SYNDICATE 609

ANNUAL REPORT AND ACCOUNTS 2015

ATRIUM

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SYNDICATE 609

ATRIUM SYNDICATE 609 – ANNUAL ACCOUNTS

ATRIUM SYNDICATE 609 – UNDERWRITING YEAR ACCOUNTS

DIRECTORS

Paul O'Shea Non-Executive Chairman
James Lee Agency Managing Director
Steve Cook Non-Executive Director
James Cox Executive Director
Toby Drysdale Active Underwriter
Andrew Elliott Non-Executive Director
Gordon Hamilton Non-Executive Director
Richard Harries Chief Executive Officer
Brendan Merriman Executive Director
Nick Packer Non-Executive Director
Stephen Riley Non-Executive Director
Samit Shah Executive Director
Kirsty Steward Executive Director
Andrew Winyard Executive Director

ADVISORS

Auditor
KPMG LLP

Solicitors
Clyde & Co LLP
Linklaters

Bankers
Lloyds Banking Group Plc

Investment Managers
New England Asset Management

Company Secretary
Martha Bruce
Bruce Wallace Associates Limited

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of the Managing Agent present their report for the year ended 31 December 2015.

This Annual Report is 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 (Lloyd's Regulations 2008).

Separate underwriting year accounts for the closed 2013 year of account can be found on pages 38 to 68.

RESULTS

The Board of Directors are pleased to announce a profit of £68.0m for Syndicate 609 for calendar year 2015 (2014 – profit of £56.8m). Profits will be distributed by reference to the results of individual underwriting years.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's.

The United Kingdom Accounting Standards have been updated by Financial Reporting Standard 102 (FRS102) which the syndicate is reporting under for the first time.

RISK STRATEGY

Understanding its Risk Universe, the range of risks to which it is exposed, quantification and management of those risks enable the syndicate to determine the capital required to provide suitable security to its policyholders and to ensure that syndicate capital providers are delivered returns appropriate for the risk they assume. Management of risk, return and capital is the core discipline of Atrium's business, against which all significant strategic and operational decisions are evaluated.

The Directors are responsible for setting the Risk Strategy for the syndicate and for oversight of its implementation. The syndicate's Risk Strategy is to assume underwriting risk in a number of classes of business where management believe that the risks and expected margins can be evaluated, and that the underwriting teams, supported by other Agency functions can operate with competitive advantages.

As part of the annual business planning process, the Board determines a Risk Policy Statement, which sets out the levels of planned risk taking, sometimes referred to as Risk Appetite, the basis on which these risk levels will be monitored, and the actions to be taken in the event of deviations from the planned levels. The Agency has a comprehensive governance framework within which the syndicate's exposures to these risks are managed. The governance framework is discussed further below.

BUSINESS AND PERFORMANCE EVALUATION

Syndicate 609 writes a diversified portfolio of classes of business that include Accident & Health, Aviation, Liability, Marine, Non Marine Direct & Facultative, Property & Casualty Binding Authorities, Reinsurance, Upstream Energy and War & Terrorism.

In underwriting a diversified portfolio of classes, using their skill, knowledge and historic claims data to evaluate the potential claims costs and to determine the appropriate premium, and also by taking a limited amount of market and credit risk in investing the cash-flows generated by this activity, the syndicate aims to reward its capital providers with results that are considered attractive relative to the risks assumed.

The key performance measure for the syndicate is Return on Capital, determined by comparing the total comprehensive income to the Syndicate's Economic Capital Assessment ('ECA') set by the Corporation of Lloyd's on agreement of the Syndicate's Solvency Capital Requirement ('uSCR') derived from its Internal Model, including Solvency II balance sheet adjustments. Return on Capital and the following Key Performance Indicators (KPI's) are monitored regularly by the Directors.

	2015 £m	2014 £m
Gross premiums written	**383.2**	365.0
Net earned premiums	**346.6**	322.6
Total Comprehensive Income	**68.0**	56.8
Loss ratio	**34%**	41%
Combined ratio	**82%**	84%
Investment return	**3.9**	5.7
Adjusted ECA	**161.7**	171.9
Return on adjusted ECA	**42%**	32%

The performance of the back years have reduced the combined ratio by 11% (2014 – 9%), net of profit commission and other associated expenses.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

INVESTMENT PERFORMANCE

In a challenging investment environment the syndicate continues to adopt a defensive investment strategy investing in short-dated instruments taking exposure only to highly rated debt. The investment objective is to achieve an investment return from taking a limited amount of market and credit risk in investing the cashflows generated by its principal activity which is underwriting. The table below compares our actual investment performance with the 2015 plan. Actual performance was below plan for the year due to the increased market volatility, particularly in the USA, following the Fed's December interest rate rise, plus the anticipation of further rate rises going in to 2016.

Investment Return	Plan	Actual
US Dollar	1.17%	0.63%
Canadian Dollar	0.51%	1.76%
Euro	(0.80)%	0.20%
Sterling	0.85%	0.65%

FOREIGN EXCHANGE

The effects of exchange rate movements are recorded in two elements. Transactions during the year, translated at each quarters average rate, and the translation of closing balances into the functional currency of US dollars gave rise to foreign exchange losses which are identified within the non-technical account. Revaluation of all functional currency balances to the presentational currency of Sterling, at the closing rate of exchange on 31 December 2015, resulted in a foreign exchange gain and is included within Other Comprehensive Income.

The rates of exchange used in preparing the financial statements are as follows:

	2015		2014	
	Average	Closing	Average	Closing
US Dollar: £ Sterling	**1.53**	**1.47**	1.65	1.56
Euro: £ Sterling	**1.38**	**1.36**	1.24	1.29
Canadian Dollar: £ Sterling	**1.95**	**2.04**	1.82	1.81

PRINCIPAL RISKS AND UNCERTAINTIES

Governance

The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not eliminate them entirely. The Board has developed its Own Risk and Solvency Assessment ('ORSA'), comprising the entirety of the processes that it uses to identify, assess, monitor and report the risks faced by its managed syndicate and to determine the capital necessary to mitigate retained risks. Critical to the efficacy of the ORSA are the effective operation of the Risk Management Framework ('RMF'), the Governance Structure and Atrium's Internal Model. The RMF incorporates the so -called "Three Lines of Defence" approach to risk management and reporting.

The RMF is the mechanism through which Atrium ensures it is implementing effective and enterprise wide risk management practices across its business. Key to Atrium's business is the management of risk, return and capital, against which all significant strategic and operational business decisions are evaluated. Over many years Atrium has established systems of governance and risk management that enable it to manage its business prudently.

The RMF is the articulation of these systems of risk management and governance and how the various elements interact.

The RMF encompasses the broad range of activities undertaken across the organisational hierarchy to ensure that risks are managed appropriately, spanning from the high level strategy set by the Board to the day to day underwriting decisions being made by syndicate staff and the controls in place to govern these. The RMF can be illustrated as follows:

Strategy: This describes Atrium's strategy setting process and explains how this filters down through the organisation; incorporating the Syndicate's Business Strategy, Risk Strategy, Business Plan, Risk Policy Statement and Risk Policies.

Business Activities: The individual syndicate and agency business units are responsible for implementing the strategy and business plans in accordance with the framework set out in the risk policies. The people, controls, management information, processes and senior management oversight in place across the business units serve as the "First Line of Defence" in the RMF.

Risk Governance Structure: The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the RMF is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee ('ERC'), which fulfils the role of Atrium's Risk Management Function, and its three Risk Sub-Committees, discussed further below.

Independent Assurance: Atrium has in place a Compliance Function and an Actuarial Function in addition to the Risk Management Function (fulfilled by the ERC as referenced in the previous paragraph). These functions have specific responsibilities documented in their terms of reference and are staffed by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the Board with assurance as to the appropriateness and effectiveness of the various elements of the RMF, the internal control environment, and the calculation of capital. There are a number of risk management tools which support independent assessment and reporting of risk. Taken together this Independent Assurance comprises the "Second Line of Defence".

Independent Oversight: The RMF provides for independent oversight and challenge via the operation of the Internal Audit Function as well as the Audit Committee and Risk Committee, both of which are Committees of the Board with membership comprised of Non Executive Directors. Together these three groups provide the "Third Line of Defence". The Risk Committee is charged with providing independent oversight and review of Atrium's RMF and its constituent parts whilst the Audit Committee, along with its broader responsibilities for the financial statements and financial reporting process, has oversight of internal controls and the Internal Audit Function.

Executive Risk Committee (ERC)

Atrium's Risk governance structure is comprised of the ERC and its three Risk Sub-Committees.

The ERC fulfils the Risk Management Function, and coordinates the risk management activities conducted for the Agency's managed syndicate. It is responsible for ensuring that the RMF and Internal Model, operates effectively, and for maintaining an aggregated and holistic view of risks to the syndicate and reporting on them to the Board, Committees and management as appropriate. It also ensures that there is robust and effective management, governance and oversight of Atrium's Internal Model which is used to set capital and is also widely used within the business.

To support delivery of the ERC's responsibilities, there are three Risk Sub-Committees, each being responsible for oversight, review and challenge of the activities of the syndicate and in particular ensuring that activities are within risk policies, that risks are suitably identified, monitored and reported, and that appropriate contingency plans are in place.

