

SYNDICATE 2791

Report and Financial Statements
31 December 2010

MAP

Underwriting at Lloyd's

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CHAIRMAN'S REPORT

When I put down my underwriting pen nearly four years ago I was confident that Richard and the team would take the Syndicate from strength to strength, but at the same time fearful that a rapidly softening market would make it increasingly difficult to generate the kind of profits we had enjoyed up to that point. The industry as a whole has produced mediocre results over this period in spite of an unusually benign time for US hurricane activity, but MAP has continued to make strong returns for capital providers.

Rate levels prevalent in the market are already some way below those achieved when writing the business for which insurers are now reporting results, so it is not hard to see in which direction market results are heading, and there is no sign of any change in the general downward trend. Yet few players have had the discipline to reduce volume to any material degree, so it is hard to see how they can maintain that their books remain adequately priced. Very tough times are on their way for insurers, and the traditional values of prudent underwriting, strong reserving and tight control of costs will be critical as they have always been at this stage in the cycle. The game has not changed.

The figures in these accounts pay eloquent testimony to the value of concentrating on the fundamental principles of risk analysis and underwriting discipline, and keeping a small efficient operation that delivers effective claims, finance, compliance and administrative functions. The team has again shown what can be achieved by resisting the myriad distractions that divert the attention of so many of our competitors. Spurious considerations like brand positioning, thought leadership and artificial portfolio diversification have been ignored, leaving a clear focus on the simple aim of optimising the risk:reward ratio of the business.

While future results, even for MAP, are likely to be less exciting than in recent years, I am sure that these straightforward virtues, easy to espouse but requiring great strength of mind to practise, will ensure that the Syndicate can emerge from these difficult times stronger than ever.

D E S Shipley

Chairman

15 March 2011

SYNDICATE 2791

Underwriting Year Distribution Accounts
2008 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

Principal Investment Managers

Schroder Investment Management Limited

Registered Auditors

Ernst & Young LLP, London

MANAGING AGENT'S REPORT

The managing agent presents its report on the 2008 year of account of Syndicate 2791 as closed at 31 December 2010.

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 28 to 55).

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

2008 Year of Account

Capacity £400.6 million

The 2008 year has closed with a profit of £62.4m after all members' personal expenses, equivalent to 15.6% of stamp capacity, compared with the forecast range of 12.5% to 17.5%. Absent an £11m back-year release the 2008 pure year result would be 13.3%.

Development of Closed Years (2007 and prior)

Despite the modest back-year release, the remaining completion factors are still comparable to prior years. The total gross IBNR ('incurred but not reported') reserve, less future premiums, has increased slightly from £135.6m to £137.1m. Only £14.8m or 11% of this pot was utilised in the calendar year.

80% of the reserve release arose from the short-tail account. We have reduced our ultimate expected loss from the 2005 hurricanes by some £2m given the lack of development in the year.

Pure Year 2008

Utilisation of capacity

The final utilisation was 67% at closing rates of exchange. The reinsurance spend at closing rates of exchange was £48m or 17.7% of Lloyd's gross written premium, 42% of which pertained to the US catastrophe quota share with Syndicate 6103.

Performance review

The underlying performance of the portfolio was dominated by Hurricane Ike, which in September 2008 cut a swathe from the Gulf of Mexico right up through Michigan, causing more than \$20bn of insured loss. Including the much smaller Hurricane Gustav, our total gross incurred catastrophe loss stands at £81.7m to the 2008 year of account, with an ultimate expected loss of £85.9m. After reinsurance and reinstatement premiums this falls to an ultimate net loss of £66.5m or 16.6% on stamp capacity.

In this context the balance of the portfolio performed highly satisfactorily, generating sufficient profit to more than offset the catastrophic loss. It should also be noted that the long-tail proportion of the book has fallen from a peak of 25% in 2003 to 12% in 2008.

2009 Year of Account Forecast

Our forecast range for the 2009 year of account is a profit of 23% to 28% on Stamp Capacity after all expenses. This range has improved by one percentage point over the previous quarter, largely due to the lack of US catastrophic activity in 2010.

Overview 2009 and 2010

The market dislocation caused by Hurricane Ike exacerbated by the turmoil in the capital markets in the last quarter of 2008 afforded a brief respite to the seemingly inexorable downwards pressure on rates since 2004.

We were thus reasonably confident going into 2009. As the year unfolded however, the bounce-back in the capital markets, coupled with low loss activity, meant that few lines aside from property catastrophe actually saw rate increases. Premium volume is therefore only slightly up over 2008, although performance to date looks to be highly satisfactory. Indeed 2009 ultimate loss ratios are projected to be the best in the syndicate's history.

MANAGING AGENT'S REPORT

continued

Overview 2009 and 2010 *continued*

Unfortunately this benign loss experience then induced a marked resurgence in competitive pressure throughout 2010. Given our adherence to technical price adequacy we were forced back on to the defensive and have consequently written 1.5% less premium income than in 2009. The year has been peppered by a series of International catastrophe losses, the most notable being earthquakes in Chile and New Zealand and major weather events in Europe and Australia. Insured market losses are likely to reach \$20bn plus. I am pleased to report that our losses will be disproportionately small compared to our market share. For many years we have declined a great deal of so-called balancing business outside the United States, simply because it was in our view technically under-priced.

Class of Business Review for 2009 and 2010

Direct and facultative property

Global risk-managed accounts are notoriously difficult to underwrite. Commanding large premium volumes, the insurance placements are subject to significant competition from both brokers and underwriters, such that technical considerations are rarely met for long. At present our focus is on excess of loss, where it is easier to generate an acceptable margin. Small business, particularly via binders, experienced less competitive pressure, and we were better able to maintain our volume. In particular, we have written a reasonable amount of force-placed business in the US, where lending institutions insure their outstanding loan portfolios against physical damage. As foreclosures increase, the banks' inability to absorb these exposures against their weakened balance sheets has generated good business flow.

Property reinsurance

A very pleasing 2009 has given way to much tougher conditions in 2010. No major events have struck the United States, so loss incidence is low, but consequently competition has intensified. The risk excess book has shrunk from the heady heights of 2006, where we were able to command attractive premiums on catastrophe exposed accounts, and is now much higher up the risk edifice.

Third party liability

The book has continued to reduce somewhat faster than the overall syndicate, now representing 10% of the overall income. In contrast to an increasing market appetite for non-correlated risk, often seemingly regardless of price adequacy, our consistent technical pricing meant significant amounts of business failed to meet our margin requirements. We have a negligible D&O book, and any exposure to sub-prime or the credit crunch should be restricted to a few E&O accounts.

Accident and health

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

Marine and offshore energy

As indicated in last year's report, opportunities in 2009 were severely curtailed by reduced global demand for oil, which meant Gulf values fell dramatically. At the same time, the Energy market stripped back the product it was prepared to offer to such an extent that many buyers felt the risk transfer to be uneconomic. As a result we were unable to increase our position in this sector, our normal stance following major market dislocation. 2010 has been dominated by the Deepwater Horizon oil-spill. I am pleased to report that our ultimate loss from this event should be no more than £2.1m. We continue to have very little exposure to marine liabilities, given the vagaries of pricing and quantifying exposure. Should the energy market develop a transparent, properly priced claims-made product we would seek to assume a reasonable share of the risk, but to date there appears little sign of this happening.

Terrorism and political risks

We continue to focus the book away from traditional city-centre property exposures to more eclectic risks, such as terrorism liability or limited nuclear, biological and chemical coverage for hospitals and universities. We have minimal political risk or trade credit exposures, and have no immediate plans to enter this very challenging sector. Terrorist attacks in Mumbai and riots in Thailand have had no discernable effect on the continued slide in market rates.

MANAGING AGENT'S REPORT

continued

Specialist lines

Certain opportunistic sectors were reasonably insulated from the general market decline. The European carnet and US entertainment books continue to generate attractive margins, and in 2009/10 we re-entered the satellite market via a consortium participation.

Motor

The short-tail element of this largely trucking class continued to perform satisfactorily, although volume is down significantly. It is difficult to compete with package writers who are prepared to underwrite the combined property and liability exposures at combined loss ratios well in excess of 100%.

Current Trading Conditions

Some commentators have been attempting to put a gloss on the plethora of international catastrophe events in 2010 by anticipating improved rates in 2011. To my mind, however, this sadly misinterprets the nature of the global reinsurance industry, which in the aggregate is designed to cope with the demands of its primary market, the United States. Although it can barely cover the need for catastrophic limit in say Miami or New York, global reinsurance supply is more than sufficient for Santiago or Brisbane. Fuelled by a capital allocation model that actually charges negative capital for uncorrelated risk, most underwriters will continue to chase international premium to balance out their US book. Since uncorrelated risk is viewed as automatically accretive, rate adequacy is ignored. Personally I hold to the rather old-fashioned view that if a die is rolled six times, aren't you more likely to get a six?

