Beazley Furlonge Limited | Syndicate 6107 at Lloyd's

Annual report 2015

Welcome to our Annual report 2015

Benefitting from lower than expected natural catastrophe claims activity, syndicate 6107 achieved a strong underwriting result in 2015.

Contents

Highlights

Syndicate capacity
£28.6m
(2014: £21.0m)

Gross premiums written
$47.1m
(2014: $28.6m)

Earned premiums, net of reinsurance
$38.9m
(2014: $24.5m)

Profit for the financial year
$7.8m
(2014: $6.6m)

Claims ratio
49%
(2014: 42%)

Expense ratio
21%
(2014: 23%)

Combined ratio
70%
(2014: 65%)

Strategic report of the managing agent

Overview
Syndicate 6107 continued to write a share of the property reinsurance business written by syndicates 623 and 2623 in 2015 following its establishment in 2010.

The capacities of the managed syndicates are as follows:

	2015 £m	2014 £m
2623	1,019.5	1,093.9
623	230.3	242.8
3623	150.0	140.0
6107	**28.6**	**21.0**
3622	17.0	16.0
6050	12.0	–
Total	**1,457.4**	**1,513.7**

Year of account results
The 2013 underwriting year has closed with a declared profit of $4.8m, which represents a return on capacity of 17.4%. The 2014 underwriting year has benefited from a lower than average level of claims notifications and currently forecasts a return on capacity of 20%.

Rating environment
Premium rates charged for renewal business decreased by 7% during 2015 (2014: decreased by 10%). The soft rating environment was driven by an over capitalised reinsurance market and lower than average natural catastrophe activity.

Combined ratio
The combined ratio of an insurance entity is a common measure of its operating performance and represents the ratio of its total costs (excluding foreign exchange movements) to total premium income. The syndicate's combined ratio for 2015 was 70% (2014: 65%).

Claims
Aided by another year of relatively low natural catastrophe activity, syndicate 6107 achieved a claims ratio of 49% (2014: 42%). The syndicate's largest loss to date on the 2015 underwriting year relates to the explosions in the Chinese port of Tianjin. However this loss is well within our catastrophe margin.

The syndicate also benefitted from prior year releases of $4.3m (2014: $4.1m), which was a reflection of the continued low level of insured natural catastrophe losses incurred in the past 2 years.

Net operating expenses
Net operating expenses, including business acquisition costs and administrative expenses were $8.2m (2014: $5.6m). The breakdown of these costs is shown below:

	2015 $m	2014 $m
Brokerage costs	6.3	4.4
Administrative and other expenses	1.9	1.2
Net operating expenses*	**8.2**	**5.6**

* A further breakdown of net operating expenses can be seen in note 4.

As a percentage of net earned premium brokerage costs are approximately 16% (2014: 18%). Brokerage costs are deferred and expensed over the life of the associated premiums in accordance with accounting guidelines. Administrative expenses comprise primarily IT costs, facilities costs, Lloyd's central costs and other support costs. The expense ratio for 2015 is 21% (2014: 23%).

Reinsurance

In 2015, the amount spent on reinsurance was $4.8m (2014 $5.3m).

Reinsurance is purchased for a number of reasons:

- to mitigate the impact of catastrophes such as hurricanes;
- to enable the syndicate to put down large, lead lines on risks we underwrite; and
- to manage capital to lower levels.

Individual capital assessment

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

The current capital assessment has been established using our Solvency II internal model which has been run within the ICA regime as prescribed by Lloyd's. In order to determine the capital assessment, we have made significant investment in both models and process:

- we use sophisticated mathematical models that reflect the key risks in the business allowing for probability of occurrence, impact if they do occur, and interaction between risk types. A key focus of these models is to understand the risk posed to individual teams, and to the business as a whole, of a possible deterioration in the underwriting cycle; and
- the internal model process is embedded so that teams can see the direct and objective link between underwriting decisions and the capital allocated to that team. This gives a consistent and comprehensive picture of the risk reward profile of the business and allows teams to focus on strategies that improve return on capital.

Solvency II

Solvency II went live on 1 January 2016. In December 2015, we were delighted to receive confirmation that our Solvency II internal model application was approved by the Central of Bank Ireland. The model is used to calculate the Solvency Capital Requirement on an ultimate basis, as required for Lloyd's capital setting.

Beazley's programme to prepare for Solvency II began in 2008 and is now substantially complete. Our project to prepare for the pillar 3 reporting requirements is on going and will continue until the annual reporting for 31 December 2016 is complete. We believe we are strongly positioned to meet all the reporting requirements.

Outlook

Following another year of below average natural catastrophe claims activity in 2015, we expect to see further rating pressure in 2016. We also anticipate that the relatively benign claims environment will enable syndicate 6107 to close the 2014 underwriting year with a strong return on capacity, currently forecast at 20%.

2015 has thus far benefitted from a lower than expected level of claim notifications and, assuming there are no major catastrophe events over the remainder of the exposure period, we expect the underwriting year to close with a strong profit.

N P Maidment
Active underwriter

10 March 2016

Managing agent's report

The managing agent presents its report for the year ended 31 December 2015.

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

Principal activity

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

Risk management philosophy

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

Risk governance and reporting

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

2015 in review

As at 31 December 2015, the syndicate is operating within risk appetite as set by the Beazley Furlonge Ltd board ('the board'). There have been no new risk areas identified and no major shifts in existing risks. In addition, the control environment has not identified any significant failings or weaknesses in key processes.

Risk management has undertaken a review of the design and operation of the underwriting standards, particularly in soft market conditions. Whilst the conclusion was that the underwriting standards remain appropriately designed, we have increased the focus on oversight of policy wordings (which can become a target in a soft market) and monitoring more closely the new underwriters who have joined Beazley in 2015.

Risk appetite sets the navigational parameters and so supports board discussion. For example, because asset risk appetite is based on how much earnings volatility the board is prepared to tolerate, it is set with consideration of the insurance conditions in mind rather than the asset environment alone. This tempers the amount of asset risk taken in soft insurance market conditions when the initial reaction may be to take on more asset risk to make up for an expectation of reduced insurance profits.

We have also complemented our quantitative risk appetite measures by developing qualitative statements which guide on what type of activity would be outside risk appetite using relevant language for that part of the business. This has helped to improve the understanding across the business of how the board expects the company to operate.

In 2015, we reviewed the way we manage conduct risk. Conduct risk describes Beazley's behaviour that aims to provide appropriate products to the right group of consumers that achieve fair outcomes. Beazley's approach starts with culture. The Professional and Integrity elements of our PIED values and the Honourable and Deliver elements of Being Beazley mean we consider and understand the needs of our customers and form an important cultural base to getting this right. This is supported by product specific activity dependent on the type of customer. From a risk management perspective, we facilitated the development of the conduct objective, the conduct risk appetite and the standards required to remain within this risk appetite.

