

Barbican Syndicate 1955



Extract of published Report & Accounts
Year ended 31 December 2008

CONTENTS	PAGE
Directors and administration	2
Report of the directors of the managing agent	3
Statement of managing agent's responsibilities	6
Profit and loss account	7
Balance sheet	9
Statement of cash flows	11
Notes to the annual accounts	12



Directors and administration

MANAGING AGENT

Managing agent

Whittington Capital Management Ltd

Directors

Riddell, Tom (Chairman)

Barnett, Luke

Cane, Stephen

Gordon, Anthony

Griffiths, Gary

Laderman, Stewart

Murphy, Digby

Westcott, Helen

White, David

Company secretary

Julie Wilson

Managing agent's registered office

33 Creechurch Lane

London, EC3A 5EB

Managing agent's registered number

19 18744

SYNDICATE

Active underwriter

Mark Harrington

Bankers

Lloyds TSB plc

Citibank NA

Royal Trust Corporation of Canada

Investment manager

Lloyds Treasury Department

Registered auditors

Ernst & Young LLP, London



Report of the directors of the managing agent

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

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 3219 of 2004, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 ("the 2004 Regulations").

Results

The loss for financial year 2008 amounts to £4,282,000.

Principal activity and review of the business

The syndicate's principal activity during the year was the transaction of general insurance and reinsurance business.

The Syndicate began underwriting on 1st January 2008 and wrote six lines of business in 2008: Property, North American Casualty Treaty, International Casualty Treaty, Hospitals Professional Liability, Marine Reinsurance and UK Commercial Lines.

The syndicate's key financial performance indicators during the year were as follows:

	2008 £'000
Gross written premiums	66,104
Loss for the financial year	(4,282)
Total recognised gains and losses relating to the financial year	(3,518)
Combined ratio	120%

More than half of the premium written during 2008 remains unearned at the end of the period. This high level of deferral and the significant start-up expenses of the syndicate explain the loss for the period.

The syndicate's combined ratio was 120% for 2008. This is also explained by relatively low earnings and high levels of expenses; however, on a year of account basis the syndicate is expected to be profitable.

The Investment return was lower than expectations in 2008 due to the decline in rates during the second half of the year.

continued



Report of the directors of the managing agent

Principal risks and uncertainties

The Board sets risk appetite annually as part of the syndicate's business planning and Individual Capital Assessment process. The agency has established a risk committee which meets quarterly to review and update the risk register and to monitor performance against risk appetite using a series of key risk indicators. The principal risks and uncertainties facing the syndicate are as follows:

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board then monitors performance against the business plan monthly through the year. The agency uses catastrophe modelling software to model maximum probable losses from catastrophe-exposed business. Reserve adequacy is monitored through quarterly review by the syndicate actuary. It is also reviewed by an independent firm of actuaries.

Credit risk

The key aspect of credit risk is the risk of default by one or more of the syndicate's reinsurers. The Board's policy is that the syndicate will only reinsure with businesses rated BBB or higher. The agency has established a reinsurance security committee which assesses and is required to approve all new reinsurers before business is placed with them.

Market risk

The key aspect of market risk is that the syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The agency's finance committee reviews currency matching quarterly. Where there is a significant mismatch, the agency seeks to mitigate the risk through forward foreign currency contracts, where this is appropriate.

Liquidity risk

This is the risk that the syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. To mitigate this risk the finance committee reviews cash flow projections monthly. Further, the agency has arranged overdraft facilities with the syndicate's bankers in case of an unprojected cash flow deficit.



Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the syndicate. The agency seeks to manage this risk through the use of detailed procedures manuals and a structured programme of testing of processes and systems by internal audit.

Regulatory risk

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

Future developments

The syndicate will continue to transact the current classes of general insurance and reinsurance business. If opportunities arise to write new classes of business, these will be investigated at the appropriate time.