The principal risks to which the syndicate is exposed are discussed below together with the mitigation techniques adopted. For clarity, the risks are analysed by reference to the Risk Sub-Committees that have responsibility for the relevant risk area.

Insurance Risk Sub-Committee (IRSC)

The IRSC is responsible for oversight of insurance risk which includes underwriting, claims, reserving, and reinsurance.

Underwriting risk is the risk that future losses are greater than allowed for within premiums. This could be due to natural fluctuations in claims frequencies and severities, changes in economic and judicial environments, anti-selection, inappropriate premium estimation or catastrophic loss activity.

Reserving risk is the risk that we have insufficient provision for losses that have already occurred.

Underwriting risk is mitigated through numerous controls including underwriter peer review, authority limits, independent review of risks written, and purchase of an appropriate reinsurance programme. The Syndicate Business Forecast is completed annually and stipulates those classes of business and concentration by class that will be written during the forthcoming year. It is reviewed by the IRSC and approved by the Board prior to being submitted to the Lloyd's Franchise Board for approval. Actual performance during the year is monitored by reference to the Syndicate Business Forecast.

The risk of catastrophic claims is mitigated by the syndicate having a defined risk appetite which determines the net loss that it intends to retain for major catastrophe events and where deemed appropriate reinsurance is purchased to limit the impact of losses. Although the likelihood of occurrence is considered to be remote, there may be circumstances where the loss from a particular catastrophe event exceeds the net risk appetite perhaps due to the occurrence of a loss that has not been considered or where the reinsurance purchased proves to be insufficient.

Reserving risk is mitigated by the robust reserve adequacy exercise that is performed on a quarterly basis by the Actuarial Function and approved by the Board. The quarterly exercise involves a review of the paid and outstanding claims and an assessment of the appropriate provision for incurred but not reported (IBNR) claims. The reserves are considered by the IRSC and approved by the Board. The reserving is carried out based on historical development data, the claims environment and information provided by lawyers and third party claims adjusters. Although a thorough review is carried out the reserves carried may be more or less than adequate to meet the final cost of claims.

The IRSC also reviews the proposed reinsurance programme that is used to protect capital from frequency and severity of losses that may be sustained through underwriting the varied lines of business written. The review includes analysis of the reinsurance cover being purchased, assessment of the proposed counterparties and the results of the Internal Model.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

Financial Risk Sub-Committee (FRSC)

The FRSC is responsible for oversight of financial risks and the steps taken to mitigate them as they arise from investments, asset/liability management, credit, liquidity and concentration risks. These risks are discussed further below.

Investment risk is the risk that the syndicate's earnings are affected by changes in the value of the investment portfolio; such changes in value may be driven by changes in the economic and political environment and by movements in interest and foreign exchange rates. Atrium manages the syndicate's investments in accordance with investment guidelines established by the Board that are reviewed on a regular basis. The FRSC monitors the performance of the external investment manager and the custodians responsible for the safekeeping of the investments, and reports regularly to the Board.

Asset/liability mis-match is the risk that the syndicate could incur a loss through inadequate matching of its investments with its insurance liabilities. Due to the short-tail nature of the majority of these liabilities, the syndicate does not seek to achieve a precise matching with the investment portfolio, instead developing an investment duration guideline that is broadly in line with the average payment profile of the liabilities. However, the syndicate substantially mitigates exposures to currency mis-match by investing premiums in the currency in which subsequent claims are most likely to be incurred and periodic rebalancing to ensure that these remain appropriate for the liabilities. The majority of the syndicate's business is denominated in US dollars and accordingly the substantial part of the investment portfolio is in US dollar denominated investments.

The key aspect of credit risk is the risk of default by one or more of the syndicate's reinsurers, their investment counterparties, or insurance intermediaries. Reinsurance is placed with those reinsurers that comply with the Atrium reinsurance policy. The exposure to credit risk in the investment portfolio is mitigated through adherence to the investment guidelines which require the syndicate's investment portfolios to be held in government and corporate debt with a high credit quality rating and with a relatively short duration, thus substantially mitigating the risk of sustaining losses from default. Exposure to intermediaries is mitigated by rigorous review of new intermediaries, contractual terms of business, regulated or segregated client accounts, monitoring of balances and credit control procedures.

Liquidity risk is the risk that the syndicate will not be able to meet its short term liabilities as they fall due, owing to a shortfall in cash. This risk is mitigated through holding invested funds in high credit quality and short duration investments, and cash-flow projections are also reviewed on a regular basis. The need for overdraft facilities in case of unprojected cash flow deficit is also reviewed regularly.

Concentration risk is the exposure to loss that could arise if the bulk of the amounts recoverable by the syndicate were dependent on a limited number of reinsurers, or if investments were restricted to limited numbers of counterparties or sectors. The risk is mitigated by restricting the permitted cessions to individual reinsurers for any one underwriting year and through the investment guidelines which limit exposure to individual investment counterparties and sectors.

Operational Risk Sub-Committee (ORSC)

The ORSC is responsible for oversight of the syndicate's exposures to operational, group, conduct and regulatory risks.

Operational risk includes exposure to loss from errors caused by people, processes or systems, group risk and emerging risks. The agency seeks to manage these risks by operating a control based environment which consists of documented procedures, segregation of duties and appropriate levels of review.

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 and team who monitor regulatory developments and assess the impact on agency policy and maintain an ongoing open dialogue with both regulators and Lloyd's. They also carry out a compliance monitoring programme.

Conduct Risk is the risk that as part of writing and servicing insurance policies the syndicate fails to pay due regard to the interests of its customers. This is mitigated through the application of Atrium's conduct risk policy and procedures and through staff's adherence to Atrium's Code of Business Principles and Ethics. Atrium is committed to conducting its activities and stakeholder relationships in a fair and honest manner and the highest standard of conduct, professionalism and integrity is expected from all of its employees, with due regard paid at all levels of the organization to ensuring fair outcomes for customers. Key controls include training of staff, embedding of the consideration of conduct risk as part of the business planning process and through the product life-cycle and Board and governance oversight and reporting. The ORSC fulfils the role of a "product oversight group" providing customer challenge and perspective to Atrium's products.

Regular reviews are performed by the Internal Audit department to ensure that deviations from the agency's policies, and control weaknesses, are identified and reported to the appropriate level of management and the Audit Committee when considered necessary.

BOARD AND MANAGEMENT CHANGES

In 2015

Scott Moser stepped down from the Board in May and was succeeded by Stephen Riley who is a Non-Executive Director.

In 2016

With effect from 1 January 2016 a number of Board changes took effect. Richard Harries stepped down from his role as Active Underwriter for Syndicate 609 and was replaced by Toby Drysdale. Richard became the Chief Executive Officer of the Managing Agency and remains the Chief Executive Officer of the Atrium Group. On the same date, Steve Cook stepped down from his Executive Director role of Deputy Chairman of the Managing Agency and became a Non-Executive Director of Atrium Underwriters Limited.

DIRECTORS & OFFICERS

The Directors & Officers of the managing agent who served during the year ended 31 December 2015 were as follows:

Martha Bruce, Bruce Wallace Associates Limited (Company Secretary)
Steve Cook
James Cox
Toby Drysdale (effective 1 January 2016, Active Underwriter 609)
Andrew Elliott
Gordon Hamilton
Richard Harries
James Lee
Brendan Merriman
Nick Packer
Stephen Riley (appointed effective 8 May 2015)
Paul O'Shea
Samit Shah
Kirsty Steward
Andrew Winyard

The following Director & Officer resigned during the year:

Scott Moser (resigned effective 8 May 2015)

DIRECTORS' INTERESTS

Details of Directors' interests may be found in note 17 to the accounts.

RE-APPOINTMENT OF AUDITOR

The Board of Directors have re-appointed KPMG LLP as the syndicate auditor for the year ending 31 December 2016. KPMG LLP have indicated their willingness to continue in office as the syndicate auditor.

SYNDICATE ANNUAL GENERAL MEETING

As permitted under the Syndicate Meetings (Amendment No.1) Byelaw (No.18 of 2000) Atrium Underwriters Limited does not propose to hold a Syndicate Annual General Meeting of the members of Syndicate 609. Members may object to this proposal or the intention to reappoint auditors within 21 days of the issue of these financial statements. Any such objection should be addressed to James Cox, Compliance Director, at the registered office.