We are able to extract conduct related controls from the risk register to provide the board with assurance that the expected behaviours towards customers are being demonstrated.

The quarterly Own Risk and Solvency Assessment (ORSA) report captures and explains the current and prospective risks and associated capital requirements. Since 2010, the board has received 20 regular quarterly ORSAs and three ad hoc transactional ORSAs and these reports have proved to be one of the key benefits arising from the introduction of the Solvency II regime.

There is widespread belief that the approach to remuneration is a key determinant of a business's success or failure. As such, this is now the fifth year that the chief risk officer has provided a detailed report to the remuneration committee to provide assurance that the design of the remuneration structure drives the intended behaviours not only over the next year but also over the next three to five years. Members of the risk management team have visited Beazley offices in the US, Europe, Asia and Australia to identify how we can improve what we do and to observe how consistently the Beazley culture ensures our staff do the right thing.

Turning to capital, we have continued to make minor changes to the internal model during 2015, the last year before the Solvency II regime goes live. Some changes have been in response to regulatory review to ensure that the internal model completely meets all the requirements. Other changes have been made to ensure that the internal model remains aligned to Beazley's risk profile. We have observed that there is increasing interest across the market in utilising a 'drivers of risk' approach, which is used by Beazley to describe how risks interact rather than using a statistical correlation matrices approach. Since we implemented such an approach in 2004, we have found that a 'drivers of risk' approach leads to a more informed discussion given the more intuitive approach to aggregating risk. Our focus in 2015 has been on reviewing the universe of risk drivers to ensure that all appropriate drivers have been included in the model and that the emergence of future drivers will be incorporated as necessary.

The board has received a detailed validation report to provide assurance that the model design and its output are appropriate. This report, coupled with a programme of regular and tailored director briefings called "KRAM", ensure that the internal model is widely understood and actively used.

Beazley received approval for its Solvency II internal model from Lloyd's in December 2015. This ensures that Beazley's capital efficiency is maintained as the company will continue to use a model that more accurately reflects its risk profile to set capital requirements, rather than having to use the standard formula which typically generates higher capital requirements.

Risk management strategy

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

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

- mitigating the impact of the risk through the application of controls;
- transferring or sharing risk through outsourcing and purchasing insurance and reinsurance; and
- tolerating risk in line with the risk appetite.

In addition, the following risk management principles have been adopted:

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

Risk management framework

Beazley has adopted the 'three lines of defence' framework: namely business risk management, the risk management function and the internal audit function. Within business risk management, there are two defined risk and control roles: risk owner and control reporter. Each risk event is owned by the risk owner who is a senior member of staff. Risk owners, supported by the risk management team, formally perform a risk assessment twice a year, including an assessment of heightened and emerging risks.

The risk management framework comprises a number of risk management components, which when added together describe how risk is managed on a day to day basis. The framework includes a risk register that captures the risk universe (55 risk events grouped into eight risk categories: insurance, market, credit, liquidity, operational, regulatory and legal, group and strategic), the risk appetite set by the Beazley Furlonge Limited board, and the control environment that is operated by the business to remain within the risk appetite.

In summary, the board identifies risk, assesses risk and sets risk appetite. The business then implements a control environment which describes how the business should operate to stay within risk appetite. Risk management then reports to the board on how well the business is operating using a consolidated assurance report. For each risk, the consolidated assurance report brings together a view of how successfully the business is managing risk, qualitative commentary from the assurance function and whether there have been any events that we can learn from (risk incidents). Finally, the framework is continually improved, through the consideration of stress and scenario testing, themed reviews using risk profiles and an assessment of strategic and emerging risks.

Managing agent's report continued

A suite of risk management reports are provided to the boards and committees to assist senior management and board members to discharge their oversight and decision making responsibilities. The risk reports include the risk appetite statement, the consolidated assurance report, risk profiles, stress and scenario testing, reverse stress testing, an emerging and strategic report, a report to the remuneration committee and the ORSA report.

The internal audit function considers the risk management framework in the development of its audit universe to determine its annual risk-based audit plan. The plan is based on, among other inputs, the inherent and residual risk scores as captured in the risk register. Finally, a feedback loop operates, with recommendations from the internal audit reviews being assessed by the business and the risk management function for inclusion in the risk register as appropriate.

The risks to financial performance

The board monitors and manages risks grouped into eight categories, which cover the universe of risk that could affect Beazley. There have been no new risk areas identified and no major shifts in existing risks. The board considers the following two risk categories to be the most significant.

Insurance risk

Given the nature of Beazley's business, the key risks that impact financial performance arise from insurance activities. The main insurance risks can be summarised in the following categories:

- Natural catastrophe risk: The risk of one large event caused by nature affecting a number of policies and therefore giving rise to multiple losses. Given Beazley's risk profile, this could be a hurricane, major windstorm or earthquake. This risk is monitored using exposure management techniques to ensure that the risk and reward are appropriate and that the exposure is not overly concentrated in one area;
- Reserve risk: Beazley has a consistent and conservative reserving philosophy. However, there is a risk that the reserves put aside for expected losses turn out to be insufficient. The syndicate uses a range of techniques to mitigate this risk including a detailed reserving process which compares, claim by claim, estimates established by the claims team with a top down statistical view developed by the actuarial team. A suite of metrics is also used to ensure consistency each year; and
- Single risk losses: Given the size of policy limits offered on each risk, it is unlikely that the poor performance of one policy will have a material impact on the syndicate's financial performance.

Strategic risk

Alongside these insurance risks, the success of the syndicate depends on the execution of an appropriate strategy. The main strategic risks can be summarised as follows:

- Strategic decisions: The syndicate's performance would be affected in the event of making strategic decisions that do not add value. The syndicate mitigates this risk through the combination of recommendations and challenge from non-executive directors, debate at the executive committee and input from the strategy and performance group (a group of approximately 35 senior individuals from across different disciplines at Beazley);
- Environment: There is a risk that the chosen strategy cannot be executed because of the current environmental conditions within which Beazley operates, thereby delaying the timing of the strategy;
- Communication: Having the right strategy and environment is of little value if it is not communicated internally so that the whole group is heading in the same direction, or if key external stakeholders are not aware of Beazley's progress against its strategy;
- Senior management performance: There is a risk that senior management is overstretched or does not perform, which would have a detrimental impact on the syndicate's performance. The performance of the senior management team is monitored by the CEO and talent management team and overseen by the nomination committee;
- Reputation: Although reputational risk is a consequential risk, i.e. it emerges upon the occurrence of another risk manifesting, it has the potential to have a significant impact on an organisation. Beazley expects its staff to act honourably (one of seven ingredients of Being Beazley) by doing the right thing;
- Flight risk: There is a risk that Beazley is unable to deliver its strategy due to the loss of key personnel. Beazley has controls in place to identify and monitor this risk, for example, through succession planning;
- Crisis management: This is the risk caused by the destabilising effect of the syndicate having to deal with a crisis and is mitigated by having a detailed crisis management plan; and
- Corporate transaction: There is a risk that Beazley undertakes a corporate transaction which does not return the expected value to shareholders. This risk is mitigated through the due diligence performed, the financial structure of transactions and the implementation activity. Under the environmental risk heading, the board monitors five categories of emerging and strategic risk on a quarterly basis, namely; socio-political risk, distribution, market conditions, talent and regulation.

