KPMG LLP forward to be appointed as auditors and the resolution concerning their appointment will be put forward for approval at the forthcoming board meeting of the managing agent.

Statement of managing agent's responsibilities

The managing agent is responsible for preparing the syndicate underwriting year report and 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 underwriting year accounts for the year which is being closed by reinsurance to close which give a true and fair view of the underwriting result at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

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 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 underwriting year accounts.

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

Legislation in the UK governing the preparation and dissemination of the financial statement may differ from legislation in other jurisdictions.

By order of the board

M L Bride
Finance Director

12 March 2014

Independent auditor's report to the members of syndicate 6107 2011 closed year of account

We have audited the syndicate 6107 underwriting year account for 2011 year of accounts for the three years ended 31 December 2013, as set out on pages 21 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of the managing agent and the auditor

As explained more fully in the statement of managing agent's responsibilities set out on page 19, the managing agent is responsible for the preparation of syndicate underwriting year accounts under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate underwriting year accounts

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on syndicate 6107 underwriting year accounts

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2011 closed year of account;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Matters on which we are required to report by exception

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

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

Stuart Crisp
Senior Statutory Auditor
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
E14 5GL
London

12 March 2014

Profit and loss account

for the 36 months ended 31 December 2013

	Notes	2011 year of account $'000
Gross premiums written		16,237.6
Allocated investment return transferred from the non-technical account		110.9
Reinsurance to close premiums received	2	8,289.9
		8,400.8
Gross claims paid		(11,399.4)
Reinsurance to close premiums payable	3	(7,343.8)
		(18,743.2)
Net operating expenses	4	(3,538.2)
Balance on the technical account		**2,357.0**
Investment Income		110.9
Allocated investment return transferred to the technical account		(110.9)
Profit for the 2011 closed year of account	5	**2,357.0**
Syndicate allocated capacity (£000)		14,114.5
Profit for the 2011 closed year of account (£000)		1,419.9
Return on capacity		10.1%

There are no recognised gains or losses in the accounting period other than those dealt with within the technical account above.

Balance sheet

closed at 31 December 2013

	Notes	2011 year of account $'000
Assets		
Debtors	6	10,157.8
Cash at bank and in hand		12.1
Total assets		**10,169.9**
Liabilities		
Amounts due to members	7	2,357.0
Reinsurance to close premium payable to close the account – gross amount	3	7,812.9
Total liabilities		**10,169.9**

The syndicate underwriting year accounts on pages 21 to 25 were approved by the board of directors on 12 March 2014 and were signed on its behalf by:

N P Maidment
Active Underwriter

M L Bride
Finance Director

Notes to the syndicate underwriting year accounts
closed at 31 December 2013

1 Accounting policies
Basis of preparation
These syndicate annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the Regulations') and applicable Accounting Standards in the United Kingdom. They comply with the Statement of Recommended Practice on accounting for Insurance Business issued by the Association of British Insurers in December 2006 ('the ABI SORP').

The principal accounting policies applied in the preparation of these syndicate annual accounts are set out below. All amounts presented are stated in US dollars, being the syndicate's functional currency, and in thousands, unless noted otherwise.

Underwriting transactions
a) 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.

b) Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums in respect of reinsurance ceded are attributed to the same year as the original risk being protected. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due but not yet notified to the syndicate year of account.

c) Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

d) A provision for unexpired risks is made where claims, related expenses and deferred acquisition costs, likely to arise after the balance sheet date in respect of contracts relating to the closing year of account, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

e) The reinsurance to close premium is determined by reference to outstanding liabilities, including claims incurred but not yet reported, relating to the closed year and to all previous closed years reinsured therein. Although the estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The reinsurance to close premium includes a provision for unearned premiums and unexpired risks at the balance sheet date, net of deferred acquisition costs.

Comparatives
f) Comparatives are not provided in these syndicate underwriting year accounts as each syndicate year of account is a separate annual venture.

Syndicate operating expenses
g) Costs incurred by the managing agent in respect of the syndicate are charged to the syndicate. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

h) Where expenses are incurred jointly by the managing agent and the syndicate, they are apportioned as follows:
- salaries and related costs – according to the staff time spent on dealing with syndicate matters;
- accommodation costs – proportioned based on the overall staff costs allocation above; and
- other costs – as appropriate in each case.

Taxation
i) 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 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. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities with the Inland Revenue.

1 Accounting policies *continued*

j) No provision has been made for any United States Federal Income Tax or any overseas tax payable on the underwriting results or investment earnings.

Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

Basis of currency translation

k) The syndicate operates in four separate currency funds of sterling, euro, US dollars and Canadian dollars. Items expressed in sterling, euros and Canadian dollars are translated to US dollars at the three years' average rates of exchange ruling at the balance sheet date. The euro, US dollar and Canadian dollar three years' average exchange rates as at 31 December 2013 are euro 0.75, sterling 0.63 and Canadian dollar 1.0.