The United States therefore is paramount. Given the recent lack of US losses, in the aggregate the worldwide property reinsurance industry is making money. At present the international market is being subsidised by North American profits, and so will not re-price to any meaningful degree. Indeed I would make the further observation that *in toto* the premium generated by international exposures is actually likely to be lower in 2011 than 2010 despite these major incidences. Only if America catches cold will the rest of the world sneeze.

I stated in last year's report that 2009 was a good calendar year, not because of rate, but because of the lack of normal loss activity, and by the bounce-back in investment income following the write-downs at the end of 2008. Both of these elements have been reversed in 2010, not yet sufficient to tip the market into loss, but certainly to have a marked impact on future profit margins. Assuming 2011 losses continue to be in line with historic trends, coupled with an imbedded investment yield now somewhat below 2%, there is actually not a great deal of fat left in many lines of business. We are firmly in the 'cheating phase' of the insurance cycle, where the industry borrows from the catastrophe lines to subsidise poorly rated working-level business. It is amazing to me that so many in our industry – particularly the large global stock companies – operate a business model that essentially offers its capital a market average investment yield in return for running copious amounts of underwriting risk for free. Given that we seek to be compensated for this risk, it is difficult to compete.

The Future

At this early stage premium volume in 2011 already appears to be heading below that achieved in 2010. Once again we make no apologies for making the necessary sacrifices on your behalf in order to preserve pricing integrity. Given a relatively small expense base and the freedom of manoeuvre afforded by our third-party capital structure, we should be able to navigate our way through the perilous waters ahead. There is no imperative on us other than to do the "right thing". Equally there will come a time when market conditions change sufficient to satisfy our pricing hurdles and premium volumes will surge dramatically, as in 2002 and 2006. As I have often stated before – our role as fiduciary custodians of your capital is simply to analyse and assume exposure at the appropriate price. We neither blindly follow the market, nor do we gamble.

MANAGING AGENT'S REPORT

continued

Analysis of premium written by syndicate classification

	Gross written £'000	Net written £'000
Direct and facultative property	52,894	43,088
Third party liability	21,874	20,198
Accident and health	9,596	9,243
Marine and offshore energy	32,896	31,622
Terrorism and political risks	8,542	8,225
Property reinsurance	154,730	125,300
Motor	15,446	15,230
Specialist lines	2,789	2,532
Total	298,767	255,438

Investment Return

The investment return over the last three years has contributed £21.8m to the result of the 2008 closed year of account. The returns, net of expenses, in each year were; -1.3% in 2008, 5.4% in 2009 and 3.4% in 2010. The 2008 calendar year loss followed the general fall in investment values which occurred both pre and post the bankruptcy of Lehman. However, our strategy of maintaining a portfolio with a mixture of asset types overseen by high quality investment managers meant that your portfolio recovered in 2009 and 2010.

In line with the policy applied in previous years, the 2008 Year of Account received a proportion of the performance of the three calendar years as determined by a formula which assesses the actual assets attributable to each Year of Account.

The Effect of Exchange Rates on the Distribution Account

The exchange loss of £0.6m has built up from the prior three calendar years.

As you receive your profits in both Sterling and US Dollars, the rate of exchange used in accordance with our accounting policies in no way affects the currency value of your distributions.

Reinsurance Debtors

Recoverable amounts from reinsurers amount to £18.5m virtually all of which is current. There are no provisions for bad debts on the syndicate's reinsurance balances.

An analysis of the security rating for the debtors on our balance sheet at 31 December is set out below:

Debt table by security rating

Standard & Poor's rating	On paid claims £m	On outstanding claims £m	On IBNR £m	Total £m
AA and above	1.2	6.3	2.4	9.9
A	13.4	2.7	1.3	17.4
BBB	-	-	-	-
BB and below	-	-	0.8	0.8
	14.6	9.0	4.5	28.1

Of the debtors in the table above with a rating lower than BB, the syndicate has access to £0.08m of assets as security should the reinsurer fail to pay valid claims when they fall due.

MANAGING AGENT'S REPORT

continued

2009 Year of Account Forecast

An estimate of the 2009 underwriting result as at 36 months is set out below:

	£'000
Stamp capacity	403,744
Gross premiums written	343,597
Net premiums written	281,661
Claims incurred – net of reinsurance	(82,116)
Net operating expenses	(73,645)
Investment return	16,232
Profit commission	(27,433)
Personal expenses	(4,966)
Estimate of profit for the year of account after personal expenses	109,733

Assumptions underlying the 2009 Estimated Result:

- (i) There will be no material reinsurance failures.
- (ii) Syndicate expenses, incurred in the calendar year 2011 to be charged to the 2009 year of account, will continue the pattern of previous years as refined by current budgets.
- (iii) Exchange rates at 31 December 2011 will not be materially different from those at 31 December 2010.
- (iv) Investment returns attributable to 2009 during 2011: 1.25% for all currencies.
- (v) Claims will be paid in line with our expected development patterns.
- (vi) No material back year surplus or deficit arises from the RITC.

MANAGING AGENT'S REPORT

continued

Seven Year Summary of Closed Years of Account

	Note	2002	2003	2004	2005	2006	2007	2008
Syndicate allocated capacity (£m)		264.2	325.7	325.6	325.6	399.6	459.2	400.6
Number of Underwriting Members		2,895	1,147	1,256	1,359	1,387	1,399	1,368
Aggregate net premiums (£m)		275.8	351.6	317.3	320.1	386.5	302.3	255.4
Results for illustrative share of £10,000		%	%	%	%	%	%	%
Utilisation of capacity at premium income								
monitoring rates of exchange		117.8	108.6	93.8	94.8	86.0	65.6	54.9
Gross premiums written (% of illustrative share)		127.0	122.8	105.3	112.0	104.9	75.4	74.6
Net premiums (% of illustrative share)		104.4	107.9	97.4	98.3	96.7	65.8	63.8
(Loss)/profit (% of gross premiums)		34.5	22.6	12.9	5.2	42.8	36.9	20.9
Results for illustrative share of £10,000		£	£	£	£	£	£	£
Gross premiums	1	12,702	12,280	10,526	11,205	10,495	7,542	7,458
Net premiums		10,440	10,794	9,745	9,832	9,672	6,583	6,377
Reinsurance to close from an earlier year								
of account		1,887	2,624	4,599	5,678	5,489	6,527	6,748
Net claims		(3,071)	(3,117)	(4,250)	(5,745)	(3,185)	(2,712)	(3,745)
Reinsurance to close		(3,235)	(4,528)	(6,292)	(7,105)	(5,573)	(6,048)	(6,224)
Underwriting profit		6,021	5,773	3,802	2,660	6,403	4,350	3,155
Acquisition costs	1	(2,667)	(2,605)	(2,294)	(2,473)	(2,211)	(1,621)	(1,633)
Other syndicate operating expenses,								
excluding personal expenses		(402)	(300)	(152)	(150)	(137)	(148)	(136)
Reinsurers' and profit commissions		279	299	56	23	20	47	69
Exchange movement on foreign currency								
translation	2	–	96	(70)	67	1,080	320	7
Net investment income		232	287	554	735	253	568	544
Illustrative personal expenses:								
Managing agent's fee		(65)	(65)	(55)	(55)	(55)	(55)	(55)
Profit commission	4	(491)	(509)	(303)	(124)	(716)	(533)	(332)
Other personal expenses		(125)	(104)	(175)	(100)	(150)	(147)	(63)
(Loss)/profit after illustrative personal								
expenses and illustrative profit commission		2,782	2,872	1,363	583	4,487	2,781	1,558

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

Disclosure of Information to the Auditors

No 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

15 March 2011

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 underwriting year accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

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

INDEPENDENT AUDITORS' REPORT

to the Members of Syndicate 2791 – 2008 Closed Year of Account

We have audited the syndicate underwriting year accounts for the 2008 year of account of Syndicate 2791 for the three years ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the related notes 1 to 22 and the Statement of Managing Agent's Responsibilities. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Managing Agent and the Auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 11, the managing agent is responsible for the preparation of the syndicate underwriting year accounts, under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Syndicate Underwriting Year Accounts

An audit involves obtaining evidence about the amounts and disclosures in the syndicate underwriting year accounts sufficient to give reasonable assurance that the syndicate underwriting year accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the syndicate underwriting year accounts.