Other risks
The remaining six risk categories monitored by the board are:
- Market (asset) risk: This is the risk that the value of investments is adversely impacted by movements in interest rates, exchange rates, default rates or external market forces. This risk is monitored by the investment committee;
- Operational risk: This risk is the failure of people, processes and systems or the impact of an external event on Beazley's operations, and is monitored by the operations committee;
- Credit risk: Beazley has credit risk to its reinsurers, brokers and coverholders of which the reinsurance asset is the largest. The underwriting committee monitors this risk;
- Regulatory and legal risk: This is the risk that Beazley does not operate in line with the relevant regulatory framework in the territories where it operates. Of the eight risk categories, the board has the lowest tolerance for this risk;
- Liquidity risk: This is the risk that the syndicate does not have sufficient liquid funds following a catastrophic event. The investment committee monitors this risk which, given the nature of the asset portfolio, is currently small;

Directors
A list of directors of the managing agent who held office during the year can be found on page 35 of this syndicate annual report.

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

Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

M L Bride
Finance director

10 March 2016

Statement of managing agent's responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate annual accounts at 31 December each year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The syndicate annual accounts are required by law to give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss for that year.

In preparing the syndicate annual accounts, the directors of the managing agent are required to:

- select suitable accounting policies and then apply them consistently, subject to the changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate annual accounts; and
- prepare the syndicate annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

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

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

By order of the board

M L Bride
Finance director

10 March 2016

Independent auditor's report to the members of syndicate 6107

We have audited the syndicate 6107 annual accounts for the year ended 31 December 2015, as set out on pages 10 to 26. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

As explained more fully in the statement of managing agent's responsibilities set out on page 8 the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

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

Opinion on the syndicate annual accounts

In our opinion the annual accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Opinion on 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 Report of the Directors of the managing agent for the financial year for 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 (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 require us to report to you if, in our opinion:

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

Elizabeth Cox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

10 March 2016

Profit or loss account

year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
Gross premiums written		47,102.9	28,557.3
Outward reinsurance premiums		(4,805.8)	(5,260.7)
Net premiums written		**42,297.1**	**23,296.6**
Change in the gross provision for unearned premiums	9	(3,561.4)	52.8
Change in the provision for unearned premiums, reinsurers' share	9	161.3	1,158.5
Change in the net provision for unearned premiums		(3,400.1)	1,211.3
Earned premiums, net of reinsurance		**38,897.0**	**24,507.9**
Allocated investment return transferred from the non-technical account		83.3	100.9
Gross claims paid		(8,498.3)	(10,698.2)
Reinsurers' share of claims paid		–	–
Claims paid net of reinsurance		(8,498.3)	(10,698.2)
Change in the gross provision for claims	9	(11,217.0)	(1,260.8)
Change in the provision for claims, reinsurers' share	9	755.9	1,635.7
Change in the net provision for claims		(10,461.1)	374.9
Claims incurred, net of reinsurance		**(18,959.4)**	**(10,323.3)**
Net operating expenses	4	**(8,197.3)**	**(5,553.6)**
Balance on the technical account		**11,823.6**	**8,731.9**
Investment income	5	83.3	100.9
Allocated investment return transferred to general business technical account		(83.3)	(100.9)
Loss on foreign exchange		(675.3)	(556.1)
Other charges	6	(3,384.0)	(1,547.7)
Profit for the financial year		**7,764.3**	**6,628.1**

All of the above operations are continuing.

Statement of other comprehensive income

year ended 31 December 2015

	2015 $'000	2014 $'000
Profit for the financial year	7,764.3	6,628.1
Foreign exchange gain on brought forward reserves	418.3	378.8
Total comprehensive income since last annual report	**8,182.6**	**7,006.9**

Balance sheet
as at 31 December 2015

	Notes	2015 $'000	2014 $'000
Assets			
Reinsurers' share of technical provisions			
Provision for unearned premiums, reinsurers' share	9	1,330.9	1,169.7
Claims outstanding, reinsurers' share	9	3,598.2	2,819.5
		4,929.1	**3,989.2**
Debtors			
Debtors arising out of reinsurance operations		9,639.4	6,243.0
Other debtors	7	44,861.7	33,331.9
		54,501.1	**39,574.9**
Deferred acquisition costs		**1,479.7**	**1,028.6**
Cash at bank and in hand	8	**99.9**	**252.2**
Total assets		**61,009.8**	**44,844.9**
Liabilities, capital and reserves			
Capital and reserves			
Members' balances attributable to underwriting participations		15,791.8	12,953.1
		15,791.8	**12,953.1**
Technical provisions			
Provision for unearned premiums	9	9,776.8	6,300.6
Claims outstanding	9	35,441.2	25,112.2
		45,218.0	**31,412.8**
Creditors			
Creditors arising out of reinsurance operations		–	479.0
		–	**479.0**
Total liabilities, capital and reserves		**61,009.8**	**44,844.9**

The syndicate annual accounts on pages 10 to 25 were approved by the board of Beazley Furlonge Limited on 10 March 2016 and were signed on its behalf by:

N P Maidment
Active underwriter

M L Bride
Finance director

Cash flow statement

year ended 31 December 2015

	2015 $'000	2014 $'000
Reconciliation of profit for the year to net cash flow from operating activities		
Profit for the financial year	7,764.3	6,628.1
Increase/(decrease) in net technical provisions	12,865.3	(2,955.0)
Increase in deferred acquisition costs	(451.1)	–
Increase in debtors	(14,926.2)	(2,332.5)
(Decrease)/increase in creditors	(479.0)	479.0
Investment income received	(83.3)	(100.9)
Impact of foreign exchange on opening net assets	418.3	378.8
Net cash flow from operating activities	**5,108.3**	**2,097.5**
Investment income received	83.3	100.9
Net cash from investing activities	**83.3**	**100.9**
Transfer to member in respect of underwriting participations	(5,343.9)	(2,568.1)
Net cash from financing activities	**(5,343.9)**	**(2,568.1)**
Net decrease in cash and cash equivalents	**(152.3)**	**(369.7)**
Cash and cash equivalents at the beginning of the year	252.2	621.9
Effect of exchange rate changes on cash and cash equivalents	–	–
Cash and cash equivalents at the end of the year	**99.9**	**252.2**