2 Reinsurance to close premiums received

	2011 year of account $'000
Gross reinsurance to close premiums received	8,289.9
Reinsurance to close premiums received, from 2010	**8,289.9**

3 Reinsurance to close premiums payable

	2011 year of account $'000
Gross reinsurance to close premiums payable	7,343.8
Foreign exchange	469.1
Reinsurance to close premiums payable to 2012	**7,812.9**

	Reported $'000	IBNR $'000	Total $'000
Reinsurance to close premiums payable	5,125.1	2,687.8	7,812.9
Reinsurance to close premiums payable	**5,125.1**	**2,687.8**	**7,812.9**

4 Net operating expenses

	2011 year of account $'000
Acquisition costs	2,156.1
Administrative expenses	697.1
Members standard personal expenses	201.9
Loss of foreign exchange	483.1
	3,538.2
Administrative expenses include:	
Audit services	20,000

5 Analysis of the 2011 year of account result

	2011 year of account $'000
Profit attributable to business allocated to the 2011 year of account	1,414.2
Surplus on the reinsurance to close for the 2010 year of account	942.8
	2,357.0

6 Debtors

	2011 year of account $'000
Amounts due from other syndicates	8,497.0
Other debtors	1,660.8
	10,157.8

These balances are due within one year. All insurance debtors relate to business transacted with brokers and intermediaries.

7 Amounts due to members

	2011 year of account $'000
Profit for the 2011 closed year of account	2,568.1
Advances on members' agents fees	(211.1)
Amounts due to members at 31 December 2013	**2,357.0**

8 Related party transactions

Please refer to page 16 for further details of related party transactions for the 2011 year of account.

Summary of closed year results

at 31 December 2013

	2011	2010
Syndicate allocated capacity – £'000	14,115	14,542
Syndicate allocated capacity – $'000	22,160	21,814
Capacity utilised	65%	66%
Aggregate net premiums – $'000	14,550	15,222
Underwriting profit/(loss) as a percentage of gross premiums	40.5%	(56.7%)
Return/(loss) on capacity	10.1%	(39.4%)
Results for an illustrative £10,000 share	$	$
Gross premiums	9,779	9,668

	$	$
Net premiums	9,779	9,668
Reinsurance to close from an earlier account	5,871	–
Net claims	(8,074)	(9,503)
Reinsurance to close the year of account	(5,201)	(5,934)
Underwriting profit/(loss)	2,375	(5,769)
Profit/(loss) on foreign exchange	342	(49)
Syndicate operating expenses	(1,114)	(662)
Balance on technical account	1,603	(6,480)
Gross investment return	79	76
Profit/(loss) before personal expenses	1,682	(6,404)
Illustrative personal expenses		
Illustrative personal expenses	(11)	(10)
Managing agent's profit commission	–	–
Profit/(loss) after illustrative profit commission and personal expenses ($)	1,671	(6,414)
Profit/(loss) after illustrative profit commission and personal expenses (£)	1,007	(3,935)

Note:
1. The illustrative profit commission and personal expenses are estimates of amounts which might be charged on an illustrative share of £10,000. The agency agreements for 1991 and subsequent years of account only provide for the deduction of fees and profit commission on behalf of the managing agent.
2. The effect of any minimum charges on personal expenses or deficit clauses on profit commission have been ignored.
3. Internal claims settlement expenses have been included in 'net claims'.
4. The above figures are stated before members' agents' fees.
5. Profit after illustrative profit commission and personal expenses is shown in dollars and converted to sterling at the closing rate.
6. Gross and net premium amounts shown above are net of brokerage expenses.

Managing agent corporate information

Beazley Furlonge Limited has been the managing agent of syndicate 6107 throughout the period covered by this report and the registered office is Plantation Place South, 60 Great Tower Street, London EC3R 5AD.

Directors

D Holt* – chairman
G P Blunden*
M L Bride – finance director
A P Cox
A Crawford-Ingle* (appointed 27/03/2013)
R V Deutsch*
N H Furlonge*
J G Gray
A G K Hamilton* (resigned 27/03/2013)
D A Horton – chief executive officer
N P Maidment – active underwriter
R A W Tolle*
C A Washbourn

* Non-executive director.

Company secretary

Sian A Coope

Auditor

KPMG Audit Plc
15 Canada Square
London
E14 5GL

Managing agent's registered office

Plantation Place South
60 Great Tower Street
London
EC3R 5AD
United Kingdom

Registered number

01893407

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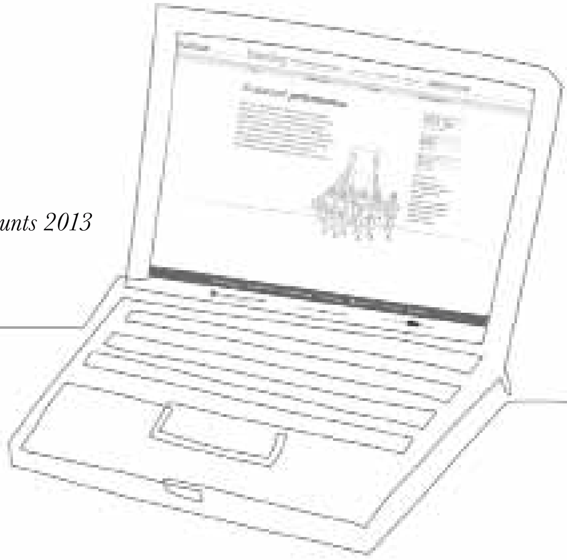

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