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

By order of the Board

James Lee
Agency Managing Director
2 March 2016

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate annual accounts at 31 December each year in accordance with United Kingdom Accounting Standard and applicable law (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)". 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, including FRS 102 have been followed, subject to any material departures disclosed and explained in the notes to the annual accounts; and
4. prepare the annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SYNDICATE 609

We have audited the financial statements of Syndicate 609 for the year ended 31 December 2015, as set out on pages 8 to 35. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE MANAGING AGENT AND THE AUDITOR

As explained more fully in the Statement of managing agent's responsibilities set out on page 6, the managing agent is responsible for the preparation of the syndicate's financial statements and for being satisfied they give a true and fair view. Our responsibility is to audit and express an opinion on, the syndicate's financial statements 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'S 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'S ANNUAL ACCOUNTS

In our opinion the financial statements:

- give a true and fair view 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 OTHER MATTERS PRESCRIBED BY THE INSURANCE ACCOUNTS DIRECTIVE (LLOYD'S SYNDICATE AND AGGREGATE ACCOUNTS) REGULATIONS 2008

In our opinion the information given in the Managing Agent's Report for the financial year in which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Jonathan Bell (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
7 March 2016

STATEMENT OF COMPREHENSIVE INCOME TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	£'000	2015 £'000	£'000	2014 £'000
Earned premiums, net of reinsurance					
Gross premiums written	5		**383,231**		365,018
Outward reinsurance premiums			**(36,874)**		(41,147)
Net premiums written			**346,357**		323,871
Change in the provision for unearned premiums:					
Gross amount		**610**		(1,528)	
Reinsurers' share		**(356)**		217	
Change in the net provision for unearned premiums			**254**		(1,311)
Earned premiums, net of reinsurance			**346,611**		322,560
Allocated investment return transferred from the non-technical account			**3,910**		5,710
Claims incurred, net of reinsurance					
Claims paid:					
Gross amount		**150,544**		156,028	
Reinsurers' share		**(13,423)**		(17,006)	
Net claims paid			**137,121**		139,022
Change in the provision for claims:					
Gross amount		**(23,950)**		498	
Reinsurers' share		**6,168**		(8,321)	
Change in the net provision for claims			**(17,782)**		(7,823)
Claims incurred, net of reinsurance			**119,339**		131,199
Net operating expenses	7		**163,075**		142,279
Balance on the technical account for general business			**68,107**		54,792

All operations relate to continuing activities.

STATEMENT OF COMPREHENSIVE INCOME NON-TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Balance on the technical account for general business		**68,107**	54,792
Investment income	10	**11,033**	10,240
Net unrealised losses on investments	10	**(5,527)**	(3,283)
Investment expenses and charges	10	**(1,596)**	(1,247)
Allocated investment return transferred to general business technical account		**(3,910)**	(5,710)
Foreign exchange losses		**(3,229)**	(3,307)
Profit for the financial year		**64,878**	51,485
Other comprehensive income			
Currency translation differences		**3,082**	5,254
Total comprehensive income for the year		**67,960**	56,739

All operations relate to continuing activities.

BALANCE SHEET: ASSETS

AT 31 DECEMBER 2015

	Notes	£'000	2015 £'000	£'000	2014 £'000
Investments	11		**517,689**		544,175
Deposits with ceding undertakings			**–**		929
Reinsurers' share of technical provisions	15				
Provision for unearned premiums		**8,820**		8,884	
Claims outstanding	6	**69,606**		72,025	
			78,426		80,909
Debtors					
Debtors arising out of direct insurance operations	12	**108,545**		105,661	
Debtors arising out of reinsurance operations		**14,311**		16,386	
Other debtors		**187**		1,738	
			123,043		123,785
Other assets					
Cash at bank and in hand		**25,874**		19,345	
Overseas deposits		**55,432**		48,181	
			81,306		67,526
Prepayments and accrued income					
Accrued interest		**166**		64	
Deferred acquisition costs	13	**52,627**		49,396	
			52,793		49,460
Total assets			**853,257**		866,784

BALANCE SHEET: LIABILITIES

AT 31 DECEMBER 2015

	Notes	£'000	2015 £'000	£'000	2014 £'000
Capital and reserves					
Members' balances			**69,037**		75,339
Technical provisions	15				
Provision for unearned premiums		**161,702**		157,217	
Claims outstanding	6	**540,543**		543,606	
			702,245		700,823
Deposits received from reinsurers			**–**		213
Creditors					
Creditors arising out of direct insurance operations	16	**20,368**		30,325	
Creditors arising out of reinsurance operations		**25,626**		28,022	
Other creditors		**22,224**		20,913	
			68,218		79,260
Accruals and deferred income			**13,757**		11,149
Total liabilities			**853,257**		866,784

The Annual Report and Accounts were approved at a meeting of the Board of Directors of Atrium Underwriters Limited, on 2 March 2016 and were signed on its behalf by:

James Lee
Agency Managing Director
2 March 2016

Richard Harries
Chief Executive Officer
2 March 2016

STATEMENT OF CHANGES IN MEMBERS' BALANCES

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £'000	2014 £'000
Members' balances brought forward at 1 January	**75,339**	60,385
Profit for the financial year	**64,878**	51,485
Payments of profit to members' personal reserve funds	**(74,262)**	(41,785)
Other comprehensive income for the year	**3,082**	5,254
Members' balances carried forward at 31 December	**69,037**	75,339

There has not been any impact on the Members balances' brought forward at 1 January 2014 following the adoption of FRS102.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £'000	2014 £'000
Cash flows from operating activities		
Profit for the financial year	**64,878**	52,947
Net realised and unrealised investment losses	**5,987**	3,651
Foreign exchange on balance due to members	**(94)**	(61)
Currency translation differences	**(13,858)**	(18,623)
Increase in net technical provisions	**3,905**	153,690
Increase in debtors	**(2,591)**	(27,298)
(Decrease)/increase in creditors	**(8,435)**	26,960
Net sale/(purchase) of shares and other variable yield securities and units in unit trusts	**9,984**	(285)
Net sale/(purchase) of debt securities and other fixed income securities	**21,545**	(131,091)
Net sale of loans secured by mortgage	**4,398**	3,393
Purchase of deposits with credit institutions	**–**	(27)
Decrease in deposits with ceding undertakings	**942**	192
Increase in overseas deposits	**(5,786)**	(25,284)
Decrease in deposits received from reinsurers	**(218)**	(205)
Net cash inflow from operating activities	**80,657**	37,959
Cash flows from financing activities		
Members' agents' fees	**(2,662)**	(2,600)
Transfer to members in respect of underwriting participations	**(71,549)**	(44,280)
Other	**43**	5,156
Net cash outflow from financing activities	**(74,168)**	(41,724)
Net increase/(decrease) in cash and cash equivalents	**6,489**	(3,765)
Cash and cash equivalents at beginning of financial year	**19,345**	23,124
Effect of foreign exchange rates on cash and cash equivalents	**40**	(14)
Cash and cash equivalents at end of financial year	**25,874**	19,345
Reconciliation to cash at bank and in hand		
Cash at bank and in hand at end of financial year	**25,874**	19,345
Cash equivalents	**–**	–
Cash and cash equivalents at end of financial year	**25,874**	19,345

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2015

1. BASIS OF PREPARATION

The syndicate is managed by Atrium Underwriters Limited which is incorporated in the United Kingdom. The address of its registered office is Room 790, Lloyd's, 1 Lime Street, London, EC3M 7DQ.

The syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's.

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the applicable Accounting Standards in the United Kingdom including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) as issued in August 2014 and Financial Reporting Standard 103, "Insurance contracts" (FRS 103) as issued in March 2014. The syndicate has transitioned to FRS 102 and FRS 103 with effect from 1 January 2014. Details of this transition are disclosed in note 18.

The financial statements have been prepared on the historical cost basis with the exception of financial assets which are measured at fair value through profit or loss.

The syndicate has financial resources available that are in excess of its liabilities and, based on the latest cash flow forecasts for a period covering at least 12 months, are available to meet its liabilities as they fall due. As a consequence, the directors believe the syndicate is able to manage its business risks in the current economic climate and therefore the financial statements have been prepared on a going concern basis.

The financial statements are presented in Sterling (GBP). The syndicate's functional currency is US dollars (USD).

2. USE OF JUDGMENTS AND ESTIMATES

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the syndicate's accounting policies and the 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 estimates are recognised prospectively.

The measurement of the provision for claims outstanding involves judgments and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgment is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the in house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged. Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the syndicate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2 .

Insurance classification

The syndicate's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to make significant additional benefits in any scenario, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

Gross Premiums Written

Gross written premiums comprise the total premiums receivable for the whole period of cover under contracts incepting during the financial year, together with adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years.

All gross premiums are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon.

Unearned Premiums

Written premiums are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of the risk. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date.

Reinsurance Premium Ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or 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 assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of IBNR at the balance sheet date based on statistical methods.

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

The 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.

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

Deferred Acquisition Costs

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2015

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 the classes of business which are managed together, after taking into account relevant investment returns.

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 their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

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 support the underwriting business.

Foreign Currencies

On transition to FRS 102, the syndicate has adopted US dollars as its functional currency being the primary economic environment in which it operates. The syndicate's presentational currency remains as Sterling. The impact of this accounting policy change in disclosed in note 18.

Transactions in foreign currencies are translated at the average rates of exchange for the period. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Differences arising on translation of foreign currency amounts relating to the insurance operations of the syndicate are included in the non-technical account.

In translating its results and financial position into the presentational currency, the syndicate translates all assets and liabilities at the closing rates of exchange and translates all income and expense items at average rates, with all resulting exchange gains and losses recognised in other comprehensive income.

Financial instruments

The syndicate has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including deposits with credit institutions, debtors arising out of direct insurance and reinsurance operations, cash and cash equivalents and other debtors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at fair value.

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at fair value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Any surplus or deficit on any revaluation is recognised in the non-technical account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including creditors arising from insurance operations that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicate estimates the fair value by using a valuation technique. See note 11 for further information on the syndicate's valuation techniques.

At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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 during the year are included in the balance sheet under the heading 'other debtors'.