Statement of changes in members' balances

31 December 2015

	2015 $'000	2014 $'000
Members' balances at the beginning of the year as previously stated	12,953.1	8,514.3
Total comprehensive income for the financial year	8,182.6	7,006.9
Profit distribution before members agent's fees – 2011 year of account	–	(2,568.1)
Profit distribution before members agent's fees – 2012 year of account	(5,343.9)	–
Members' balances at the end of the year	**15,791.8**	**12,953.1**

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

Notes to the syndicate annual accounts

1 Accounting policies

Basis of preparation

Syndicate 6107 ('the syndicate') comprises a group of members of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the syndicates managing agent is given on the back page. These syndicate annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the Regulations') and applicable Accounting Standards in the United Kingdom and the Republic of Ireland, Financial Reporting Standard 102 (FRS 102) and the applicable Accounting Standard on insurance contracts, Financial Reporting Standard 103 (FRS 103). This is the first year that both FRS 102 and FRS 103 have been applicable. Further explanation of the adoption of these standards can be found in note 12.

The financial statements have been prepared on the historic cost basis, except for financial assets at fair value through profit or loss that are measured at fair value. The principal accounting policies applied in the preparation of these syndicate annual accounts are set out below. All amounts presented are stated in US dollars, being the syndicate's functional currency, and in thousands, unless noted otherwise.

Use of estimates and judgements

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

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

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

The most critical estimate included within the syndicate's financial position is the estimate for losses incurred but not reported. The total estimate as at 31 December 2015 is included within claims outstanding on the balance sheet.

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

a) Premiums

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

b) Unearned premiums

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

c) Claims

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

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

The reinsurers' share of provisions for claims is based on calculated amounts for outstanding claims and projections for IBNR, net of estimated irrecoverable amounts having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved.

1 Accounting policies *continued*

d) Liability adequacy testing

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

e) Acquisition costs

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

f) Foreign currencies

Transactions in foreign currencies are translated to the syndicate's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit or loss account. For the purpose of foreign currency translation, unearned premiums and deferred acquisition costs are treated as monetary items.

g) Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 20%) deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

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

h) Profit commission

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

i) Ceded reinsurance

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

Any benefits to which the syndicate is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers and include reinsurers' share of provisions for claims. These balances are based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts having regard to the reinsurance programme in place for the class of business, the claims experience for the period and the current security rating of the reinsurer involved. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

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

1 Accounting policies *continued*

j) Insurance debtors and creditors

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

k) Other debtors

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

l) Other creditors

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

2 Risk management

The syndicate has identified the risks arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite. The sections below outline the syndicate's risk appetite and explain how it defines and manages each category of risk.

2.1 Insurance risk

The syndicate's insurance business assumes the risk of loss from persons or organisations that are directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. The four key components of insurance risk are underwriting, reinsurance, claims management and reserving. Each element is considered below:

a) Underwriting risk

Underwriting risk comprises four elements that apply to all insurance products offered by the syndicate:
- cycle risk – the risk that business is written without full knowledge as to the (in)adequacy of rates, terms and conditions;
- event risk – the risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing;
- pricing risk – the risk that the level of expected loss is understated in the pricing process; and
- expense risk – the risk that the allowance for expenses and inflation in pricing is inadequate.

The annual business plans for each underwriting team reflect the syndicates's underwriting strategy, and set out the classes of business, the territories and the industry sectors in which business is to be written. These plans are approved by the board of Beazley Furlonge Limited and monitored by the monthly underwriting committee.

The syndicate's underwriters calculate premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include but are not limited to the financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses.

2 Risk management *continued*
The syndicate also recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

To address this, the syndicate sets out the exposure that it is prepared to accept in certain territories to a range of events such as natural catastrophes and specific scenarios which may result in large industry losses. This is monitored through regular calculation of realistic disaster scenarios (RDS). The aggregate position is monitored at the time of underwriting a risk, and reports are regularly produced to highlight the key aggregations to which the syndicate is exposed.

The syndicate uses a number of modelling tools to monitor its exposures against the agreed risk appetite set and to simulate catastrophe losses in order to measure the effectiveness of its reinsurance programmes. Stress and scenario tests are also run using these models.

One of the largest types of event exposure relates to natural catastrophe events such as windstorm or earthquake. Where possible the syndicate measures geographic accumulations and uses its knowledge of the business, historical loss behaviour and commercial catastrophe modelling software to assess the expected range of losses at different return periods. Upon application of the reinsurance coverage purchased, the key gross and net exposures are calculated on the basis of extreme events at a range of return periods.

To manage underwriting exposures, the syndicate has developed limits of authority and business plans which are binding upon all staff authorised to underwrite and are specific to underwriters, classes of business and industry. In 2015, the normal maximum line that any one underwriter could commit the syndicate to was $10.9m. In most cases, maximum lines for classes of business were much lower than this.

These authority limits are enforced through a comprehensive sign-off process for underwriting transactions including dual sign-off for all line underwriters and peer review for all risks exceeding individual underwriters authority limits. Exception reports are also run regularly to monitor compliance.

All underwriters also have a right to refuse renewal or change the terms and conditions of insurance contracts upon renewal. Rate monitoring details, including limits, deductibles, exposures, terms and conditions and risk characteristics are also captured and the results are combined to monitor the rating environment for each class of business.

Binding authority contracts
A proportion of the syndicate's insurance risks are transacted by third parties under delegated underwriting authorities. Each third party is thoroughly vetted by our coverholder approval group before it can bind risks, and is subject to rigorous monitoring to maintain underwriting quality and confirm ongoing compliance with contractual guidelines.

b) Reinsurance risk
Reinsurance risk to the syndicate arises where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, result in coverage disputes or prove inadequate in terms of the vertical or horizontal limits purchased. Failure of a reinsurer to pay a valid claim is considered a credit risk which is detailed separately below.

The syndicate's reinsurance programmes complement the underwriting team business plans and seek to protect syndicate capital from an adverse volume or volatility of claims on both a per risk and per event basis. In some cases the syndicate deems it more economic to hold capital than purchase reinsurance. These decisions are regularly reviewed as an integral part of the business planning and performance monitoring process.

The reinsurance security committee (RSC) examines and approves all reinsurers to ensure that they possess suitable security. The syndicate's ceded reinsurance team ensures that these guidelines are followed, undertakes the administration of reinsurance contracts, monitors and instigates our responses to any erosion of the reinsurance programmes.