Opinion on Syndicate Underwriting Year Accounts

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2008 closed year of account;
- have been properly prepared in accordance with United Kingdom 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 Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) requires us to report to you if, in our opinion:

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

Kevin Senior (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

15 March 2011

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the 2008 Closed Year of Account for the three years ended 31 December 2010

	Note		2008 £'000
Syndicate allocated capacity			400,588
Earned premiums, net of reinsurance:			
Gross premiums written	3	298,767	
Outward reinsurance premiums		(43,329)	
Earned premiums, net of reinsurance			255,438
Reinsurance to close premiums received, net of reinsurance	4		270,303
Allocated investment return transferred from the non-technical account			21,801
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(171,929)	
Reinsurers' share		21,893	
		(150,036)	
Reinsurance to close premium payable, net of reinsurance	5	(249,311)	(399,347)
Acquisition expenses		(65,400)	
Reinsurers' commissions and profit participations		2,778	
Administrative expenses	7	(22,534)	
Net operating expenses			(85,156)
Profit on exchange	12		(636)
Balance on the technical account – general business	11		62,403

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

for the 2008 Closed Year of Account for the three years ended 31 December 2010

	Note	2008 £'000
Balance on the technical account for general business		62,403
Investment income	10	19,962
Unrealised gains on investments		15,829
Unrealised losses on investments		(5,926)
Investment expenses and charges	10	(8,064)
Allocated investment return transferred to general business technical account		(21,801)
Profit for the 2008 closed year of account		62,403

BALANCE SHEET

2008 Closed Year of Account as at 31 December 2010

	Note	2008 £'000
Assets		
Investments	13	396,028
Debtors	14	33,402
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	6	13,467
Other assets		
Cash at bank and in hand		5,541
Other	15	17,489
		23,030
Prepayments and accrued income		
Accrued interest		1,524
Prepayments and other accrued income		-
		1,524
Total assets		467,451
Liabilities		
Amounts due to members	16	62,403
Reinsurance to close premiums payable to close the account – gross amount	6	285,314
Other creditors	17	119,426
Accruals and deferred income		308
Total liabilities		467,451

The financial statements on pages 13 to 26 were approved by the Board of Managing Agency Partners Limited on 15 March 2011 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

15 March 2011

CASH FLOW STATEMENT

for the 2008 Closed Year of Account for the three years ended 31 December 2010

	Note	2008 £'000
Net cash (outflow) from operating activities	18	(34,403)
Transfers to members in respect of underwriting participations		–
		(34,403)
Cash flows were invested as follows:		
Increase in cash holdings	19	5,541
Increase in overseas deposits		403
Net portfolio investment	20	(40,347)
Net investment of cash flows		(34,403)

NOTES TO THE ACCOUNTS

for the 2008 Closed Year of Account for the three years ended 31 December 2010

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 2008's Underwriting Year Distribution Account each calendar year result is aggregated using the relevant years' average rate for each item in the profit and loss account. The reinsurance to close received by 2008 from 2007 is presented as both a premium and as part of the reinsurance to close payable at the same rate, which is 2010's opening rate. Any changes made to the opening reinsurance to close are accounted for at the average rate ruling during 2010.

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 2008 year of account which has been closed by reinsurance to close at 31 December 2010; consequently the balance sheet represents the assets and liabilities of the 2008 year of account and the profit and loss account and cash flow statement reflect the transactions for that year of account during the three year period until closure.

As each syndicate year of account is a separate annual venture, comparatives are not required to be disclosed.

2. Accounting Policies

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

Premiums written

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

Premiums written are treated as fully earned.

Reinsurance premium ceded

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

Claims paid and related recoveries

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

Reinsurance to close premium payable

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

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

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

NOTES TO THE ACCOUNTS

continued

2. Accounting Policies *continued*

Reinsurance to close premium payable continued

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.

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

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

The directors consider that the estimates of gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments.

Reinsurance bad debt

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

Foreign currency translation

Transactions, other than reinsurance to close, in US Dollars, Canadian Dollars and Euros are translated at the average rates of exchange for each calendar year in which they are booked. Reinsurance to close premiums receivable and underwriting transactions denominated in other foreign currencies, are included at the rate of exchange ruling at the transaction date. Reinsurance to close premiums payable are included in the technical account at relevant average rates applicable when the change occurred or when 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 to Sterling have been used in the preparation of these accounts.

	Year end rate 2010	2010	Average rates during 2009	2008
USD	1.57	1.55	1.57	1.85
CAD	1.56	1.59	1.78	1.96
EUR	1.17	1.17	1.12	1.26

Investments

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

Investment return

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

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

NOTES TO THE ACCOUNTS

continued

2. Accounting Policies *continued*

Allocation of investment return

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

Operating expenses

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

Taxation

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

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

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

Pension costs

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

Profit commission

Profit commission is charged by the managing agent at a rate of 17.5% of profit subject to the operation of a deficit clause. This is charged to the syndicate on an earned basis but does not become payable until after the year of account closes.

3. Segmental Analysis

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

	Gross written premiums (note 1) £'000	Gross claims incurred (note 2) £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
2008 pure year						
Direct insurance						
Accident and health	8,633	(3,141)	(3,092)	(72)	2,328	(702)
Fire and other damage to property	45,705	(17,817)	(15,585)	(4,623)	7,680	(3,188)
Marine, aviation and transport	25,404	(28,253)	(7,236)	(6)	(10,091)	(12,158)
Motor (other classes)	9,244	(5,939)	(3,658)	(65)	(418)	(1,164)
Third party liability	9,812	(5,722)	(3,050)	485	1,525	(3,992)
Miscellaneous	3,558	(2,366)	(1,315)	3	(120)	(1,205)
	102,356	(63,238)	(33,936)	(4,278)	904	(22,409)
2008 pure year						
Reinsurance						
	205,883	(107,824)	(52,729)	(16,331)	28,999	(44,894)
	308,239	(171,062)	(86,665)	(20,609)	29,903	(67,303)
RITC	273,374	(261,634)	1,509	(1,916)	11,333	(204,545)
Total	581,613	(432,696)	(85,156)	(22,525)	41,236	(271,848)

Total commissions on direct gross premiums written amount to £24.1m.

- Gross premiums earned are identical to gross premiums written.
- Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable.
- All premiums are concluded in the UK.
- Gross operating expenses include reinsurer's commissions and profit participations.
- All 2007 and prior year movements are reflected in the RITC line.

NOTES TO THE ACCOUNTS

continued

3. Segmental Analysis *continued*

The geographical analysis of premiums by destination is as follows:

	Direct £'000	Reinsurance £'000	Total £'000
UK	2,408	4,631	7,039
Other EU countries	4,884	6,224	11,108
US	65,211	134,497	199,708
Other	26,943	53,969	80,912
Total	99,446	199,321	298,767

Other, above, includes worldwide income of £45.3m.

4. Reinsurance to Close Premium Receivable

	Syndicate 2791 £'000	Syndicate 6103 £'000	Total £'000
Gross reinsurance to close premium receivable	282,761	85	282,846
Reinsurance recoveries anticipated	(12,543)	–	(12,543)
Reinsurance to close premium receivable, net of reinsurance	270,218	85	270,303

At 1 January 2010, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2007 Year of Account.

5. Movement in Underwriting Reserves

	Reserves £'000	Exchange to closing rate £'000	Closing RITC £'000
2007 and prior			
Opening balance	(270,218)	(6,137)	(276,355)
Change in year	71,926	(745)	71,181
2008 pure			
Change in three year period	(50,806)	(15,655)	(66,461)
Unallocated loss and loss adjustment expenses	(213)	–	(213)
	(249,311)	(22,537)	(271,848)

The exchange difference arising from the retranslation of the opening reinsurance to close liabilities is exactly matched by the assets transferred in at 1 January 2010 in currency and therefore the effect to the profit and loss account is nil.

6. Reinsurance to Close Premium Payable

	2007 and prior £'000	2008 pure £'000	2008 £'000
Gross outstanding claims	92,643	43,140	135,783
Reinsurance recoveries anticipated	(3,928)	(5,042)	(8,970)
Net outstanding claims	88,715	38,098	126,813
Provision for gross claims incurred but not reported	117,270	29,828	147,098
Reinsurance recoveries anticipated	(3,030)	(1,467)	(4,497)
Provision for net claims incurred but not reported	114,240	28,361	142,601
Unallocated loss and loss adjustment expenses	1,590	844	2,434
Net premium for reinsurance to close	204,545	67,303	271,848

The reinsurance to close is effected to the 2009 year of account of Syndicate 2791.