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

Pension Costs

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

Profit Commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause. Where profit commission is charged it is included within members' standard personal expenses within administrative expenses.

Future amendments to FRS 102 and FRS 103

Amendments to FRS 102 were issued in July 2015 as a result of changes to the EU-directives and Lloyd's Regulations. The amendments are mandatory for periods beginning on or after 1 January 2016, with early adoption permitted for periods beginning on or after 1 January 2015. Entities have to adopt and comply with all amendments if they elect to early adopt the Amendments to FRS 102 (issued in July 2015). The syndicate has not early adopted the Amendments to FRS 102 (issued in July 2015) because the amendments have no material impact on the financial statements for the year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2015

4. RISK AND CAPITAL MANAGEMENT

This note presents information about the nature and extent of insurance and financial risks to which the syndicate is exposed.

Risk Management Framework

The Board of Directors of the Managing Agent has overall responsibility for the establishment and oversight of the syndicate's risk management framework. The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the Risk Management Framework is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee ('ERC'), which fulfils the role of Atrium's Risk Management Function, and its three Risk Sub-Committees. These are the Insurance Risk Sub-Committee ('IRSC'), the Financial Risk Sub-Committee ('FRSC') and the Operational Risk Sub-Committee ('ORSC'). The ERC reports regularly to the Board of Directors on its activities.

Insurance risk management

The syndicate accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The syndicate is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The actual number and value of claims will vary from year to year and from the level estimated, possibly significantly.

The syndicate manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the syndicate from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis. Where an individual exposure is deemed surplus to the syndicate's risk appetite additional facultative reinsurance is also purchased.

The IRSC oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development are all instrumental in mitigating reserving risk.

Our in house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance technicians. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed by external consulting actuaries.

The IRSC performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the IRSC makes recommendations to the Managing Agent's Board of Directors of the claims provisions to be established. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

Concentration of insurance risk: A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of insurance by the geographical location of the underlying risk is summarised below by reference to liabilities.

	Gross Claims Outstanding		Reinsurer's Share of Claims Outstanding		Net Claims Outstanding	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
UK	**30,811**	29,355	**3,968**	3,889	**26,843**	25,466
Other EU Countries	**31,892**	34,247	**4,107**	4,538	**27,785**	29,709
US	**302,164**	293,547	**38,909**	38,893	**263,255**	254,654
Asia	**28,649**	29,898	**3,689**	3,961	**24,960**	25,937
Canada	**25,946**	25,006	**3,341**	3,313	**22,605**	21,693
Australia	**18,378**	16,308	**2,367**	2,161	**16,011**	14,147
Other	**102,703**	115,245	**13,225**	15,270	**89,479**	99,975
Total	**540,543**	543,606	**69,606**	72,025	**470,937**	471,581

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The concentration of insurance by type of contract is summarised below by reference to liabilities.

	Gross Claims Outstanding 2015 £'000	Gross Claims Outstanding 2014 £'000	Reinsurer's Share of Claims Outstanding 2015 £'000	Reinsurer's Share of Claims Outstanding 2014 £'000	Net Claims Outstanding 2015 £'000	Net Claims Outstanding 2014 £'000
Accident and health	**19,144**	18,896	**2,360**	2,228	**16,784**	16,668
Motor (third party liability)	**136**	78	**6**	6	**130**	72
Motor (other classes)	**8,842**	6,213	**8**	40	**8,834**	6,173
Marine, aviation and transport	**109,467**	132,895	**22,691**	27,123	**86,776**	105,772
Fire and other damage to property	**87,863**	81,683	**7,315**	5,938	**80,548**	75,745
Third party liability	**234,178**	222,605	**31,233**	31,989	**202,945**	190,616
Credit and suretyship	**1,796**	3,740	**146**	221	**1,650**	3,519
Legal expenses	**4,349**	4,140	**41**	7	**4,308**	4,133
	465,775	470,250	**63,800**	67,552	**401,975**	402,698
Reinsurance	**74,768**	73,356	**5,806**	4,473	**68,962**	68,883
Total	**540,543**	543,606	**69,606**	72,025	**470,937**	471,581

Assumptions and sensitivities: The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The syndicate uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios.

The syndicate considers that the liability for insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

A 5% increase or decrease in the loss ratios would have the following impact on total comprehensive income. For each sensitivity the impact of a change in a single factor is shown, with other assumptions unchanged.

	Total Comprehensive Income Impact 2015 £'000	Total Comprehensive Income Impact 2014 £'000
5% increase in net loss ratios	**(5,967)**	(6,560)
5% decrease in net loss ratios	**5,967**	6,560

Financial risk management

The syndicate is exposed to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular the key financial risk is that proceeds from, or the valuation of, financial assets are not sufficient to fund the obligations arising from policies as they fall due. The syndicate monitors and manages the financial risks relating to the operations of the syndicate through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Market risk: Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the syndicate in managing its market risk is to ensure risk is managed in line with the syndicate's risk appetite.

The syndicate has established policies and procedures in order to manage market risk and methods to measure it.

There were no material changes in the syndicate's market risk exposure in the financial year nor to the objectives, policies and processes for managing market risk.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2015

4. RISK AND CAPITAL MANAGEMENT CONTINUED

Foreign currency risk management

The syndicate undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The syndicate has minimal exposure to currency risk as the syndicate's financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises from other recognised assets and liabilities denominated in other currencies.

The table below summarises the carrying value of the syndicate's assets and liabilities at the reporting date:

As at 31 December 2015	Sterling £'000	Euro £'000	US Dollar £'000	Can Dollar £'000	Other £'000	Total £'000
Investments	**27,976**	**60,187**	**395,754**	**33,772**	**–**	**517,689**
Deposits with ceding undertakings	**–**	**–**	**–**	**–**	**–**	**–**
Reinsurers' share of technical provisions	**3,941**	**2,409**	**71,675**	**401**	**–**	**78,426**
Debtors	**29,168**	**3,354**	**90,521**	**–**	**–**	**123,043**
Other assets	**34,354**	**3,619**	**37,749**	**4,257**	**1,327**	**81,306**
Prepayments and accrued income	**12,561**	**1,909**	**35,510**	**2,813**	**–**	**52,793**
Total assets	**108,000**	**71,478**	**631,209**	**41,243**	**1,327**	**853,257**
Technical provisions	**71,423**	**41,804**	**563,497**	**25,521**	**–**	**702,245**
Deposits received from reinsurers	**–**	**–**	**–**	**–**	**–**	**–**
Creditors	**15,499**	**25,209**	**21,456**	**5,549**	**505**	**68,218**
Accruals and deferred income	**1,114**	**155**	**11,204**	**1,284**	**–**	**13,757**
Total liabilities	**88,036**	**67,168**	**596,157**	**32,354**	**505**	**784,220**
Net assets	**19,964**	**4,310**	**35,052**	**8,889**	**822**	**69,037**

As at 31 December 2014	Sterling £'000	Euro £'000	US Dollar £'000	Can Dollar £'000	Other £'000	Total £'000
Investments	43,018	65,243	398,973	36,941	–	544,175
Deposits with ceding undertakings	424	9	493	3	–	929
Reinsurers' share of technical provisions	3,926	2,534	74,095	354	–	80,909
Debtors	23,233	7,145	88,819	4,054	534	123,785
Other assets	18,988	4,268	38,819	3,999	1,452	67,526
Prepayments and accrued income	10,962	2,193	33,460	2,845	–	49,460
Total assets	100,551	81,392	634,659	48,196	1,986	866,784
Technical provisions	66,186	49,767	557,099	27,771	–	700,823
Deposits received from reinsurers	–	8	205	–	–	213
Creditors	29,438	27,274	12,042	9,419	1,087	79,260
Accruals and deferred income	6,253	205	3,240	1,451	–	11,149
Total liabilities	101,877	77,254	572,586	38,641	1,087	791,445
Net assets/(liabilities)	(1,326)	4,138	62,073	9,555	899	75,339

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The following table details the syndicate's sensitivity to a 10% increase and decrease in Sterling against US dollar and Euro. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Total Comprehensive Income Impact 2015 £'000	2014 £'000
10% increase in GBP/US dollar exchange rate	**(1,273)**	(116)
10% decrease in GBP/US dollar exchange rate	**1,273**	116
10% increase in GBP/Euro exchange rate	**(2,235)**	(850)
10% decrease in GBP/Euro exchange rate	**2,235**	850

The syndicate's method for measuring sensitivity to currency rate fluctuations has not changed significantly over the financial year.

Interest rate risk management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises primarily from the syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The FRSC monitors the duration of these assets on a regular basis. Interest rate risk also exists in products sold by the syndicate. The syndicate has no significant concentration of interest rate risk. The syndicate manages this risk by adopting close asset/liability matching criteria, to minimise the impact of mismatches between asset and liability values arising from interest rate movements.

The following table details the syndicate's sensitivity to a 50 basis point increase and decrease in the yield curve. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Total Comprehensive Income Impact 2015 £'000	2014 £'000
50 basis point increase	**(5,232)**	(4,676)
50 basis point decrease	**4,502**	2,573

The syndicate's method for measuring sensitivity to interest rate fluctuations has not changed significantly over the financial year.