The agency recognises the need for Lloyd's to remain competitive against the growing markets of Dublin and Bermuda. To this end, the agency fully supports Lloyd's and Market-led initiatives around streamlining processes and implementing electronic processing.



Statement of managing agent's responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 require the managing agent to prepare syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The annual accounts are required by law to give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss for that year.

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

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

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate annual accounts comply with the 2004 Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

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



Profit and loss account

Technical account General business

for the year ended 31 December 2008

	Notes	£000	2008 £000
Earned premiums, net of reinsurance			
Gross premiums written	3		66,104
Outward reinsurance premiums			(9,200)
Net premiums written			56,904
Change in the provision for unearned premiums:			
Gross amount			(39,365)
Reinsurers' share			5,456
Change in the net provision for unearned premiums			(33,909)
Earned premiums, net of reinsurance			22,995
Allocated investment return transferred from the non-technical account			403
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(479)	
Reinsurers' share		-	
Net claims paid		(479)	
Change in the provision for claims			
Gross amount	4	(14,845)	
Reinsurers' share	4	266	
Change in the net provision for claims	4	(14,579)	
Claims incurred, net of reinsurance			(15,058)
Net operating expenses	5		(12,622)
Balance on the technical account for general business			(4,282)

All the amounts above are in respect of continuing operations.



Profit and loss account

Non-technical account

for the year ended 31 December 2008

	Notes	2008 £000
Balance on the general business technical account		(4,282)
Investment income	8	263
Unrealised gains on investments		142
Investment expenses and charges	8	(2)
Allocated investment return transferred to general business technical account		(403)
Loss for the financial year		<u>(4,282)</u>

Statement of total recognised gains and losses

for the year ended 31 December 2008

	2008 £000
Loss for the financial year	(4,282)
Currency translation differences on foreign currency net investment	764
Total recognised gains and losses relating to the financial year	<u>(3,518)</u>



Balance sheet

Assets

at 31 December 2008

	Notes	£000	2008 £000
Investments			
Financial investments	10		21,801
Reinsurers' share of technical provisions			
Provision for unearned premiums		6,529	
Claims outstanding		342	
		-----	6,871
Debtors			
Debtors arising out of direct insurance operations	11	28,481	
Debtors arising out of reinsurance operations		5,340	
Other debtors		552	
		-----	34,373
Other assets			
Cash at bank and in hand			1,266
Other	12		168
Prepayments and accrued income			
Deferred acquisition costs		10,382	
Other prepayments and accrued income		22	
		-----	10,404
Total assets			----- 74,883 -----



Balance sheet

Liabilities

at 31 December 2008

	Notes	£000	2008 £000
Capital and reserves			
Members' balances	13		(3,518)
Technical provisions			
Provision for unearned premiums		46,015	
Claims outstanding		18,258	
		-----	64,273
Creditors			
Creditors arising out of direct insurance operations	14	104	
Creditors arising out of reinsurance operations		5,670	
Other creditors		6,683	
		-----	12,457
Accruals and deferred income			1,671

Total liabilities			<u>74,883</u>

The annual accounts on pages 9 to 24 were approved by the Board of Whittington Capital Management Limited on 18th March 2009 and were signed on its behalf by

A Gordon

Director

18th March 2009

L Barnett

Director

18th March 2009



Statement of cash flows

for the year ended 31 December 2008

	Notes	2008 £000
Net cash inflow from operating activities	15	22,798
	15	----- 22,798 -----
Cash flows were invested as follows		
Increase in cash holdings	16	1,266
Increase in deposits	16	168
Increase/(decrease) in portfolio investments	16	21,364
Net investment of cash flows	16	----- 22,798 -----

Notes to the annual accounts

at 31 December 2008

1 Basis of preparation

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

2 Accounting policies

Premiums written

Premiums written comprise premiums on contracts inception during the financial year. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Premiums include estimates for pipeline premiums, representing amounts due to the syndicate but not yet notified.

Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Reinsurance premium ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums to which they relate or to the inwards business being reinsured.

Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims outstanding is an aggregate of estimates made on a case basis and the estimated ultimate cost of these case reserves not settled as at the balance sheet date, together with a provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date. This is calculated through statistical methods. These methods generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting.

For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating models and assessments of underwriting conditions.

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

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



Accounting policies (continued)

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

Unexpired risks provision

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

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

Deferred acquisition costs

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

Foreign currencies

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

Monetary and non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

Exchange differences arising on the retranslation of the profit and loss account for the year from the average rate to the closing balance sheet rate are taken to reserves and included in the Statement of Total Recognised Gains and Losses.

Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value (bid value) and deposits with credit institutions and overseas deposits are stated at cost.

Investment return

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

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and purchase price.

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



Accounting policies (continued)

Taxation

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

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

Pension costs

Whittington Capital Management Limited operates a defined contribution scheme. No pension contributions relating to syndicate staff are charged to the syndicate.

Profit commission

Profit commission is charged by the managing agent at a rate of 15% of the profit on a year of account basis subject to the operation of a 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.

3 Segmental analysis

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

2008	Gross written premiums £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000	Net technical provisions £000
Direct insurance:							
Energy – Marine	262	47	(26)	(23)	-	(2)	(26)
Energy – Non Marine	124	38	(23)	(18)	-	(3)	(23)
Marine aviation and Transport	4	1	-	-	-	1	-
Fire and other damage to property	17,914	8,559	(3,804)	(4,040)	(2,307)	(1,592)	(3,504)
Third-party liability	14,598	3,756	(1,858)	(1,773)	(154)	(29)	(1,756)
	32,902	12,401	(5,711)	(5,854)	(2,461)	(1,625)	(5,309)
Reinsurance	33,202	14,338	(9,613)	(6,768)	(1,017)	(3,060)	(9,270)
	66,104	26,739	(15,324)	(12,622)	(3,478)	(4,685)	14,579

Commissions on direct insurance gross premiums earned during 2008 were £12,980,000.

Reinsurance balance includes reinsurance commissions receivable.

Gross operating expenses are the same as net operating expenses shown in the profit and loss account, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for the year.



The geographical analysis of premiums by destination (or by situs of the risk) is as follows:

	2008 £000
Other EU countries	18,608
US	851
Other	43,558
	3,087
Total	66,104

4 Claims outstanding

	2008 £000
Noted outstandings	(6,141)
Claims incurred but not reported	(8,557)
Provision for unallocated loss adjustment expenses	(147)
Reinsurer share	(14,845)
	266
	(14,579)

5 Net operating expenses

	2008 £000
Acquisition costs	(12,980)
Change in deferred acquisition costs	8,060
Administrative expenses	(7,702)
Loss/(profit) on exchange	-
Gross operating expenses	-
	(12,622)
Reinsurance commissions receivable	-
Net operating expenses	(12,622)

Administrative expenses include:

	2008 £000
Auditors' remuneration	-
- Audit services	75
- Other services	-

Members' standard personal expenses (Lloyd's subscriptions, New Central Fund contributions, managing agent's fees and profit commission)

2,393

Acquisition costs include underwriting staff costs.



6 Staff numbers and costs

The following amounts were recharged to the syndicate in respect of salary costs:

	2008 £000
Wages and salaries	(2,975)
Social security costs	(237)
Other pension costs	(265)

	(3,477)

The average number of employees working for the syndicate during the year was as follows:

	2008
Administration and finance	4
Underwriting	17

	21

WCM made a management charge of £1.5million in respect of staff costs incurred in managing the syndicate.

7 Emoluments of the directors of Whittington Capital Management Limited

The aggregate emoluments of the directors of the Agency are met by Whittington Capital Management Limited within the financial statements of that Company. No emoluments of the directors of WCM were directly charged to the syndicate.