2 Risk management *continued*

c) Claims management risk

Claims management risk may arise within the syndicate in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Beazley brand and undermine its ability to win and retain business or incur punitive damages. These risks can occur at any stage of the claims life-cycle.

The syndicate's claims teams are focused on delivering quality, reliability and speed of service to both internal and external clients. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses.

d) Reserving and ultimate reserves risk

Reserving and ultimate reserves risk occurs within the syndicate where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debt in provisions.

To manage reserving and ultimate reserves risk, our actuarial team uses a range of recognised techniques to project gross premiums written, monitor claims development patterns and stress test ultimate insurance liability balances. An external independent actuary also performs an annual review to produce a statement of actuarial opinion for the syndicate.

The objective of the syndicate's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business. The estimates of gross premiums written and claims prepared by the actuarial department are used through a formal quarterly peer review process to independently test the integrity of the estimates produced by the underwriting teams for each class of business. These meetings are attended by senior management, senior underwriters, actuarial, claims, and finance representatives.

A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss and equity:

	5% increase in claims reserves		5% decreases in claims reserves	
Sensitivity to insurance risk (claims reserves)	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Impact on profit	(1,592.2)	(1,114.6)	1,592.2	1,114.6

The syndicate also monitors its exposure to insurance risk by location. The below table provides an analysis of the geographical breakdown of its written premiums by class of business.

	2015 %	2014 %
US	49	50
Europe	19	19
Other	32	31
	100	**100**

2.2 Strategic risk

This is the risk that Beazley Furlonge Limited's strategy is inappropriate or that Beazley Furlonge Limited is unable to implement its strategy. There is no tolerance for any breach of guidance issued by the board, and where events supersede the strategic plan this is escalated at the earliest opportunity through Beazley Furlonge Limited's monitoring tools and governance structure.

2.3 Market risk

Market risk arises where the value of assets and liabilities changes as a result of movements in foreign exchange rates, interest rates and market prices.

Foreign exchange risk

The functional currency of the syndicate is the US dollar and the presentation currency in which the syndicate reports its results is the US dollar. The effect of this on foreign exchange risk is that the syndicate is exposed to fluctuations in exchange rates for non-dollar denominated transactions and net assets.

The syndicate has four main settlement currencies: US dollars, sterling, Canadian dollars and euro. Transactions in all currencies are converted to US dollars on initial recognition and revalued at the reporting date. Remaining foreign exchange risk is actively managed as described on the following page.

Notes to the syndicate annual accounts continued

2 Risk management *continued*

The syndicate's assets are matched by currency to the principal underlying currencies of its insurance liabilities. This helps mitigate the risk that the syndicate's assets required to cover its insurance liabilities are not materially affected by any future movements in exchange rates.

The following table summarises the carrying value of total assets and total liabilities categorised by currency:

31 December 2015	UK £ $'000	CAD $ $'000	EUR € $'000	Subtotal $'000	US $ $'000	Total $'000
Total assets	8,146.5	1,924.5	12,149.9	22,220.9	38,788.9	61,009.8
Total liabilities	(8,659.1)	(746.7)	(6,553.0)	(15,958.8)	(29,259.2)	(45,218.0)
Net assets	**(512.6)**	**1,177.8**	**5,596.9**	**6,262.1**	**9,529.7**	**15,791.8**

31 December 2014	UK £ $'000	CAD $ $'000	EUR € $'000	Subtotal $'000	US $ $'000	Total $'000
Total assets	5,495.7	1,409.9	7,185.8	14,091.4	30,753.5	44,844.9
Total liabilities	(7,612.8)	(1,064.9)	(6,154.4)	(14,832.1)	(17,059.7)	(31,891.8)
Net assets	**(2,117.1)**	**345.0**	**1,031.4**	**(740.7)**	**13,693.8**	**12,953.1**

Sensitivity analysis

In 2015, the syndicate managed its foreign exchange risk by periodically assessing its non-dollar exposures and hedging these to a tolerable level while targeting net assets to be entirely US dollar denominated. As part of this hedging strategy, exchange rate derivatives may be used to rebalance currency exposure. On a forward looking basis an assessment is made of expected future exposure development and appropriate currency trades put in place to reduce risk.

Fluctuations in the syndicate's trading currencies against the US dollar would result in a change to net asset value. The table below gives an indication of the impact on net assets of a % change in relative strength of US dollar against the value of sterling, Canadian dollar and euro, simultaneously. The analysis is based on the current information available and an assumption that the impact of foreign exchange on non-monetary items will be nil.

	Impact on profit for the year ended		Impact on net assets	
Change in exchange rate of UK sterling, Canadian dollar and euro relative to US dollar	2015 $m	2014 $m	2015 $m	2014 $m
Dollar weakens 30% against other currencies	1.9	(0.2)	1.9	(0.2)
Dollar weakens 20% against other currencies	1.3	(0.1)	1.3	(0.1)
Dollar weakens 10% against other currencies	0.6	(0.1)	0.6	(0.1)
Dollar strengthens 10% against other currencies	(0.6)	0.1	(0.6)	0.1
Dollar strengthens 20% against other currencies	(1.3)	0.1	(1.3)	0.1
Dollar strengthens 30% against other currencies	(1.9)	0.2	(1.9)	0.2

Interest rate risk

The syndicate has no material interest rate risk.

Price risk

This is not a material risk to the syndicate

2 Risk management *continued*

2.4 Operational risk

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

There are a number of business activities for which the syndicate uses the services of a third-party company, such as data entry and credit control. These service providers are selected against rigorous criteria and formal service level agreements are in place, and regularly monitored and reviewed.

Beazley Furlonge Limited also recognises that it is necessary for people, systems and infrastructure to be available to support the syndicate's operations. They have therefore taken significant steps to mitigate the impact of business interruption which could follow a variety of events, including the loss of key individuals and facilities. The syndicate operate's a formal disaster recovery plan which, in the event of an incident, allows the movement of critical operations to an alternative location within 24 hours.

Beazley Furlonge Limited actively manages operational risks and minimises them where appropriate. This is achieved by implementing and communicating guidelines to staff and other third parties. Beazley Furlonge Limited also regularly monitors the performance of its controls and adherence to these guidelines through the risk management reporting process.

Key components of Beazley Furlonge Limited's operational control environment include:
- Individual capital assessment (ICA) modeling of operational risk exposure and scenario testing;
- management review of activities;
- documentation of policies and procedures;
- preventative and detective controls within key processes;
- contingency planning; and
- other systems controls.

2.5 Credit risk

Credit risk arises from the failure of another party to perform its financial or contractual obligations to the syndicate in a timely manner. The primary sources of credit risk for the syndicate are:
- reinsurers – whereby reinsurers may fail to pay valid claims against a reinsurance contract held by the syndicate;
- brokers and coverholders – whereby counterparties fail to pass on premiums or claims collected or paid on behalf of the syndicate;
- investments – whereby issuer default results in the syndicate losing all or part of the value of a financial instrument and derivative financial instrument; and
- cash at bank and in hand.