NOTES TO THE ACCOUNTS

continued

7. Administrative Expenses

	£'000
Personal expenses	4,713
Outwards profit commission	13,309
Other administrative expenses	5,432
(Profit) on exchange	(920)
	<u>22,534</u>

Administrative expenses include:

	£'000
Auditors' remuneration	
Fees for the audit of the syndicate	108
Taxation compliance services	9
Actuarial consultancy services	195

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

8. Staff Numbers and Costs

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

	£'000
Wages and salaries	3,155
Social security costs	358
Other pension costs	340
	<u>3,853</u>

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

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

	Number
Administration and finance	20
Underwriting	22
Claims	4
	<u>46</u>

9. Emoluments of the Directors of Managing Agency Partners Limited

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

	£'000
Emoluments	<u>860</u>

The 2008 year of account has been charged with active underwriters' remuneration as follows:

	£'000
Emoluments – R K Trubshaw (Active underwriter from 1 September 2007)	<u>222</u>

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

NOTES TO THE ACCOUNTS

continued

10. Investment Return

	£'000
Investment income	
Income from investments	12,266
Gains on the realisation of investments	7,696
	19,962
Investment expenses	
Losses on realisation of investments	(4,564)
Investment management expenses, including interest	(3,500)
	(8,064)

11. Balance on Technical Account

	2007 and prior years of account £'000	2008 pure year of account £'000	Total 2008 £'000
Balance excluding investment return and operating expenses	9,825	116,569	126,394
Brokerage and commission on gross premium	1,591	(66,991)	(65,400)
Allocated investment income	–	21,801	21,801
Net operating expenses	(153)	(20,523)	(20,676)
Profit on exchange	(127)	411	284
	11,136	51,267	62,403

12. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	£'000
On 2008 balances brought forward: from opening to closing rates	(343)
On transactions during 2010: from average to year end rates	(293)
	(636)

13. Financial Investments

	Market value £'000	Cost £'000
Shares and other variable yield securities and units in unit trusts	42,041	37,969
Debt securities and other fixed income securities	275,503	277,063
Participation in investment pools	55,679	50,020
Other loans	19,100	19,100
Deposits with credit institutions	3,705	3,705
	396,028	387,857

NOTES TO THE ACCOUNTS

continued

14. Debtors

	£'000
Arising out of direct insurance operations:	
Due from policyholders	–
Due from intermediaries	2,533
Arising out of reinsurance operations	22,471
Members' agents' fees advances	1,511
Profit commission and overriding commission	1,710
Investment settlement	4,552
Overseas taxation	625
	<u>33,402</u>

15. Other Assets

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

16. Amounts Due to Members

	£'000
Profit for the 2008 closed year of account and amount due to members at 31 December 2010	<u>62,403</u>

17. Creditors

	£'000
Arising out of direct insurance operations	
Policyholders	–
Intermediaries	190
Arising out of reinsurance operations	22,960
Profit commissions	13,237
Inter-syndicate loan	17
Inter year loan	78,906
Investment settlement	4,116
	<u>119,426</u>

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

	£'000
Operating profit on ordinary activities for the closed year of account	62,403
Realised and unrealised investments losses including exchange movements	32,090
Net reinsurance to close payable	271,847
Decrease in debtors, excluding those received as consideration for RITC	9,080
Decrease in creditors, excluding those received as consideration for RITC	(148,184)
Non-cash consideration for net RITC receivable	
Deposits	(16,554)
Portfolio investments	(468,998)
Debtors (Syndicate 2791)	(21,911)
Creditors (Syndicate 2791)	245,909
Debtors (Syndicate 6103)	(22,094)
Creditors (Syndicate 6103)	22,009
Net cash inflow from operating activities	<u>(34,403)</u>

NOTES TO THE ACCOUNTS

continued

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

	£'000
Net cash inflow	5,541
Cash flow – increase in overseas deposits	403
Cash flow – portfolio investments	(40,347)
Movement arising from cash flows	(34,403)
Received as non-cash RITC consideration	
Deposits and portfolio investments	485,552
Changes in market value and exchange rates	(32,090)
Total movement in portfolio investments	419,059
Portfolio at 1 January 2008	–
Portfolio at 31 December 2010	419,059

Movement in cash, portfolio investments and financing

	At 1 January 2008 £'000	Cash flow £'000	Received as consideration for net RITC receivable £'000	Changes to market value and currencies £'000	At 31 December 2010 £'000
Cash at bank and in hand	–	(3,088)	8,663	(34)	5,541
Overseas deposits	–	403	16,554	533	17,490
Portfolio investments:					
Shares and other variable yield securities and units in unit trusts	–	(24,150)	75,441	(9,250)	42,041
Debt securities and other fixed income securities	–	(21,969)	327,733	(30,261)	275,503
Participation in investment pools	–	1,974	60,523	(6,818)	55,679
Other loans	–	5,636	–	13,464	19,100
Deposits with credit institutions	–	(1,838)	5,301	242	3,705
Total portfolio	–	(40,347)	468,998	(32,623)	396,028
Total cash, portfolio investments and financing	–	(43,032)	494,215	(32,124)	419,059

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

	£'000
Purchase of shares and other variable yield securities	(18,424)
Purchase of debt securities and other fixed income securities	(1,266,083)
Purchase of participation in investment pools	(19,530)
Movement in other loans	(5,636)
Movement of deposits with credit institutions	1,838
Sale of shares and other variable yield securities	42,574
Sale of debt securities and other fixed income securities	1,288,052
Sale of participation in investment pools	17,556
Net cash (outflow) on portfolio investments	(40,347)

NOTES TO THE ACCOUNTS

continued

21. Related Parties

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

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

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

The following transactions between the syndicates occurred for the 2008 year of account:

	£'000
Premiums ceded	(17,089)
Paid claims recovered	12,134
Ceding commission	840
Overriding commission	196
Investment income payable	(560)

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

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

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

MAP Capital Limited commenced underwriting on the 2001 year of account. For the 2008 year of account MAP Capital Limited provided £110.1m of capacity on Syndicate 2791 representing 27.5% of capacity. MAP has no direct interest in the share capital of MAP Capital Limited.

For the 2008 year of account these directors also participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member, Nomina No 208 LLP. For the 2008 year of account it has provided £0.9m of capacity representing 0.23% of capacity. MAP has no direct or indirect interest in Nomina No 208 LLP.

Managing agency fees amounting to £2.2m were paid to MAP for the 2008 year and profit commission of £13.2m is also due to the managing agency in respect of the profit of the 2008 closed year. Expenses totalling £6.7m were recharged to this year of account.

Certain functions in relation to administration and systems have been sub-contracted to companies related to Omni Bridgeway BV which has a 9.9% interest in the shares of the intermediate parent company, Managing Agency Partners Holdings Limited. These arrangements are on an arms length basis. The charges for these services for the 2008 year of account totalled £0.102m.

NOTES TO THE ACCOUNTS

continued

21. **Related Parties** *continued*

The syndicate has an investment in Steadfast International Limited, an equity investment fund managed by Steadfast Capital Management Limited of which Mr Foote, a director of MAP, is the managing director. The syndicate's participation on this fund is at arm's length and the syndicate was charged fees and profit commissions amounting to US\$0.794m during 2010 on normal commercial terms. Mr Foote, as partner in Steadfast Capital Management Limited will participate in any profits of Steadfast Capital Management Limited.

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

There are no other transactions or arrangements requiring disclosure.

22. **Contingent Liabilities**

Litigation

In the course of conducting insurance business, the syndicate receives claims in respect of its underwriting activities and becomes involved in actual or threatened litigation arising therefrom including actions in respect of subrogation, asset recovery or coverage disputes. Prudent estimates of costs arising in the defence of all these claims have been made in these accounts. The board of the managing agent considers each action carefully and appropriate provisions are made accordingly. There are provisions amounting to £0.3m at the year end.

Letters of credit

The syndicate has provided letters of credit to certain insureds and reinsureds to cover losses that might arise on their contracts written in the ordinary course of business. These amount to US\$8.4m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US\$8.8m.

SYNDICATE 2791

Annual Report and Financial Statements under UK GAAP
Year ended 31 December 2010

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

Principal Investment Managers

Schroder Investment Management Limited

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 2010.

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

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

Separate underwriting year accounts for the closed 2008 year of account are attached to these accounts in the section headed Underwriting Year Distribution Accounts (pages 1 to 26).

UNDERWRITER'S REPORT

A Review of the Calendar Year Result

These financial statements are prepared focusing on the calendar year results under UK Generally Accepted Accounting Practices (GAAP) for insurance companies.