The active underwriter received the following remunerations:

	2008 £000
Emoluments	(390)

8 Investment income and expenses

	2008 £000
Investment income	
Income from investments	161
Gains on the realisation of investments	102

	263

Investment expenses and charges	
Investment management expenses, including interest	(2)



9 Calendar year investment yield

The average amount of syndicate funds available for investment during 2008 and the investment return and yield for that calendar year were as follows:

	2008
	£000
Average fund	4,278
Investment return	130
Calendar year investment yield	3.05%

Average funds available for investment by fund

Sterling	1,042
United States dollars	4,601
Canadian dollars	72

Analysis of calendar year investment yield by fund

	%
Sterling	2.78%
United States dollars	3.17%
Canadian dollars	0.46%

“Average fund” is the average of bank balances, overseas deposits and investments held at the end of each month during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate.

10 Financial investments

	Market value	Cost
	2008	2008
	£000	£000
Shares and other variable yield securities and units in unit trusts	4,633	4,571
Debt securities and other fixed-income securities	6,743	6,740
Participation in investment pools	10,425	10,069
	-----	-----
	21,801	21,380
	-----	-----

All “Shares and other variable yield securities and units in unit trusts” and “Debt securities and other fixed-income securities” are listed. These comprise 52% of the total market value of investments.

11 Debtors arising out of direct insurance operations

	2008
	£000
Due from policyholders	-
Due from intermediaries	28,481

	28,481

12 Other assets

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



13 Reconciliation of members' balances

	2008 £000
Members' balances brought forward at 1 January	-
Loss for the financial year	(3,518)
Members' balances carried forward at 31 December	(3,518)

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

14 Creditors arising out of direct insurance operations

	2008 £000
Due to policyholders	-
Due to intermediaries	104
	104

15 Reconciliation of operating profit to net cash inflow from operating activities

	2008 £000
Operating loss on ordinary activities	(4,282)
Realised and unrealised investment gains	(436)
Increase in net technical provisions	57,402
Increase in debtors and prepayments	(44,777)
Increase in creditors and accruals	14,127
Foreign exchange gains upon translation	764
Net cash inflow from operating activities	22,798

16 Movement in opening and closing portfolio investments net of financing

	2008 £000
Net cash inflow for the year	
Cash flow	1,266
Increase in overseas deposits	168
Increase/(decrease) in portfolio investments	21,364
Movement arising from cash flows	22,798
Changes in market value and exchange rates	437
Total movement in portfolio investments	23,235
Portfolio at 1 January	-
Portfolio at 31 December	23,235



Analysis of movement in cash and portfolio investments

	At 1 January 2008 £000	Cash flow £000	Changes to market value and currencies £000	At 31 December 2008 £000
Cash at bank and in hand	-	1,266	-	1,266
<hr/>				
Deposits				
Overseas deposits	-	168	-	168
<hr/>				
Total deposits	-	168	-	168
<hr/>				
Portfolio investments				
Shares and other variable yield securities and units in unit trusts	-	4,571	62	4,633
Debt securities and other fixed-income securities	-	6,724	19	6,743
Participation in investment pools	-	10,069	356	10,425
<hr/>				
Total portfolio investments	-	21,364	437	21,801
<hr/>				
Total cash, portfolio investments and financing	-	22,798	437	23,235
<hr/>				

17 Net cash outflow on portfolio investments

	2008 £000
Purchase of shares and other variable yield securities and units in unit trusts	(4,571)
Purchase of debt securities and other fixed-income securities	(10,354)
Purchase of participation in investment pools	(10,069)
Sale of debt securities and other fixed-income securities	3,630
<hr/>	
Net cash outflow on portfolio investments	(21,364)
<hr/>	

19 Funds at Lloyd's

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

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

20 Derivatives

The syndicate has not purchased any forward foreign currency contracts to hedge currency exposure