The syndicate's core business is to accept significant insurance risk and the appetite for other risks is low. This protects the syndicate's capital from erosion so that it can meet its insurance liabilities.

The syndicate limits exposure to a single counterparty or a group of counterparties and analyses the geographical locations of exposures when assessing credit risk.

An approval system also exists for all new brokers, and broker performance is carefully monitored. Regular exception reports highlight trading with non-approved brokers, and the syndicate's credit control function frequently assesses the ageing and collectability of debtor balances. Any large, aged items are prioritised and where collection is outsourced, incentives are in place to support these priorities.

The syndicate has developed processes to formally examine all reinsurers before entering into new business arrangements. New reinsurers are approved by the reinsurance security committee (RSC), which also reviews arrangements with all existing reinsurers at least annually. Vulnerable or slow-paying reinsurers are examined more frequently.

2 Risk management *continued*

To assist in the understanding of credit risks, A.M. Best, Moody's and Standard & Poor's (S&P) ratings are used. These ratings have been categorised below as used for Lloyd's reporting:

	A.M. Best	Moody's	S&P
Tier 1	A++ to A-	Aaa to A3	AAA to A-
Tier 2	B++ to B-	Baa1 to Ba3	BBB+ to BB-
Tier 3	C++ to C-	B1 to Caa	B+ to CCC
Tier 4	D,E,F,S	Ca to C	R,(U,S) 3

The following tables summarise the syndicate's concentrations of credit risk:

31 December 2015	Tier 1 $'000	Tier 2 $'000	Tier 3 $'000	Tier 4 $'000	Unrated $'000	Total $'000
Reinsurers' share of outstanding claims	3,598.2	–	–	–	–	3,598.2
Reinsurance debtors	9,639.4	–	–	–	–	9,639.4
Cash at bank and in hand	–	99.9	–	–	–	99.9
Total	**13,237.6**	**99.9**	**–**	**–**	**–**	**13,337.5**

31 December 2014	Tier 1 $'000	Tier 2 $'000	Tier 3 $'000	Tier 4 $'000	Unrated $'000	Total $'000
Reinsurers' share of outstanding claims	2,819.5	–	–	–	–	2,819.5
Reinsurance debtors	6,243.0	–	–	–	–	6,243.0
Cash at bank and in hand	–	252.2	–	–	–	252.2
Total	**9,062.5**	**252.2**	**–**	**–**	**–**	**9,314.7**

Based on all evidence available, debtors arising out of insurance operations and other debtors have not been impaired and no impairment provision has been recognised in respect of these assets.

The syndicate has no insurance debtors and reinsurance assets that are past due but not impaired at the reporting date.

2.6 Regulatory and legal risk

Regulatory and legal risk is the risk arising from not complying with regulatory and legal requirements. The operations of Beazley Furlonge Limited are subject to legal and regulatory requirements within the jurisdictions in which it operates and Beazley Furlonge Limited's compliance function is responsible for ensuring that these requirements are adhered to.

2.7 Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. As syndicate 6107 is a special purpose syndicate, liquidity risk is not material to the syndicate.

2.8 Senior management responsibilities

Management stretch is the risk that business growth might result in an insufficient or overly complicated management team structure, thereby undermining accountability and control within the syndicate. As the syndicate expands its worldwide business in the UK, US, Europe and Asia, management stretch may make the identification, analysis and control of risks more complex. On a day-to-day basis, Beazley Furlonge Limited's management structure encourages organisational flexibility and adaptability, while ensuring that activities are appropriately co-ordinated and controlled. By focusing on the needs of their customers and demonstrating both progressive and responsive abilities, staff, management and outsourced service providers are expected to excel in service and quality. Individuals and teams are also expected to transact their activities in an open and transparent way. These behavioural expectations reaffirm low risk tolerance by aligning interests to ensure that routine activities, projects and other initiatives are implemented to benefit and protect resources of both local business segments and the syndicate as a whole.

2.9 Capital management

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level respectively, not at syndicate level. Accordingly the capital requirement in respect of syndicate 6107 is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a syndicate (funds in syndicate) or as the member's share of the members' balances on each syndicate on which it participates.

Accordingly all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the balance sheet on page 11, represent resources available to meet members' and Lloyd's capital requirements.

3 Segmental analysis

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

4 Net operating expenses

	2015 $'000	2014 $'000
Acquisition costs	6,767.3	4,299.2
Change in deferred acquisition costs	(461.2)	36.3
Administrative expenses	1,891.2	1,218.1
	8,197.3	**5,553.6**

Administrative expenses include:

	2015 $'000	2014 $'000
Fees payable to the syndicate's auditor for the audit of these syndicate annual accounts	16.3	17.5
Fees payable to the syndicate's auditor and its associates in respect of:		
Other services pursuant to legislation	31.2	32.9
	47.5	**50.4**

Notes to the syndicate annual accounts continued

5 Net investment income

	2015 $'000	2014 $'000
Interest income	83.3	100.9

6 Other charges

	2015 $'000	2014 $'000
Profit commissions paid to syndicate 623/2623	3,384.0	1,547.7

7 Other debtors

	2015 $'000	2014 $'000
Amount due from syndicate 623	9,605.6	11,817.0
Amount due from syndicate 2623	34,780.3	21,070.7
Amount due from members	475.8	444.2
	44,861.7	**33,331.9**

These balances are due within one year.

8 Cash and cash equivalents

	2015 $'000	2014 $'000
Cash at bank and in hand	99.9	252.2
Short term deposits	–	–
Cash and cash equivalents	99.9	252.2

9 Technical provisions

	Provision for unearned premium outstanding $'000	Claims $'000
Gross technical provisions		
As at 1 January 2015	6,300.6	25,112.2
Movement in the provision	3,561.4	11,217.0
Exchange adjustments	(85.2)	(888.0)
As at 31 December 2015	**9,776.8**	**35,441.2**
Reinsurers' share of technical provisions		
As at 1 January 2015	1,169.7	2,819.5
Movement in the provision	161.3	755.9
Exchange adjustments	(0.1)	22.8
As at 31 December 2015	**1,330.9**	**3,598.2**
Net technical provisions		
As at 1 January 2015	5,130.9	22,292.7
As at 31 December 2015	**8,445.9**	**31,843.0**