The 2010 calendar year produced an annually accounted profit of £113.0m (2009: profit £141.3m) on earned premiums of £297.6m (2009: £344.1m) gross of acquisition and reinsurance costs.

Movement on underwriting years of account during the 2010 calendar year

	2007 and prior periods £'000	2008 £'000	2008 and prior periods £'000	2009 £'000	2010 £'000	Total £'000	2009 £'000
Gross written premium	(9,472)	2,319	(7,153)	3,422	284,450	280,719	324,868
Net premium earned	(10,262)	15,660	5,398	93,175	152,718	251,291	282,792
Net claims incurred	20,087	(8,143)	11,944	1,048	(72,941)	(59,949)	(74,920)
Acquisition costs	1,591	(4,525)	(2,934)	(27,678)	(34,905)	(65,517)	(69,918)
	11,416	2,992	14,408	66,545	44,872	125,825	137,954
Operating expenses	(82)	(4,766)	(4,848)	(15,446)	(14,600)	(34,894)	(34,748)
Investment income	–	14,142	14,142	5,947	1,947	22,036	38,091
Annual accounted profit	11,334	12,368	23,702	57,046	32,219	112,967	141,297
Currency translation differences	(199)	716	517	413	(421)	509	(13,027)
Total recognised gains and losses	11,135	13,084	24,219	57,459	31,798	113,476	128,270
As previously reported	–	38,183	38,183	45,299	–	83,482	82,924
Cumulative pure year result	11,135	51,268	62,403	102,758	31,797	196,957	211,194
Members' balances						196,957	211,194
Net annual accounting ratios:							
Claims ratio						24%	26%
Expense ratio						40%	37%
Combined ratio						64%	63%

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

continued

A Review of the Calendar Year Result *continued*

Written premium in the calendar year by syndicate classification

	2010	2010	2009	2009
	Gross written	Net written	Gross written	Net written
	£'000	£'000	£'000	£'000
Direct and facultative property	38,121	27,082	59,705	47,498
Property reinsurance	159,116	127,865	184,532	135,787
Third party liability	14,158	13,278	20,116	19,832
Accident and health	10,031	9,985	9,313	9,348
Marine and offshore energy	30,195	30,141	29,832	29,808
Terrorism and political risks	5,780	5,778	7,175	7,175
Specialist lines	7,466	7,341	4,207	4,100
Motor	15,852	15,983	9,988	10,097
Total	280,719	237,453	324,868	263,645

Current Trading Conditions

There was a marked resurgence in competitive pressure throughout 2010. Given our adherence to technical price adequacy we were forced back on to the defensive and have consequently booked 11% less premium income than in 2009. The year has been peppered by a series of international catastrophe losses, the most notable being earthquakes in Chile and New Zealand, major weather events in Europe and Australia and the Deepwater Horizon oil-spill in the Gulf of Mexico. I am pleased to report that our losses from these events will be disproportionately small compared to our market share: in the aggregate we are projecting ultimate net losses of less than £25m, across all years of account. For many years we have declined a great deal of so-called balancing business outside the United States, simply because it was in our view technically under-priced.

Some commentators have been attempting to put a gloss on these events by anticipating improved rates in 2011. To my mind, however, this sadly misinterprets the nature of the global reinsurance industry, which in the aggregate is designed to cope with the demands of its primary market, the United States. Although it can barely cover the need for catastrophic limit in say Miami or New York, global reinsurance supply is more than sufficient for Santiago or Brisbane. Fuelled by a capital allocation model that actually charges *negative* capital for uncorrelated risk, most underwriters will continue to chase international premium to balance out their US book. Since uncorrelated risk is viewed as automatically accretive, rate adequacy is ignored. Personally I hold to the rather old-fashioned view that if a die is rolled six times, aren't you more likely to get a six?

The United States therefore is paramount. Given the recent lack of US losses, in the aggregate the worldwide property reinsurance industry is making money. At present the international market is being subsidised by North American profits, and so will not re-price to any meaningful degree. Indeed I would make the further observation that *in toto* the premium generated by international exposures is actually likely to be lower in 2011 than 2010 despite these major incidences. Only if America catches cold will the rest of the world sneeze.

I stated in last year's report that 2009 was a good calendar year, not because of rate, but because of the lack of normal loss activity, and by the bounce-back in investment income following the write-downs at the end of 2008. Both of these elements have been reversed in 2010, not yet sufficient to tip the market into loss, but certainly to have a marked impact on future profit margins. Assuming 2011 losses continue to be in line with historic trends, coupled with an embedded investment yield now somewhat below 2%, there is actually not a great deal of fat left in many lines of business. We are firmly in the 'cheating phase' of the insurance cycle, where the industry borrows off the catastrophe lines to subsidise poorly rated working-level business. It is amazing to me that so many in our industry – particularly the large global stock companies – operate a business model that essentially offers its capital a market average investment yield in return for running copious amounts of underwriting risk for free. Given that we seek to be compensated for this risk, it is difficult to compete.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

continued

The Future

At this early stage premium volume in 2011 already appears to be heading below that achieved in 2010. Once again we make no apologies for making the necessary sacrifices on your behalf in order to preserve pricing integrity. Given a relatively small expense base and the freedom of manoeuvre afforded by our third-party capital structure, we should be able to navigate our way through the perilous waters ahead. There is no imperative on us other than to do the 'right thing'. Equally there will come a time when market conditions change sufficient to satisfy our pricing hurdles and premium volumes will surge dramatically, as in 2002 and 2006. As I have often stated before – our role as fiduciary custodians of your capital is simply to analyse and assume exposure at the appropriate price. We neither blindly follow the market, nor do we gamble.

FINANCIAL REPORT

Investment Return

The investment return for 2010 was 4.0% (2009: 6.0%) gross of all investment expenses and 3.4% (2009: 5.4%) net of investment expenses.

Last year we commented on the effect of the UK and US central banks expanding their balance sheets by purchasing assets, which in our view is economically and investment return-wise ultimately uncertain. Nothing in the last 12 months has led us to change our opinion. At the risk of further repeating ourselves, we concluded last year that the return in 2010 would be lower than 2008, and I'm afraid 2011 is also likely to be lower than 2010.

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

Asset class	2010		2009	
	Return %	Closing assets as a proportion of portfolio %	Return %	Closing assets as a proportion of portfolio %
Cash/cash liquidity funds	0.7	10.8	0.9	15.4
Equities	12.2	7.3	21.4	8.4
Credit bond funds	11.9	5.4	25.0	5.5
US treasury bonds	0.4	27.0	1.0	22.5
US agency bonds	3.8	15.2	1.8	6.1
US corporate debt	4.3	29.9	5.2	29.7
US asset backed debt	(2.0)	–	8.9	8.1
Overseas regulatory trust funds	2.3	4.4	1.5	4.3
Return/(loss)	4.0		6.0	
Return after charges	3.4		5.4	

Yields on the US Treasury element of our bond portfolio rose slightly in the period, further reducing the already very low levels of return on this section of our portfolio during 2010. The low Treasury return was counter balanced by a tightening of corporate spreads as the perception of credit issues for companies decreased over the year. We also saw a solid return for the equity element of our portfolio.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

continued

Investment Return *continued*

The key characteristics for each class are described below:

Cash and cash liquidity funds

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

Equities

We invested in four different funds during the year, reducing to three by the year end. Two of these funds have the ability to sell equities short to manage exposure during falling markets.

Credit bond funds

These comprise ten separate open ended bond funds with each fund managed by an external specialist investment manager. The number of funds has reduced to six in early 2011.

US treasuries

US Treasury bills and notes managed by two large US external investment managers. These assets have a duration of around 4.6 years. US treasuries are split by manager 97% to a short duration manager and 3% to a longer specialist duration manager.

US agency bonds

Direct investment in the 100% Government National Mortgage Association (Ginnie Mae). These bonds have always been US government guaranteed.

US corporate debt

Senior and subordinate bonds issued by industrial and financial companies, mainly US based. The average duration of these bonds before redemption is 2.9 years.

US asset backed debt

Bonds issued by the finance providers of auto and credit card debt. In the case of credit card debt each bond or trust has a significant level of over collateralisation or credit enhancement. All of these bonds were sold during 2010.