Credit risk: Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the syndicate. The key areas of exposure to credit risk for the syndicate are in relation to its investment portfolio, reinsurance programme and amounts due from policyholders and intermediaries.

The objective of the syndicate in managing its credit risk is to ensure risk is managed in line with the syndicate's risk appetite. The syndicate has established policies and procedures in order to manage credit risk and methods to measure it.

There were no material changes in the syndicate's credit risk exposure in the financial year nor to the objectives, policies and processes for managing credit risk.

The syndicate has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The syndicate only transacts with entities that are rated the equivalent to investment grade and above.

This information is supplied by independent rating agencies where available and if not available the syndicate uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2015

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The syndicate's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the FRSC annually. Furthermore, in certain instances, the syndicate receives deposits from its reinsurers which it holds under the terms of the reinsurance agreements.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The syndicate does not have any significant credit risk exposure to any single counterparty or any group of counterparties. Concentration of credit did not exceed 5% of gross monetary assets at any time during the financial year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets and reinsurance assets recorded in the financial statements represents the syndicate's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The syndicate monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investments and reinsurance assets held by the syndicate on a quarterly basis.

The following table shows aggregated credit risk exposure for assets with external credit ratings. Reinsurance assets are reinsurers' share of outstanding claims and IBNR and reinsurance receivables. They are allocated below on the basis of ratings for claims paying ability.

As at 31 December 2015	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	Not rated £'000	Total £'000
Investments	**101,628**	**134,707**	**201,295**	**80,059**	**–**	**–**	**517,689**
Deposits with ceding undertakings	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reinsurers' share of outstanding claims	**–**	**22,217**	**45,047**	**16**	**5**	**11,141**	**78,426**
Debtors	**–**	**–**	**123,032**	**10**	**–**	**–**	**123,042**
Other assets	**37,507**	**6,359**	**34,348**	**2,960**	**–**	**132**	**81,306**
Accrued interest	**110**	**21**	**26**	**10**	**–**	**–**	**166**
Total	**139,245**	**163,304**	**403,749**	**83,055**	**5**	**11,273**	**800,630**

As at 31 December 2014	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	Not rated £'000	Total £'000
Investments	241,070	124,254	113,274	58,099	–	7,478	544,175
Deposits with ceding undertakings	–	–	929	–	–	–	929
Reinsurers' share of outstanding claims	–	24,788	43,998	17	–	12,106	80,909
Debtors	–	244	123,516	24	–	–	123,784
Other assets	12,154	29,058	25,696	446	–	172	67,526
Accrued interest	36	22	6	–	–	–	64
Total	253,260	178,366	307,419	58,586	–	19,756	817,388

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The following table shows the carrying value of debtors that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining that the value of the assets have been impaired were: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

As at 31 December 2015	Neither past due nor impaired £'000	Past due less than 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 90 days £'000	Past due more than 90 days £'000	Past due and impaired £'000	Carrying amount £'000
Debtors arising out of direct insurance operations	**108,545**	**–**	**–**	**–**	**–**	**–**	**108,545**
Debtors arising out of direct reinsurance operations	**13,159**	**915**	**237**	**–**	**–**	**–**	**14,311**
Total	**121,704**	**915**	**237**	**–**	**–**	**–**	**122,856**

As at 31 December 2014	Neither past due nor impaired £'000	Past due less than 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 90 days £'000	Past due more than 90 days £'000	Past due and impaired £'000	Carrying amount £'000
Debtors arising out of direct insurance operations	105,661	–	–	–	–	–	105,661
Debtors arising out of direct reinsurance operations	14,070	1,536	66	14	700	–	16,386
Total	119,731	1,536	66	14	700	–	122,047

Liquidity risk management

Liquidity risk is the risk that the syndicate cannot meet its obligations associated with financial liabilities as they fall due. The syndicate has adopted an appropriate liquidity risk management framework for the management of the syndicate's liquidity requirements. The syndicate manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The syndicate is exposed to liquidity risk arising from clients on its insurance and investment contracts. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers. Liquidity management ensures that the syndicate has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities. In practice, most of the syndicate's assets are marketable securities which could be converted in to cash when required.

There were no material changes in the syndicate's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2015

4. RISK AND CAPITAL MANAGEMENT CONTINUED

In relation to the financial assets, the tables below have been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the syndicate anticipates that the cash flow will occur in a different period. The table also shows the expected maturity profile of the syndicate's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. The table includes both interest and principal cash flows.

As at 31 December 2015	Less than 1 year £'000	1 – 3 years £'000	3 – 5 years £'000	More than 5 years £'000	Total £'000
Investments	**133,757**	**287,411**	**90,421**	**6,101**	**517,689**
Deposits with ceding undertakings	–	–	–	–	–
Reinsurers' share of technical provisions	**32,829**	**24,925**	**10,636**	**10,036**	**78,426**
Debtors	**121,830**	**1,213**	–	–	**123,043**
Other assets	**56,093**	**23,609**	**1,494**	**110**	**81,306**
Accrued interest	**73**	**84**	**8**	**1**	**166**
Total	**344,583**	**337,241**	**102,559**	**16,247**	**800,630**
Technical provisions	**187,184**	**205,994**	**85,102**	**62,264**	**540,543**
Deposits received from reinsurers	–	–	–	–	–
Creditors	**67,218**	**1,000**	–	–	**68,218**
Accruals and deferred income	**10,638**	–	**3,119**	–	**13,757**
Total	**265,040**	**206,994**	**88,221**	**62,264**	**622,518**

As at 31 December 2014	Less than 1 year £'000	1 – 3 years £'000	3 – 5 years £'000	More than 5 years £'000	Total £'000
Investments	169,279	323,184	48,735	2,976	544,175
Deposits with ceding undertakings	929	–	–	–	929
Reinsurers' share of technical provisions	39,034	22,891	9,768	9,216	80,909
Debtors	122,865	920	–	–	123,785
Other assets	53,501	5,126	3,255	5,643	67,526
Accrued interest	12	1	19	33	64
Total	385,620	352,122	61,776	17,869	817,387
Technical provisions	188,245	207,161	85,584	62,616	543,606
Deposits received from reinsurers	213	–	–	–	213
Creditors	79,208	52	–	–	79,260
Accruals and deferred income	9,714	–	1,435	–	11,149
Total	277,380	207,213	87,019	62,616	634,228

4. RISK AND CAPITAL MANAGEMENT CONTINUED

Capital Management

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to supervision by the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with the Solvency II requirements, 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 only respectively, not at syndicate level, Accordingly, the capital requirement in respect of Syndicate 609 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's SCR is determined as 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 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to arrive at 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), assets held 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, represent resources available to meet members' and Lloyd's capital requirements.

5. ANALYSIS OF UNDERWRITING RESULT

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

2015	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance:							
Accident and health	32,345	31,118	13,632	16,471	(671)	**344**	29,515
Motor (third party liability)	120	120	94	31	-	**(5)**	155
Motor (other classes)	8,994	8,932	8,374	3,334	99	**(2,677)**	11,438
Marine, aviation and transport	87,565	95,679	11,646	45,404	(17,556)	**21,073**	119,355
Fire and other damage to property	118,826	116,035	40,864	54,450	(4,235)	**16,486**	134,571
Third party liability	97,650	93,873	44,221	42,843	627	**7,436**	246,534
Credit and suretyship	4,208	3,996	(1,839)	1,238	(240)	**4,357**	2,834
Legal Expenses	1,297	2,722	608	1,220	14	**908**	4,585
	351,005	352,475	117,600	164,991	(21,962)	**47,922**	548,987
Reinsurance	32,226	31,366	8,994	6,493	(2,832)	**13,047**	74,832
Total	**383,231**	**383,841**	**126,594**	**171,484**	**(24,794)**	**60,969**	**623,819**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2015

5. ANALYSIS OF UNDERWRITING RESULT CONTINUED

2014	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance:							
Accident and health	32,059	32,976	13,581	16,270	(1,551)	1,574	27,504
Motor (third party liability)	140	127	41	33	(14)	39	96
Motor (other classes)	8,246	7,816	7,929	2,896	(10)	(3,019)	8,658
Marine, aviation and transport	99,563	107,235	43,281	43,544	(8,935)	11,475	145,465
Fire and other damage to property	108,828	103,852	31,607	43,804	(5,956)	22,485	125,608
Third party liability	87,970	82,765	47,188	33,543	7,851	9,885	228,853
Credit and suretyship	3,526	3,378	2,665	981	(173)	(441)	4,353
Legal Expenses	3,389	3,414	1,242	1,605	(16)	551	5,789
	343,721	341,563	147,534	142,676	(8,804)	42,549	546,326
Reinsurance	21,297	21,927	8,992	6,587	(1,660)	4,688	73,588
Total	365,018	363,490	156,526	149,263	(10,464)	47,237	619,914

Commission on direct insurance gross premiums earned during 2015 was £103,945,000 (2014 – £90,636,000).

No gains or losses were recognised in profit or loss during the year on buying reinsurance (2014: nil).

All premiums were concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	2015 %	2014 %
UK	**5.7**	5.4
Other EU countries	**5.9**	6.3
US	**55.9**	54.0
Asia	**5.3**	5.5
Canada	**4.8**	4.6
Australia	**3.4**	3.0
Other	**19.0**	21.2
Total	**100.0**	100.0

6. CLAIMS OUTSTANDING

Reassessment of claims outstanding on underwriting years 2012 & prior (2014 – 2011 & prior) resulted in an improvement of £53.4m (2014 – £41.2m).