9 Technical provisions *continued*

	Provision for unearned premium outstanding $'000	Claims $'000
Gross technical provisions		
As at 1 January 2014	6,463.0	25,075.8
Movement in the provision	(52.8)	1,260.8
Exchange adjustments	(109.6)	(1,224.4)
As at 31 December 2014	**6,300.6**	**25,112.2**
Reinsurers' share of technical provisions		
As at 1 January 2014	11.1	1,149.1
Movement in the provision	1,158.5	1,635.7
Exchange adjustments	0.1	34.7
As at 31 December 2014	**1,169.7**	**2,819.5**
Net technical provisions		
As at 1 January 2014	6,451.9	23,926.7
As at 31 December 2014	**5,130.9**	**22,292.7**

Gross ultimate claims	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	
Reinsurance							
12 months	58.6	52.9	60.3	56.4	60.6	65.0	
24 months	151.6	74.2	35.6	42.9	32.5		
36 months	134.4	68.9	30.5	41.8			
48 months	132.6	64.0	30.2				
60 months	137.2	63.2					
72 months	137.4						
Total ultimate losses ($'000)	22,371.5	9,783.4	4,487.6	10,941.4	8,867.4	31,282.6	87,733.9
Less paid claims ($'000)	(19,020.3)	(8,773.2)	(3,416.0)	(8,277.6)	(4,504.8)	(952.6)	**(44,944.5)**
Less unearned portion of ultimate losses ($'000)	–	–	–	–	(5.3)	(7,342.9)	**(7,348.2)**
Gross claims liabilities ($'000)	**3,351.2**	**1,010.2**	**1,071.6**	**2,663.8**	**4,357.3**	**22,987.1**	**35,441.2**

Net ultimate claims	2010 %	2011 %	2012 %	2013 %	2014 %	2015 %	
Reinsurance							
12 months	58.6	52.9	60.4	64.1	58.4	63.5	
24 months	151.6	74.2	44.4	50.6	36.8		
36 months	134.4	68.9	39.7	49.7			
48 months	132.6	64.0	39.3				
60 months	137.2	63.2					
72 months	137.4						
Total ultimate losses ($'000)	22,371.5	9,783.4	4,487.6	10,947.0	8,306.8	25,776.2	**81,672.5**
Less paid claims ($'000)	(19,020.4)	(8,773.2)	(3,416.0)	(8,277.6)	(4,504.8)	(952.6)	**(44,944.6)**
Less unearned portion of ultimate losses ($'000)	–	–	–	–	(9.3)	(4,875.6)	**(4,884.9)**
Net claims liabilities ($'000)	**3,351.1**	**1,010.2**	**1,071.6**	**2,669.4**	**3,792.7**	**19,948.0**	**31,843.0**

Notes to the syndicate annual accounts continued

10 Related parties transactions

The business written by syndicate 6107 is ceded from syndicates 2623 and 623, for which syndicate 6107 pays a profit commission. This profit commission payable is disclosed in note 6 and the overrider commission is included within operating expenses.

As at the balance sheet date, the syndicate has no intercompany balances outstanding with the managing agent. There were also no amounts due at the 2014 balance sheet date.

Beazley Furlonge Limited, the managing agency of syndicate 6107, is a wholly-owned subsidiary of Beazley plc. The directors of Beazley Furlonge Limited during the period covered by these syndicate annual accounts who participated on syndicate 623, managed by the managing agent, indirectly through Beazley Staff Underwriting Limited are as follows:

£	Total bonuses deferred and at risk	2014 year of account underwriting capacity	2015 year of account underwriting capacity	2016 year of account underwriting capacity
M R Bernacki	163,000	250,000	300,000	400,000
M L Bride	199,000	400,000	400,000	400,000
A P Cox	199,000	400,000	400,000	400,000
J G Gray	199,000	400,000	–	–
D A Horton	199,000	400,000	400,000	400,000
N P Maidment	199,000	400,000	400,000	400,000
C A Washbourn	199,000	400,000	400,000	400,000

The directors of Beazley Furlonge Limited who held office during the period covered by this report have shareholdings in Beazley plc which provides the capacity for syndicates 2623, 3622 and 3623.

	Shareholding of Beazley plc as at 31 December 2015	Shareholding of Beazley plc as at 31 December 2014
D Holt	50,000	50,000
M R Bernacki (appointed – 24/04/2015)	263,983	259,983
G P Blunden	50,000	50,000
M L Bride	321,400	350,000
A P Cox	758,047	658,232
A Crawford-Ingle	20,850	20,850
N H Furlonge	656,375	756,375
J G Gray (resigned – 11/03/2015)*	766,699	759,549
D A Horton	1,597,125	1,580,087
N P Maidment	2,907,523	3,907,523
R A W Tolle	60,000	60,000
C A Washbourn	461,346	446,096
K W Wilkins (appointed – 02/03/2015)	14,000	–

* Represents shareholding as at date of cessation as a director on 11/03/2015.

10 Related parties transactions *continued*

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

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

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

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

During 2015, syndicates 623 and 2623 entered into a whole account quota share reinsurance agreement with a special purpose syndicate 6050. Syndicate 6050 is managed by Beazley Furlonge Limited and the syndicates receive commission income under this agreement. Beazley could benefit from this transaction.

11 Post balance sheet events

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

	2015 $'000	2014 $'000
2012 year of account	–	(5,196.3)
2013 year of account	(4,823.4)	–
	(4,823.4)	**(5,196.3)**

12 Adoption of new accounting standard

The syndicate has prepared its financial statement in accordance with Financial Reporting Standard 102 (FRS 102) for the first time in the financial year ended 31 December 2015. There are no changes to the syndicate's financial position and financial performance.

The last financial statements under the UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2015. FRS 102 also impacted the disclosure requirements for the financial statements and the main impact of these new disclosure requirements include risk management disclosures, loss development tables and a change in the basis of preparation of the cash flow.

2013 year of account for syndicate 6107

Managing agent's report

The syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 'Lloyd's Regulations') and in accordance with the Syndicate Accounting Byelaw (No.9 of 2005) and Financial Reporting Standard 102 (FRS 102).

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 2013 year of account which has been closed by reinsurance to close at 31 December 2015; consequently the balance sheet represents the assets and liabilities of the 2013 year of account and the profit or loss account reflect the transactions for that year of account during the 36 months period until closure.

Directors

A list of directors of the managing agent who held office during the current year can be found on page 35 of the syndicate annual accounts.

Disclosure of information to the auditor

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of managing agent's responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate underwriting year accounts for the year which is being closed by reinsurance to close which give a true and fair view of the underwriting result at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005).

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

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

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

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

By order of the board

M L Bride
Finance director

10 March 2016

Independent auditor's report to the members of syndicate 6107

2013 closed year of account

We have audited the syndicate underwriting year accounts for the 2013 year of account of syndicate 6107 for the three years ended 31 December 2015, as set out on pages 29 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the members of the syndicate, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and 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 pages 29 to 33, the managing agent is responsible for the preparation of the syndicate's underwriting year accounts and for being satisfied that they 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 law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

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

Opinion on syndicate underwriting year accounts

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the profit for the 2013 closed year of account;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; 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.