Overseas regulated trust funds

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

Valuation risk

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

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

continued

Rating and the future

The credit rating of our assets is set out below:

2010	Rating						
	AAA and government %	AA and above %	A %	Not rated %	Equities %	Hedge funds %	Total %
Asset class per balance sheet							
Shares and variable yield securities	–	4.9	1.9	–	3.2	–	10.0
Debt securities	45.0	15.3	10.4	–	–	–	70.6
Participation in investment pools	3.4	–	–	–	–	10.1	13.5
Other loans	4.9	–	–	–	–	–	4.9
Deposits with credit institutions	–	–	0.9	–	–	–	1.0
Total	53.3	20.2	13.2	0.0	3.2	10.1	100.0

2009	Rating						
	AAA and government %	AA and above %	A %	Not rated %	Equities %	Hedge funds %	Total %
Asset class per balance sheet							
Shares and variable yield securities	–	6.6	4.4	–	4.5	–	15.5
Debt securities	37.2	19.5	14.0	–	–	–	70.7
Participation in investment pools	2.9	–	–	–	–	9.8	12.7
Other loans	–	–	–	–	–	–	–
Deposits with credit institutions	–	–	1.1	–	–	–	1.1
Total	40.1	26.1	19.5	0.0	4.5	9.8	100.0

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

Currency Translation Differences

Over 90% of the syndicate's assets are held in US Dollars but as results are published in Sterling changes in the £:US Dollar exchange rate can significantly alter the reported Sterling result. However, capital providers receive distributions in both currencies therefore distributions to capital providers are unaffected by the accounting exchange loss booked.

The accounting exchange gain for the year is £0.5m (2009: loss £13.03m). This principally reflects the strengthening of the US Dollar against Sterling from the opening rate of 1.61 to the current year end rate of 1.57.

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

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

continued

Reinsurance Balances

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

An analysis of the security rating for the reinsurance balances on our balance sheet at 31 December is set out below.

Debt table by security rating

Standard & Poor's rating	On paid claims £m	On outstanding claims £m	On IBNR £m	2010 Total £m	2009 Total £m
AA and above	1.8	9.2	5.6	16.6	20.8
A	16.9	4.1	7.1	28.1	27.7
BBB	–	–	–	–	–
BB and below	–	–	0.8	0.8	1.0
	18.7	13.3	13.5	45.5	49.5

Of the total reinsurance debtors rated A in the table above, the amounts owed by Syndicate 6103 are £20.2m.

Our reinsurance security committee has authorised the use of a number of the insurance companies set up after the 2005 hurricanes. These companies have either no, or a low, Standard and Poor's security rating. As a result they are only accepted on to the syndicate's reinsurance programme if they offer acceptable alternative direct security (Letters of Credit or syndicate specific trust accounts). Of the balances in the table above with a rating lower than BB, the syndicate has access to £0.08m of assets as security should the reinsurer fail to pay valid claims when they fall due.

Risk Management

We have established a risk management framework whose primary objective is to protect the syndicate from events which negatively impact current and future returns.

Principal Risks

Insurance risk

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

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

Credit risk

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

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

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

continued

Liquidity risk

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

Market risk

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

Foreign currency exchange risk

We operate from the United Kingdom but over 90% of our premiums and claims are settled in currencies other than Sterling. Our reported financial results are denominated in Sterling and are therefore affected by the exchange rate against Sterling of our main currency assets (USD, EUR and CAD). The syndicate settles its surplus assets in both Sterling and USD as each underwriting year closes or earlier if a solvency transfer is approved. We do not therefore seek to hedge the USD exposure. Other currencies are tracked against Sterling to ensure the amount of exposure is monitored and if needed appropriate action taken.

Equity price risk

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

Interest rate risk

Interest rate risk arises primarily from the value of our investments. For example debt and fixed income securities are exposed to actual fluctuations or changes in market perception of current or future interest rates. Exposure to interest rate risk is monitored through the use of Value-at-Risk analysis, scenario testing, stress testing and duration reviews. Interest rate risk is managed by matching of assets and liabilities to within five years.

Operational risk

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

Regulatory risk

The agency is required to comply with the requirements of the 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 assesses 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 2010 together with their participations on the syndicate were as follows:

	2010 year of account £'000	2009 year of account £'000
J D Denoon Duncan ⁽¹⁾	440	195
H R Dumas	571	462
A S Foote ⁽³⁾	–	–
A Kong ^{(1) (2)}	1,579	764
B S McAuley ⁽¹⁾	435	234
D E S Shipley (Chairman) ⁽¹⁾	5,496	3,606
C Smelt ^{(1) (2)}	1,173	433
R J Sumner ⁽¹⁾	397	212
R K Trubshaw (Active Underwriter) ⁽¹⁾	6,209	3,299
C E Dandridge	–	–

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

(2) Include participations of related parties.

(3) A S Foote, a non-executive director of MAP, 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 2010 year of account of the syndicate was £504m.

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

15 March 2011

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 2791

We have audited the syndicate annual accounts of Syndicate 2791 for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Managing Agent and the Auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 37, the managing agent is responsible for the preparation of syndicate annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Syndicate Annual Accounts

An audit involves obtaining evidence about the amounts and disclosures in the annual accounts sufficient to give reasonable assurance that the annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the annual accounts.

Opinion on Syndicate Annual Accounts

In our opinion the annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2010 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 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 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate 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.

Kevin Senior (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

15 March 2011

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2010

	Note	£'000	2010 £'000	£'000	2009 £'000
Earned premiums, net of reinsurance					
Gross premiums written	3		280,719		324,868
Outward reinsurance premiums			(43,266)		(61,223)
Net premiums written			237,453		263,645
Change in the provision for unearned premiums:					
Gross amount		16,884		19,234	
Reinsurers' share		(3,046)		(87)	
Change in the net provision for unearned premiums			13,838		19,147
Earned premiums, net of reinsurance					
Allocated investment return transferred from the non-technical account					
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	3	(119,232)		(155,418)	
Reinsurers' share		13,535		17,555	
Net claims paid		(105,697)		(137,863)	
Change in the provision for claims					
Gross amount	3	53,722		64,192	
Reinsurers' share		(7,974)		(1,249)	
Change in the net provision for claims		45,748		62,943	
Claims incurred, net of reinsurance					
Acquisition expenses		(61,926)	(59,949)	(67,128)	(74,920)
Change in deferred acquisition expenses		(3,590)		(2,790)	
Reinsurers' commissions and profit participations		1,771		4,755	
Administrative expenses	5	(36,665)		(39,503)	
Net operating expenses	3		(100,410)		(104,666)
Balance on the technical account for general business					
112,967					
141,297					

All operations are continuing.

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Balance on the general business technical account		112,967	141,297
Investment income	8	21,764	18,872
Unrealised gains on investments		14,395	29,670
Unrealised losses on investments		(5,187)	(2,569)
Investment expenses and charges	8	(8,937)	(7,882)
Allocated investment return transferred to general business technical account		(22,035)	(38,091)
Profit for the financial year		112,967	141,297

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Profit for the financial year		112,967	141,297
Exchange difference on foreign currency translation	10	509	(13,027)
Total recognised gains and losses since the last annual report		113,476	128,270

BALANCE SHEET ASSETS

at 31 December 2010

	Note	£'000	2010 £'000	£'000	2009 £'000
Investments					
Financial investments	11		632,289		700,991
Reinsurers' share of technical provisions					
Provision for unearned premiums		9,955		12,654	
Claims outstanding	4	26,813		33,876	
			36,768		46,530
Debtors					
Debtors arising out of direct insurance operations	12	17,662		17,337	
Debtors arising out of reinsurance operations	12	92,457		97,465	
Other debtors	13	20,958		13,066	
			131,077		127,868
Other assets					
Cash at bank and in hand			7,284		10,602
Other	14		22,752		23,444
Prepayments and accrued income					
Accrued interest		2,469		2,494	
Deferred acquisition costs		28,619		31,388	
Other prepayments and accrued income		1,069		545	
			32,157		34,427
Total assets			862,327		943,862

BALANCE SHEET LIABILITIES

at 31 December 2010

	Note	£'000	2010 £'000	£'000	2009 £'000
Capital and reserves					
Members' balances	15		196,957		211,194
Technical provisions					
Provision for unearned premiums		108,524		122,150	
Claims outstanding	4	418,381		460,917	
			526,905		583,067
Creditors					
Creditors arising out of direct insurance operations	16	600		1,087	
Creditors arising out of reinsurance operations	16	83,105		88,074	
Other creditors	17	54,024		59,263	
			137,729		148,424
Accruals and deferred income					
			736		1,177
Total liabilities					
			862,327		943,862

The financial statements on pages 39 to 55 were approved by the Board of Managing Agency Partners Limited on 15 March 2011 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

15 March 2011

CASH FLOW STATEMENT

for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Net cash inflow from operating activities	18	35,889	170,953
Transfer to members in respect of underwriting participations:			
Profits distributed		(126,433)	(137,393)
		(90,544)	33,560
Cash flows were invested as follows:			
(Decrease)/increase in cash holdings	20	(3,265)	(18,165)
Increase in deposits	20	(2,404)	563
Net portfolio investment	20	(84,875)	51,162
Net investment of cash flows		(90,544)	33,560

NOTES TO THE ACCOUNTS

for the year ended 31 December 2010

1. Basis of Preparation

These financial statements have been prepared in accordance with Regulation 5 of 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 are shown gross of acquisition costs payable to intermediaries and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet notified. Differences between such estimates and actual amounts will be recorded in the period in which the actual amounts are determined.