7. NET OPERATING EXPENSES

	2015 £'000	2014 £'000
Acquisition costs:		
Brokerage & Commission	**109,009**	94,859
Other acquisition costs	**16,962**	15,332
Change in deferred acquisition costs	**(1,772)**	(1,687)
Administrative expenses	**44,057**	38,914
	168,256	147,418
Reinsurance commissions receivable	**(5,181)**	(5,139)
	163,075	142,279

Administrative expenses include:

	2015 £'000	2014 £'000
Auditors' remuneration:		
Audit services	**227**	279
Other services	**–**	15
	227	294

Members' standard personal expenses (Lloyd's subscriptions, New Central Fund Contributions, managing agent's fees and profit commission) are included within administrative expenses and amount to £23,467,000 (2014 – £20,052,000).

8. STAFF NUMBERS AND COSTS

All staff are employed by Atrium Group Services Limited. The following amounts were recharged to the syndicate in respect of staff costs:

	2015 £'000	2014 £'000
Wages and salaries	**11,671**	11,004
Variable compensation	**7,566**	4,806
Social security costs	**2,248**	1,832
Other pension costs	**1,827**	1,739
	23,312	19,381

The average number of employees employed by Atrium Group Services Limited, but working for the syndicate during the year, analysed by category, was as follows:

	2015 Number	2014 Number
Management	**7**	7
Underwriting	**62**	59
Claims	**9**	10
Administration	**49**	49
	127	125

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2015

9. REMUNERATION OF THE DIRECTORS OF ATRIUM UNDERWRITERS LIMITED

The fourteen Directors of Atrium Underwriters Limited received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2015 £'000	2014 £'000
Directors' emoluments	**1,644**	1,675
Fees	**175**	183
	1,819	1,858

No other compensation was payable to key management personnel.

The Active Underwriter received the following remuneration charged as a syndicate expense and included within directors' emoluments above:

	2015 £'000	2014 £'000
Emoluments	**268**	283

10. INVESTMENT RETURN

	2015 £'000	2014 £'000
Investment income:		
Income from investments	**10,418**	9,877
Gains on the realisation of investments	**615**	363
	11,033	10,240
Net unrealised losses on investments:		
Unrealised gains on investments	**257**	1,137
Unrealised losses on investments	**(5,784)**	(4,420)
	(5,527)	(3,283)
Investment expenses and charges:		
Investment management expenses, including interest	**(521)**	(515)
Losses on the realisation of investments	**(1,075)**	(732)
	(1,596)	(1,247)
Allocated investment return transferred to general business technical account	**3,910**	5,710

10. INVESTMENT RETURN CONTINUED

Calendar Year Investment Return

The table below presents the average amount of funds in the year per currency and analyses by currency the average investment yields in the year.

	2015 £'000	2014 £'000
Average syndicate funds available for investment during the year		
Sterling	**43,668**	43,923
US dollars	**342,599**	314,401
Canadian dollars	**31,386**	34,231
Euro	**60,094**	65,759
Combined	**477,748**	458,314
Aggregate gross investment return for the year	**3,679**	5,696
Gross calendar year investment return:	**%**	%
Sterling	**0.8**	2.1
US dollars	**0.8**	0.9
Canadian dollars	**1.9**	1.5
Euro	**0.3**	1.7
Combined	**0.8**	1.2

The average amount of syndicate funds available for investment has been calculated as the monthly average balance of investments.

The syndicate's portfolio consists of high quality investments which are held on a short duration basis.

11. FINANCIAL INVESTMENTS

	Fair value 2015 £'000	2014 £'000	Cost 2015 £'000	2014 £'000
Shares and other variable yield securities and units in unit trusts	**27,287**	35,818	**27,287**	35,818
Debt securities and other fixed income securities	**490,105**	502,521	**496,638**	506,203
Loans secured by mortgage	**267**	5,807	**271**	5,787
Deposits with credit institutions	**30**	29	**30**	29
	517,689	544,175	**524,226**	547,837

Shares and other variable yield securities and units in unit trusts represents the syndicate's holdings in collective investment schemes.

Using Standard & Poor's and Moody's as rating sources, the credit ratings of the debt and other fixed income securities are set out below:

	2015 £'000	2015 %	2014 £'000	2014 %
Government/Government Agency	**151,509**	**30.9**	159,791	31.8
AAA/Aaa	**41,077**	**8.4**	138,854	27.6
AA/Aa	**46,391**	**9.5**	34,094	6.8
A	**171,069**	**34.9**	111,683	22.2
BBB	**80,059**	**16.3**	58,099	11.6
	490,105	**100.0**	502,521	100.0

The syndicate's fund manager throughout 2015 was New England Asset Management (NEAM). The US dollar and Canadian dollar investments are managed by GR-NEAM Inc, based in Farmington, US and the Euro portfolio are managed by GR-NEAM Limited, a sister company based in Dublin, Ireland.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2015

11. FINANCIAL INVESTMENTS CONTINUED

Fair Value methodology

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the syndicate applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

To provide an indication about the reliability of the inputs used in determining fair value, the syndicate has classified its financial instruments into the three levels. An explanation of each level follows underneath the table.

Investments carried at fair value have been categorised using a fair value hierarchy as detailed below:

Fair value hierarchy:

Level 1 – Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 – The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 – Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3. The syndicate did not have any such instruments.

The table below shows financial instruments carried at fair value through profit or loss grouped into the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 December 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Shares and other variable yield securities and units in unit trusts	**–**	**27,287**	**–**	**27,287**
Debt securities and other fixed income securities	**68,071**	**422,034**	**–**	**490,105**
Loans secured by mortgage	**–**	**267**	**–**	**267**
	68,071	**449,588**	**–**	**517,659**

As at 31 December 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Shares and other variable yield securities and units in unit trusts	–	35,818	–	35,818
Debt securities and other fixed income securities	69,495	433,026	–	502,521
Loans secured by mortgage	–	5,807	–	5,807
	69,495	474,651	–	544,146

12. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2015 £'000	2014 £'000
Due from Intermediaries		
Due within one year	**108,305**	105,475
Due after one year	**240**	186
	108,545	105,661

13. DEFERRED ACQUISITION COSTS

The table below shows changes in deferred acquisition costs from the beginning of the period to the end of the period.

	2015 £'000	2014 £'000
Balance at 1 January	**49,396**	45,934
Incurred costs deferred	**98,996**	96,853
Amortisation	**(97,224)**	(95,166)
Effect of movements in exchange rates	**1,459**	1,775
Balance at 31 December	**52,627**	49,396

14. CLAIMS DEVELOPMENT

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than ten years. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

The cumulative claims estimates and payments for each underwriting year are translated into pounds sterling at the exchange rates prevailing at 31 December 2015 in all cases.

Analysis of claims development – gross	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Total £'000
Estimate of ultimate gross claims:						
at end of underwriting year	258,998	227,911	229,253	226,778	244,100	
one year later	233,968	190,604	223,319	201,401		
two years later	225,628	175,195	201,399			
three years later	223,929	157,134				
four years later	215,942					
Less gross claims paid	163,492	107,657	119,876	62,146	15,234	
Gross ultimate claims reserve	52,450	49,477	81,523	139,255	228,866	**551,571**
Gross ultimate claims reserve for 2010 & prior years						**124,439**
Gross unearned portion of ultimate claims						**(135,467)**
Gross claims reserve						**540,543**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2015

14. CLAIMS DEVELOPMENT CONTINUED

Analysis of claims development – net	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	Total £'000
Estimate of ultimate net claims:						
at end of underwriting year	222,974	203,253	205,567	202,709	216,255	
one year later	209,623	177,105	209,759	188,012		
two years later	194,571	164,460	185,580			
three years later	180,066	147,321				
four years later	172,203					
Less net claims paid	140,486	101,157	110,807	60,260	15,006	427,716
Net ultimate claims reserve	31,717	46,164	74,773	127,752	201,249	**481,655**
Net ultimate claims reserve for 2010 & prior years						**107,157**
Net unearned portion of ultimate claims						**(117,875)**
Net claims reserve						**470,937**

Amounts recognised in foreign currencies have been restated at the closing rates of exchange at the end of the reporting year.

The syndicate has taken advantage of the transitional provisions within FRS 103 not to disclose information about claims development that occurred earlier than five years before the end of the first financial year in which FRS 103 is applied.