Elizabeth Cox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
E14 5GL
London

10 March 2016

Profit or loss account

for the 36 months ended 31 December 2015

	Notes	2013 year of account $'000
Gross premiums written		28,090.8
Outward reinsurance premiums		(4,125.0)
Earned premiums net of reinsurance		**23,965.8**
Allocated investment return transferred from the non-technical account		101.6
Reinsurance to close premiums received	2	6,501.0
		6,602.6
Gross claims paid		(10,857.6)
Reinsurance to close premiums payable	3	(7,204.2)
		(18,061.8)
Net operating expenses	4	(5,476.2)
Balance on the technical account		**7,030.4**
Loss on foreign exchange		(259.5)
Other charges	8	(1,947.5)
Investment income		101.6
Allocated investment return transferred to the technical account		(101.6)
Profit for the 2013 closed year of account	5	**4,823.4**
Syndicate allocated capacity (£'000)		18,381.5
Profit for the 2013 closed year of account (£'000)		3,194.3
Return on capacity		17.4%

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

Balance sheet
closed at 31 December 2015

	Notes	2013 year of account $'000
Assets		
Debtors	6	11,102.6
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	3	**71.1**
Cash at bank and in hand		893.3
Total assets		**12,067.0**
Liabilities		
Amounts due to members	7	4,823.4
Reinsurance to close premium payable to close the account – gross amount	3	7,243.6
Total liabilities		**12,067.0**

The syndicate underwriting year accounts on pages 29 to 33 were approved by the board of directors on 10 March 2016 and were signed on its behalf by:

N P Maidment
Active underwriter

M L Bride
Finance director

Notes to the syndicate underwriting year accounts

closed at 31 December 2015

1 Accounting policies

Basis of preparation

These syndicate annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the Regulations') and applicable Accounting Standards in the United Kingdom.

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

Underwriting transactions

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

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

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

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

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

Comparatives

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

Syndicate operating expenses

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

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

Taxation

i) Under Schedule 19 of the Finance Act 1993, managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities with the Inland Revenue.

Notes to the syndicate underwriting year accounts continued
closed at 31 December 2015

1 Accounting policies *continued*

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

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

Basis of currency translation

k) The syndicate operates in four separate currency funds of sterling, euro, US dollars and Canadian dollars. Items expressed in sterling, euro and Canadian dollars are translated to US dollars at the three years' average rates of exchange ruling at the balance sheet date. The euro, US dollar and Canadian dollar three years' average exchange rates as at 31 December 2015 are euro 0.80, sterling 0.63 and Canadian dollar 1.13.

2 Reinsurance to close premiums received

	2013 year of account $'000
Gross reinsurance to close premiums received	6,501.0
Reinsurance to close premiums received, from 2012	**6,501.0**

3 Reinsurance to close premiums payable

	2013 year of account $'000
Gross reinsurance to close premiums payable	7,278.6
Reinsurance recoveries anticipated	(74.4)
Foreign exchange	(31.7)
Reinsurance to close premiums payable to 2014	**7,172.5**

	Reported $'000	IBNR $'000	Total $'000
Reinsurance to close premiums payable	4,888.5	2,355.1	7,243.6
Reinsurance recoveries anticipated	–	(71.1)	(71.1)
Reinsurance to close premiums payable	**4,888.5**	**2,284.0**	**7,172.5**

4 Net operating expenses

	2013 year of account $'000
Acquisition costs	4,159.7
Administrative expenses	1,184.3
Members standard personal expenses	132.2
	5,476.2

Administrative expenses include:	
Audit services	21.0

5 Analysis of the 2013 year of account result

	2013 year of account $'000
Profit attributable to business allocated to the 2013 year of account	4,525.6
Surplus on the reinsurance to close for the 2012 year of account	297.8
	4,823.4

6 Debtors

	2013 year of account $'000
Amounts due from other syndicates	11,102.6
Other debtors	–
	11,102.6

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

7 Amounts due to members

	2013 year of account $'000
Profit for the 2013 closed year of account	4,949.7
Advances on members' agents fees	(126.3)
Amounts due to members at 31 December 2015	**4,823.4**

8 Other charges

	2013 year of account $'000
Profit commission paid to syndicate 623/2623	**1,947.5**

9 Related party transactions

Please refer to page 24 of the syndicate annual accounts for further details of related party transactions for the 2013 year of account.

Summary of closed year results

at 31 December 2015

	2013	2012	2011	2010
Syndicate allocated capacity – £'000	18,382	10,153	14,115	14,542
Syndicate allocated capacity – $'000	28,859	15,432	22,160	21,814
Capacity utilised	83%	69%	65%	66%
Aggregate net premiums – $'000	19,806	10,599	14,550	15,222
Underwriting profit as a percentage of gross premiums	34.5%	38.2%	40.5%	(56.7%)
Return on capacity	17.4%	32.8%	10.1%	(39.4%)
Results for an illustrative £10,000 share	$	$	$	$
Gross premiums	13,019	13,393	9,779	9,668
	$	$	$	$
Net premiums	10,775	10,439	9,779	9,668
Reinsurance to close from an earlier account	3,537	7,691	5,871	–
Net claims	(5,907)	(5,488)	(8,074)	(9,503)
Reinsurance to close the year of account	(3,919)	(6,746)	(5,201)	(5,934)
Underwriting profit	4,486	5,896	2,375	(5,769)
(Loss)/profit on foreign exchange	(141)	(21)	342	(49)
Syndicate operating expenses	(644)	(859)	(1,114)	(662)
Balance on technical account	3,701	5,016	1,603	(6,480)
Gross investment return	55	101	79	76
Profit before personal expenses	3,756	5,117	1,682	(6,404)
Illustrative personal expenses	(72)	–	(11)	(10)
Managing agent's profit commission	(1,060)	–	–	–
Profit after illustrative profit commission and personal expenses ($)	2,624	5,117	1,671	(6,414)
Profit after illustrative profit commission and personal expenses (£)	1,738	3,281	1,007	(3,935)

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

Managing agent corporate information

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

Directors

D Holt* – Chairman
M R Bernacki (appointed – 24/04/2015)
G P Blunden*
M L Bride – Finance director
A P Cox
A Crawford-Ingle*
N H Furlonge*
J G Gray (resigned – 11/03/2015)
D A Horton – Chief executive officer
N P Maidment – Active underwriter
R A W Tolle*
C A Washbourn
K W Wilkins* (appointed – 02/03/2015)

* Non-executive director.

Company secretary

S A Coope

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Managing agent's registered office

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

Registered number

01893407

Beazley online annual report
and accounts 2015

www.reports.beazley.com/2015

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