Unearned gross premiums

Written premiums are recognised evenly over the term of the contract for those contracts where the incidence of risk does not vary over the term. Contracts where the incidence of risk differs over the term are earned based on the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Acquisition costs

Acquisition costs, comprising commission and other direct or indirect costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Reinsurance premium ceded

Outwards reinsurance purchased consists of excess of loss contracts and proportional reinsurance contracts. Initial excess of loss premiums are accounted for in the year of inception. Premiums ceded to reinstate reinsurance cover or additional premiums payable on loss are recognised when they may be assessed with reasonable certainty. Proportional outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Unearned reinsurance premium

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

Claims provisions and related recoveries

Claims paid comprise claims and claim handling expenses paid during the period.

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years. The provision for claims outstanding is assessed on an individual case and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

NOTES TO THE ACCOUNTS

continued

2. Accounting Policies *continued*

Claims provisions and related recoveries continued

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

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

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

Reinsurance bad debt

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

Unexpired risks provision

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

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

Foreign currency translation

Transactions in US Dollars, Canadian Dollars and Euros are translated at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

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

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

	2010		2009	
	Year end	Average	Year end	Average
USD	1.57	1.55	1.61	1.57
CAD	1.56	1.59	1.69	1.78
EUR	1.17	1.17	1.13	1.12

Investments

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

The cost of syndicate investments is deemed to be the aggregate of market value at the previous balance sheet date of those investments still held at the current balance sheet date, and purchases during the period.

NOTES TO THE ACCOUNTS

continued

2. Accounting Policies *continued*

Investment return

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

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

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year.

Allocation of investment return

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

Operating expenses

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

Taxation

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

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

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

Pension costs

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

Profit commission

Profit commission is charged by the managing agent at a rate of 20.0% for the 2009 and 2010 years of account and of 17.5% for earlier years of account, subject to the operation of a deficit clause. This is charged to the syndicate as incurred on an earned basis but does not become payable until after the appropriate year of account closes, normally at 36 months.

NOTES TO THE ACCOUNTS

continued

3. Segmental Analysis

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

2010	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expense £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance							
Accident and health	8,245	8,562	(2,318)	(3,632)	(66)	2,546	10,865
Motor (third party liability)	1,709	1,702	(631)	(609)	73	535	5,185
Motor (other classes)	7,978	8,329	(2,564)	(3,248)	(119)	2,398	13,577
Marine, aviation and transport	28,546	26,441	(6,771)	(9,224)	(27)	10,419	53,349
Fire and other damage to property	31,218	41,282	(10,445)	(16,223)	(5,042)	9,572	38,355
Third party liability	5,231	6,516	(7,294)	(2,076)	400	(2,454)	140,239
Miscellaneous	620	415	(1,490)	(82)	(15)	(1,172)	4,277
	83,547	93,247	(31,513)	(35,094)	(4,796)	21,844	265,847
Reinsurance accepted	197,172	204,356	(33,997)	(65,316)	(35,955)	69,088	181,835
Total	280,719	297,603	(65,510)	(100,410)	(40,751)	90,932	447,682

2009	Gross written premiums £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expense £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance							
Accident and health	8,705	9,549	(3,623)	(3,609)	(13)	2,304	12,715
Motor (third party liability)	1,020	1,647	682	(589)	(1,510)	230	6,410
Motor (other classes)	5,317	6,856	(3,155)	(2,902)	9	808	14,668
Marine, aviation and transport	28,495	31,044	(10,049)	(9,852)	(319)	10,824	56,794
Fire and other damage to property	45,883	45,156	(13,131)	(14,450)	(6,325)	11,250	51,082
Third party liability	7,958	7,628	966	(3,662)	669	5,601	57,655
Miscellaneous	1,655	2,067	(915)	(739)	2	415	2,792
	99,033	103,947	(29,225)	(35,803)	(7,487)	31,432	202,116
Reinsurance accepted	225,835	240,155	(62,001)	(68,863)	(37,517)	71,774	334,421
Total	324,868	344,102	(91,226)	(104,666)	(45,004)	103,206	536,537

All premiums were concluded in the UK.

Gross operating expenses include reinsurers' commissions and profit participations.

	2010 £'000	2009 £'000
Total commissions on gross direct premiums earned	24,090	24,328

NOTES TO THE ACCOUNTS

continued

3. Segmental Analysis *continued*

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

	Direct	Reinsurance	2010 £'000
UK	2,493	3,525	6,018
Other EU countries	4,408	6,534	10,942
US	48,821	132,541	181,362
Other	27,825	54,572	82,397
Total	83,547	197,172	280,719

	Direct	Reinsurance	2009 £'000
UK	2,425	7,751	10,176
Other EU countries	3,664	7,797	11,461
US	68,390	170,942	239,332
Other	22,752	41,147	63,889
Total	97,231	227,637	324,868

Other, above, includes worldwide income of £47.6m (2009: £55.6m).

4. Claims Outstanding

A positive run-off of £11m on the 2008 and prior years' reserves (2007 and prior: £22m) was experienced in the year. This change to the previous closed year reserves was 4.1% of the relevant provisions brought forward. The change in the year was principally due to the favourable run-off of the property book.

	2010 £'000	2009 £'000
Gross outstanding claims	168,727	201,743
Reinsurance recoveries anticipated	(13,353)	(16,361)
Net outstanding claims	155,374	185,382
Provision for gross claims incurred but not reported	245,116	254,856
Reinsurance recoveries anticipated	(13,460)	(17,515)
Provision for net claims incurred but not reported	231,656	237,341
Unallocated loss and loss adjustment expenses	4,538	4,318
Net reserves	391,568	427,041

NOTES TO THE ACCOUNTS

continued

5. Administrative Expenses

	2010 £'000	2009 £'000
Personal expenses	4,854	4,109
Profit commission payable to managing agent	27,313	30,094
Other administrative expenses	5,318	6,212
Profit on exchange	(820)	(912)
	36,665	39,503

Administrative expenses include:

	2010 £'000	2009 £'000
Auditors' remuneration		
Fees for the audit of the syndicate	195	204
Taxation compliance services	19	6
Actuarial consultancy services	192	206

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

6. Staff Numbers and Costs

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

	2010 £'000	2009 £'000
Wages and salaries	3,446	3,330
Social security costs	391	378
Other pension costs	381	364
	4,218	4,072

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

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

	2010 Number	2009 Number
Administration and finance	20	19
Underwriting	22	22
Claims	4	4
	46	45

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

7. Emoluments of the Directors of Managing Agency Partners Ltd

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

	2010 £'000	2009 £'000
Emoluments	935	902

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

	2010 £'000	2009 £'000
Emoluments – R K Trubshaw	214	208

NOTES TO THE ACCOUNTS

continued

8. Investment Return

	2010 £'000	2009 £'000
Investment income		
Income from investments	13,053	10,277
Gains on the realisation of investments	8,711	8,595
	21,764	18,872
Investment expenses		
Investment management expenses, including interest	3,941	4,166
Losses on the realisation of investments	4,996	3,716
	8,937	7,882

9. Calendar Year Investment Yield

Average syndicate funds available for investment:

	2010 '000	2009 '000
Sterling	14,826	31,231
United States Dollars	957,044	1,015,994
Canadian Dollars	29,584	30,989
Euros	31,970	36,578
Combined Sterling average syndicate funds available for investment	670,698	712,990
Investment return – gross of investment expenses	25,977	42,257

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

Sterling	1.7%	1.3%
United States Dollars	4.3%	6.7%
Canadian Dollars	0.7%	0.6%
Euros	0.7%	(0.1%)
Combined	4.0%	6.0%

10. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	2010 £'000	2009 £'000
On balances brought forward	1,859	(10,097)
On transactions during 2009: from average to year end rates	(1,350)	(2,930)
	509	(13,027)

NOTES TO THE ACCOUNTS

continued

11. Financial Investments

	Market value		Cost	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Shares and other variable yield securities and units in unit trusts	63,322	108,690	55,294	100,831
Debt securities and other fixed income securities	446,505	495,063	449,034	490,886
Participation in investment pools	85,503	89,230	76,331	76,846
Other loans	30,955	–	30,955	–
Deposits with credit institutions	6,004	8,008	6,004	8,008
	632,289	700,991	617,618	676,571

Included within the above assets are funds comprising listed equities of £40.2m (2009: £49.9m).