15. TECHNICAL PROVISIONS

The table below shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

Claims outstanding	2015 Gross provisions £'000	2015 Reinsurance assets £'000	2015 Net £'000	2014 Gross provisions £'000	2014 Reinsurance assets £'000	2014 Net £'000
Balance at 1 January	**543,606**	**72,025**	**471,581**	519,862	59,709	460,153
Claims and claims adjustment expenses for the year	**126,593**	**7,255**	**119,338**	156,527	25,328	131,199
Cash paid for claims settled in the year	**(150,544)**	**(13,423)**	**(137,121)**	(156,029)	(17,006)	(139,023)
Effect of movements in exchange rates	**20,888**	**3,749**	**17,139**	23,246	3,994	19,252
Balance at 31 December	**540,543**	**69,606**	**470,937**	543,606	72,025	471,581
Claims reported and claims adjustment expenses	**189,029**	**18,044**	**170,985**	190,957	24,084	166,873
Claims incurred but not reported	**351,514**	**51,562**	**299,952**	352,649	47,941	304,708
Balance at 31 December	**540,543**	**69,606**	**470,937**	543,606	72,025	471,581

Unearned Premiums	2015 Gross provisions £'000	2015 Reinsurance assets £'000	2015 Net £'000	2014 Gross provisions £'000	2014 Reinsurance assets £'000	2014 Net £'000
Balance at 1 January	**157,217**	**8,884**	**148,333**	149,376	8,355	141,021
Premiums written during the year	**383,231**	**36,874**	**346,357**	365,018	41,147	323,871
Premiums earned during the year	**(383,841)**	**(37,230)**	**(346,611)**	(363,489)	(40,930)	(322,559)
Effect of movements in exchange rates	**5,095**	**292**	**4,803**	6,312	312	6,000
Balance at 31 December	**161,702**	**8,820**	**152,882**	157,217	8,884	148,333

16. CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2015 £'000	2014 £'000
Due from Intermediaries:		
Due within one year	**20,352**	30,273
Due after one year	**16**	52
	20,368	30,325

17. DISCLOSURES OF INTEREST

Atrium Underwriting Group Limited (AUGL) is a wholly owned subsidiary of Alopuc Ltd (a UK holding company) and Alopuc Ltd is in turn a wholly owned subsidiary of Northshore Holdings Ltd, a Bermudan company. The ultimate beneficial owners of Northshore are Enstar Group Ltd (Enstar) who hold approximately 57.5% economic interest and affiliates of Stone Point Capital LLC (Stone Point) who hold approximately 38.5% economic interest. The balance of shareholding is held by Dowling Capital Partners and Atrium management and staff.

AUGL is the holding company of the following wholly owned subsidiaries; Atrium Underwriters Limited (AUL), Atrium Underwriting Holdings Limited (AUHL), Atrium Insurance Agency Limited (AIAL), Atrium Group Services Limited (AGSL), Atrium Insurance Agency (Asia) Pte. Ltd (ASIA), Atrium Risk Management Services (Washington) Ltd (ARMS), Atrium Risk Management Services (British Columbia) Ltd (ARMSBC) and Atrium 5 Limited. AGSL is the holding company of Atrium Nominees Limited (incorporated 20 January 2015). AUL is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is the managing agent of Syndicate 609. AUHL is the holding company of ten non-continuing Lloyd's corporate members.

AUGL participates on the managed syndicate through its corporate member subsidiary, Atrium 5 Limited whose participation on each year of account is as follows:

	2013 Capacity £m	2014 Capacity £m	2015 Capacity £m	2016 Capacity £m
Syndicate 609	106.8	106.8	107.1	**107.1**

Atrium 5 Limited's participation on the managed syndicate as % of syndicate capacity:

		Year of account		
	2013 %	2014 %	2015 %	2016 %
Syndicate 609	25.5	25.4	25.4	**25.5**

AIAL is a registered Lloyd's UK coverholder and is authorised and regulated by the Financial Conduct Authority. Syndicate 609 leads a binding authority granted to AIAL to underwrite Space business. Under the terms of the binding authority, fees and profit commission are payable by the syndicate to AIAL. Fee income of US$448,000 (2014 – US$454,000) is payable by the syndicate to AIAL in relation to premium earned in calendar year 2015. No Profit commission has been incurred by the syndicate (2014 – US$63,000) during the calendar year 2015.

AGSL is a group service company. All UK employee contracts and, where possible, all material service provider contracts are held by AGSL. A service agreement is in place whereby AGSL provides all management services to all Atrium Group companies. Under the service agreement AGSL will charge the costs to each Atrium group company, including AUL, for the respective services provided.

ASIA carries on for its own account the business of insurance intermediation in Singapore, operating on the Lloyd's Asia platform. In this capacity it has been granted authority by Syndicate 609 to bind certain risks (including marine hull, energy, aviation and non-marine property risks) and has been approved by Lloyd's and the Monetary Authority of Singapore to act as a Lloyd's Singapore Service Company. Under the terms of the arrangement with Syndicate 609, ASIA charges fees to the syndicate equal to its operating costs plus a small margin for tax reasons. Fees of S$4,016,000 were paid by Syndicate 609 to ASIA in calendar year 2015 (2014 – S$3,342,000).

ARMS is incorporated in Washington State, United States, and was established to support the syndicate strategy to maintain and grow it's North American direct portfolio and distribution network. ARMS charges fees to the syndicate equal to its operating costs plus a small margin for tax reasons. Fees of US$1,502,000 were paid by Syndicate 609 in the calendar year 2015 (2014 – US$1,305,000).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2015

17. DISCLOSURES OF INTEREST CONTINUED

ARMSBC is incorporated in British Columbia, Canada, and was established to support the Syndicate strategy to maintain and grow its North American direct portfolio and distribution network. ARMSBC charges fees to the syndicate equal to its operating costs plus a small margin for tax reasons. Fees of C$862,000 were paid by Syndicate 609 to ARMSBC in the calendar year 2015 (2014 – C$814,000).

The Directors' participations on Syndicate 609 via Nomina No. 207 LLP (the staff LLP) are as follows (this includes any Director of AUL that served during 2015 and is a partner in the LLP):

	Year of account			
	2013 £	2014 £	2015 £	2016 £
Steve Cook	35,500	39,103	46,359	**–**
James Cox	37,884	48,071	103,610	**81,979**
Toby Drysdale	27,707	31,887	37,723	**23,590**
Richard Harries	250,000	300,000	446,185	**317,688**
James Lee	–	–	45,527	**42,197**
Brendan Merriman	–	–	34,145	**31,648**
Samit Shah	38,945	46,729	67,984	**50,717**
Kirsty Steward	–	–	34,145	**21,114**

The capital requirement for the LLP increased for the 2016 year of account leading to reductions in individual participations.

AUL has made no loans to directors of the company during 2015 (2014 – nil). There were no loans outstanding at the balance sheet date.

Managing agency fees of £2,922,000 (2014 – £2,929,000) were paid by the syndicate to AUL. Profit commission of £18,456,000 (2014 – £14,784,000) is payable by the syndicate to AUL in relation to the 2015 calendar year result. The managing agents agreement was amended in 2007 to enable managing agents to make payments on account of profit commission, prior to the closure of a year of account.

Payments on account can be made when the syndicate transfers open year surpluses from the syndicate level premium trust funds to the members' personal reserve fund. No such payment was made in 2015 (2014 – £nil). Included within creditors is £16,668,000 (2014 – £18,456,000) in respect of profit commission payable to AUL on the 2013 year of account. £6,531,000 (2014 – £4,577,000) is included in accruals and payable after 12 months.

Given the insurance related activities undertaken within the broader Enstar group it is possible that transactions may be entered into between the Atrium managed syndicate and Enstar Group companies (including Starstone insurance group entities and the Starstone managed Lloyd's syndicates 1301 and 2008). Any such related party transactions are entered into by the Syndicate on a commercial basis and managed in accordance with the protocols set out in Atrium's Conflicts of Interest Policy.

Enstar representatives serving as Directors of AUL also hold Board positions at other Enstar group companies and these individuals disclose and manage any potential conflicts of interest in line with Atrium's usual practice.

18. TRANSITION TO FRS 102 AND FRS 103

This is the first financial year that the syndicate has presented its results under Financial Reporting Standard 102 and 103 (FRS 102 & FRS 103) issued by the Financial Reporting Council. The last financial statements under the previous UK GAAP were for the financial year ended 31 December 2014. The Syndicate transitioned to accounting policies aligned to FRS 102 and FRS 103 from the previous UK GAAP with effect from 1 January 2014. The main change in relation to the presentation of foreign exchange gains and losses is explained in more detail below.

Foreign exchange

Under previous GAAP the syndicate applied SSAP 20, which resulted in the determination of multiple functional currencies. In applying Section 30 of FRS 102, the syndicate has determined that it operates in a single economic environment and has therefore adopted a single functional currency. Having assessed the economic environment in which the syndicate primarily generates and expends cash, a US dollar functional currency has been adopted on transition. The presentational currency for the syndicate remains Sterling.

18. TRANSITION TO FRS 102 AND FRS 103 CONTINUED

The impact of this change on the 2014 financial statements was to reallocate currency translation differences between other comprehensive income (increase of £1,462,000) and the non-technical account (decrease of £1,462,000). This has not impacted the total comprehensive income for the year, or total recognised gains and losses for the year, as disclosed in the 31 December 2014 financial statements. There has been no impact on members' balances as at 1 January 2014 or 31 December 2014 as a result of this change in accounting policy.

Other adjustments arising on transition to FRS 102

In addition to the transition adjustments identified above, the following adjustment has arisen to the Statement of cash flows which has had no effect on net assets or statement of comprehensive income but which have affected the presentation of cash and cash equivalents in the financial statements.

Statement of cash flows: The syndicate's cash flow statement reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition the cash flow statement reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. FRS102 defines cash and cash equivalents as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.