12. Debtors Arising Out of Insurance Operations

	2010 £'000	2009 £'000
Arising out of direct insurance		
Due from policyholders	–	–
Due from intermediaries – within one year	17,662	17,336
– after one year	–	1
	17,662	17,337

Debtors arising out of reinsurance operations includes £3.4m (2009: £12.4m) due after one year and include funds due in respect of Syndicate 6103 (see note 22).

13. Other Debtors

	2010 £'000	2009 £'000
Due within one year		
Outstanding settlements on investments	7,464	–
Commissions and override receivable	2,896	3,461
Foreign taxes	1,702	1,914
Members' agents fees funded	1,511	1,279
Other	22	73
	13,595	6,727
Due after one year		
Inter syndicate debt	440	576
Members' agents fees funded	4,379	3,294
Commissions and override receivable	2,544	2,469
	7,363	6,339
	20,958	13,066

14. Other Assets

	2010 £'000	2009 £'000
Overseas deposits	22,752	23,444

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

NOTES TO THE ACCOUNTS

continued

15. Reconciliation of Members' Balances

	2010 £'000	2009 £'000
Members' balances brought forward at 1 January	211,194	221,420
Profit for the financial year	112,967	141,297
Exchange rate difference – transfer from the Statement of Recognised Gains and Losses	509	(13,027)
Reclassification of members' agents fees	(1,280)	(1,103)
Payments of profit to members' personal reserve funds	(126,433)	(137,393)
Members' balances carried forward at 31 December	196,957	211,194

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

16. Creditors Arising Out of Insurance Operations

	2010 £'000	2009 £'000
Arising out of direct insurance operations		
Policyholders	–	–
Intermediaries – within one year	600	1,087
– after one year	–	–
	600	1,087

Creditors in respect of reinsurance operations of £83.1m (2009: £88.1m) include amounts due after one year of £50.9m (2009: £49.4m), all of which are due to Syndicate 6103.

17. Other Creditors

	2010 £'000	2009 £'000
Outstanding settlement on investments	6,670	12,280
Profit commissions	46,875	46,515
Inter-syndicate	479	468
	54,024	59,263

Of the profit commissions above, £33.638m (2009: £19.424m) fall due after one year.

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

	2010 £'000	2009 £'000
Operating profit on ordinary activities	112,967	141,297
Realised and unrealised investments (gains)/losses including exchange movements	(17,833)	112,715
(Decrease)/increase in net technical provisions	(46,400)	(144,074)
Decrease/(increase) in debtors	(938)	42,902
Increase in creditors	(11,136)	32,243
Exchange differences on foreign currency translation	509	(13,027)
Movement on members' balances	(1,280)	(1,103)
Net cash inflow from operating activities	35,889	170,953

NOTES TO THE ACCOUNTS

continued

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

	2010 £'000	2009 £'000
Net cash flows for the year	(3,265)	(18,165)
Cash flow – portfolio investments and overseas deposits	(87,280)	51,725
Movement arising from cash flows	(90,545)	33,560
Changes in market value and exchange rates	17,833	(112,715)
Total movement in portfolio investments	(72,712)	(79,155)
Portfolio at 1 January	735,037	814,192
Portfolio at 31 December	662,325	735,037

20. Movement in Cash, Portfolio Investments and Financing

	At 1 January 2010 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2010 £'000
Cash at bank and in hand	10,602	(3,265)	(53)	7,284
Overseas deposits	23,444	(2,404)	1,712	22,752
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	108,690	(50,471)	5,104	63,323
Debt securities and other fixed income securities	495,063	(55,513)	6,954	446,504
Participation in investment pools	89,230	(7,624)	3,898	85,504
Other loans	–	30,941	13	30,954
Deposits with credit institutions	8,008	(2,208)	204	6,004
Total portfolio investments	700,991	(84,875)	16,173	632,289
Total cash, portfolio investments and financing	735,037	(90,544)	17,832	662,325

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

	2010 £'000	2009 £'000
Purchase of shares and other variable yield securities	(1,871)	(69,566)
Purchase of debt securities and other fixed income securities	(1,431,518)	(623,177)
Purchase of participation in investment pools	(14,852)	(24,589)
Deposits with credit institutions	2,208	464
Other loans	(30,941)	23,414
Sale of shares and other variable yield securities	52,342	1,675
Sale of debt securities and other fixed income securities	1,487,031	627,241
Sale of participation in investment pools	22,476	13,376
Net cash (outflow) on portfolio investments	(84,875)	(51,162)

NOTES TO THE ACCOUNTS

continued

22. Related Parties

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

MAP also manages Syndicate 6103. The underwriting business of Syndicate 6103 is derived solely under a reinsurance contract with Syndicate 2791. Under the terms of this contract, Syndicate 6103 is obliged to accept 30% (2009: 40%) of all business written by Syndicate 2791 under certain categories of its property catastrophe book. Syndicate 2791 retains the balance of these contracts net for its own account.

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

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

	2010 £'000	2009 £'000
Premiums ceded	(20,327)	(30,326)
Paid claims recovered	3,996	4,768
Ceding commission	1,019	1,508
Overriding commission	199	287
Investment income payable	(1,098)	(1,269)

Managing agency fees amounting to £2.8m were paid to MAP during 2010 (2009: £2.2m) and profit commission of £27.3m (2009: £30.1m) is also due to the managing agent in respect of the results for this calendar year. Expenses totalling £7.0m (2009: £6.5m) have been recharged during the year.

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

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

Messrs. Shipley, Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Ms McAuley, or their related parties, participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP Capital Limited. MAP Capital Limited commenced underwriting on the 2001 year of account. For the 2010 year of account MAP Capital Limited provided £105.3m of capacity on Syndicate 2791 (2009: £85.1m) representing 20.9% of capacity (2009: 21.1%). MAP has no direct or indirect interest in the share capital of MAP Capital Limited.

For the 2010 year of account, these directors also participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member, Nomina No 208 LLP. For the 2010 year of account it has provided £9.8m of capacity representing 1.95% of capacity. MAP has no direct or indirect interest in Nomina No 208 LLP.

Certain functions in relation to administration and systems had been sub-contracted to companies related to Omni Bridgeway BV which has a 9.9% interest in the shares of the intermediate parent company, Managing Agency Partners Holdings Limited. These arrangements are on an arms length basis. The charges for these services in 2010 totalled £0.138m (2009: £0.131m).

NOTES TO THE ACCOUNTS

continued

22. **Related Parties** *continued*

The syndicate has an investment in Steadfast International Limited, an equity investment fund managed by Steadfast Capital Management Limited of which Mr Foote, a director of MAP, is the managing director. The syndicate's participation on this fund is at arm's length and the syndicate was charged fees and profit commissions amounting to US\$0.79m during 2010 on normal commercial terms. Mr Foote, as partner in Steadfast Capital Management Limited will participate in any profits of Steadfast Capital Management Limited.

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

There are no other transactions or arrangements requiring disclosure.

23. **Funds at Lloyd's**

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

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

24. **Contingent Liabilities**

Litigation

In the course of conducting insurance business, the syndicate receives claims in respect of its underwriting activities and becomes involved in actual or threatened litigation arising therefrom including actions in respect of subrogation, asset recovery or coverage disputes. Prudent estimates of costs arising in the defence of all these claims have been made in these accounts. The board of the managing agent considers each action carefully and appropriate provisions are made accordingly. There are provisions amounting to £0.3m (2009: £0.3m) at the year end.

Letters of credit

The syndicate has provided letters of credit to certain insureds and reinsureds to cover losses that might arise on their contracts written in the ordinary course of business. These amount to US\$9.1m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US\$9.4m.

25. **Post Balance Sheet Event**

In accordance with the reinsurance contract with Syndicate 6103, the 2008 Year of Account of that syndicate will be commuted and an RITC effected with this syndicate and the reserves carried for the 2008 Year of Accounting (amounting to £2.4m) transferred to this syndicate in 2011.

26. **Reinsurance to Close Premium Received from Syndicate 6103**

At 1 January 2010, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2007 Year of Account. In addition, the reinsurance contact between Syndicate 2791 and Syndicate 6103 for the 2007 Year of Account has been commuted with Syndicate 2791 being paid in full for the liabilities assumed as at 1 January 2010.

27. **Off-Balance Sheet Items**

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

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