APOLLO
ATRIUM
ADVENT
NELSON: RISK TAKER
LLOYD'S NELSON COLLECTION

ATRIUM

UNDERWRITING YEAR ACCOUNTS FOR THE 2013 YEAR OF ACCOUNT

SYNDICATE 609

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of the Managing Agent present their report at 31 December 2015 for the 2013 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No 8 of 2006). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations ("the 2008 Regulations").

REVIEW OF THE 2013 CLOSED YEAR OF ACCOUNT

The 2013 year of account closed with total comprehensive income of £66.7m after standard personal expenses (15.9% of capacity). There was an underwriting surplus of £38.2m attributable to business reinsured into the 2013 year of account, net of profit commission and other associated expenses. Further details on the underwriting results are included within the Underwriter's Report.

PRINCIPAL RISKS AND UNCERTAINTIES

Governance

The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not eliminate them entirely. The Board has developed its Own Risk and Solvency Assessment ('ORSA'), comprising the entirety of the processes that it uses to identify, assess, monitor and report the risks faced by its managed syndicate and to determine the capital necessary to mitigate retained risks. Critical to the efficacy of the ORSA are the effective operation of the Risk Management Framework ('RMF'), the Governance Structure and Atrium's Internal Model. The RMF incorporates the so-called "Three Lines of Defence" approach to risk management and reporting.

The RMF is the mechanism through which Atrium ensures it is implementing effective and enterprise wide risk management practices across its business. Key to Atrium's business is the management of risk, return and capital, against which all significant strategic and operational business decisions are evaluated. Over many years Atrium has established systems of governance and risk management that enable it to manage its business prudently.

The RMF is the articulation of these systems of risk management and governance and how the various elements interact.

The RMF encompasses the broad range of activities undertaken across the organisational hierarchy to ensure that risks are managed appropriately, spanning from the high level strategy set by the Board to the day to day underwriting decisions being made by syndicate staff and the controls in place to govern these. The RMF can be illustrated as follows:

Strategy: This describes Atrium's strategy setting process and explains how this filters down through the organisation; incorporating the Syndicate's Business Strategy, Risk Strategy, Business Plan, Risk Policy Statement and Risk Policies.

Business Activities: The individual syndicate and agency business units are responsible for implementing the strategy and business plans in accordance with the framework set out in the risk policies.

The people, controls, management information, processes and senior management oversight in place across the business units serve as the "First Line of Defence" in the RMF.

Risk Governance Structure: The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the RMF is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee ('ERC'), which fulfils the role of Atrium's Risk Management Function, and its three Risk Sub-Committees, discussed further below.

Independent Assurance: Atrium has in place a Compliance Function and an Actuarial Function in addition to the Risk Management Function (fulfilled by the ERC as referenced in the previous paragraph). These functions have specific responsibilities documented in their terms of reference and are staffed by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the Board with assurance as to the appropriateness and effectiveness of the various elements of the RMF, the internal control environment, and the calculation of capital. There are a number of risk management tools which support independent assessment and reporting of risk. Taken together this Independent Assurance comprises the "Second Line of Defence".

Independent Oversight: The RMF provides for independent oversight and challenge via the operation of the Internal Audit Function as well as the Audit Committee and Risk Committee, both of which are Committees of the Board with membership comprised of Non Executive Directors. Together these three groups provide the "Third Line of Defence". The Risk Committee is charged with providing independent oversight and review of Atrium's RMF and its constituent parts whilst the Audit Committee, along with its broader responsibilities for the financial statements and financial reporting process, has oversight of internal controls and the Internal Audit Function.

Executive Risk Committee (ERC)

Atrium's risk governance structure is comprised of the ERC and its three Risk Sub-Committees.

The ERC fulfils the Risk Management Function, and coordinates the risk management activities conducted for the Agency's managed syndicate. It is responsible for ensuring that the RMF, and Internal Model, operates effectively, and for maintaining an aggregated and holistic view of risks to the syndicate and reporting on them to the Board, Committees and management as appropriate. It also ensures that there is robust and effective management, governance and oversight of Atrium's Internal Model which is used to set capital and is also widely used within the business.

To support delivery of the ERC's responsibilities, there are three Risk Sub-Committees, each being responsible for oversight, review and challenge of the activities of the syndicate and in particular ensuring that activities are within risk policies, that risks are suitably identified, monitored and reported, and that appropriate contingency plans are in place.

The principal risks to which the syndicate is exposed are discussed below together with the mitigation techniques adopted. For clarity, the risks are analysed by reference to the Risk Sub-Committees that have responsibility for the relevant risk area.

Insurance Risk Sub-Committee (IRSC)

The IRSC is responsible for oversight of insurance risk which includes underwriting, claims, reserving, and reinsurance.

Underwriting risk is the risk that future losses are greater than allowed for within premiums. This could be due to natural fluctuations in claims frequencies and severities, changes in economic and judicial environments, anti-selection, inappropriate premium estimation or catastrophic loss activity.

Reserving risk is the risk that we have insufficient provision for losses that have already occurred.

Underwriting risk is mitigated through numerous controls including underwriter peer review, authority limits, independent review of risks written, and purchase of an appropriate reinsurance programme. The Syndicate Business Forecast is completed annually and stipulates those classes of business and concentration by class that will be written during the forthcoming year. It is reviewed by the IRSC and approved by the Board prior to being submitted to the Lloyd's Franchise Board for approval. Actual performance during the year is monitored by reference to the Syndicate Business Forecast.

The risk of catastrophic claims is mitigated by the syndicate having a defined risk appetite which determines the net loss that it intends to retain for major catastrophe events and where deemed appropriate reinsurance is purchased to limit the impact of losses. Although the likelihood of occurrence is considered to be remote, there may be circumstances where the loss from a particular catastrophe event exceeds the net risk appetite perhaps due to the occurrence of a loss that has not been considered or where the reinsurance purchased proves to be insufficient.

Reserving risk is mitigated by the robust reserve adequacy exercise that is performed on a quarterly basis by the Actuarial Function and approved by the Board. The quarterly exercise involves a review of the paid and outstanding claims and an assessment of the appropriate provision for incurred but not reported (IBNR) claims. The reserves are considered by the IRSC and approved by the Board. The reserving is carried out based on historical development data, the claims environment and information provided by lawyers and third party claims adjusters. Although a thorough review is carried out the reserves carried may be more or less than adequate to meet the final cost of claims.

The IRSC also reviews the proposed reinsurance programmes that are used to protect capital from frequency and severity of losses that may be sustained through underwriting the varied lines of business written. The review includes analysis of the reinsurance cover being purchased, assessment of the proposed counterparties and the results of the Internal Model.

Financial Risk Sub-Committee (FRSC)

The FRSC is responsible for oversight of financial risks and the steps taken to mitigate them as they arise from investments, asset/liability management, credit, liquidity and concentration risks. These risks are discussed further below.

Investment risk is the risk that the syndicate's earnings are affected by changes in the value of the investment portfolio; such changes in value may be driven by changes in the economic and political environment and by movements in interest and foreign exchange rates. Atrium manages the syndicate's investments in accordance with investment guidelines established by the Board that are reviewed on a regular basis. The FRSC monitors the performance of the external investment manager and the custodians responsible for the safekeeping of the investments, and reports regularly to the Board.

Asset/liability mis-match is the risk that the syndicate could incur a loss through inadequate matching of its investments with its insurance liabilities. Due to the short-tail nature of the majority of these liabilities, the syndicate does not seek to achieve a precise matching with the investment portfolio, instead developing an investment duration guideline that is broadly in line with the average payment profile of the liabilities. However, the syndicate substantially mitigates exposure to currency mis-match by investing premiums in the currency in which subsequent claims are most likely to be incurred and periodic rebalancing to ensure that these remain appropriate for the liabilities. The majority of the syndicate's business is denominated in US dollars and accordingly the substantial part of the investment portfolio is in US dollar denominated investments.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

The key aspect of credit risk is the risk of default by one or more of the syndicate's reinsurers, their investment counterparties, or insurance intermediaries. Reinsurance is placed with those reinsurers that comply with the Atrium reinsurance policy. The exposure to credit risk in the investment portfolio is mitigated through adherence to the investment guidelines which require the syndicate investment portfolios to be held in government and corporate debt with a high credit quality rating and with a relatively short duration, thus substantially mitigating the risk of sustaining losses from default. Exposure to intermediaries is mitigated by rigorous review of new intermediaries, contractual terms of business, regulated or segregated client accounts, monitoring of balances and credit control procedures.

Liquidity risk is the risk that the syndicate will not be able to meet its short term liabilities as they fall due, owing to a shortfall in cash. This risk is mitigated through holding invested funds in high credit quality and short duration investments, and cash-flow projections are also reviewed on a regular basis. The need for overdraft facilities in case of unprojected cash flow deficit is also reviewed regularly.

Concentration risk is the exposure to loss that could arise if the bulk of the amounts recoverable by the syndicate were dependent on a limited number of reinsurers, or if investments were restricted to limited numbers of counterparties or sectors. The risk is mitigated by restricting the permitted cessions to individual reinsurers for any one underwriting year and through the investment guidelines which limit exposure to individual investment counterparties and sectors.

Operational Risk Sub-Committee (ORSC)

The ORSC is responsible for oversight of the syndicate's exposures to operational, group, conduct and regulatory risks.

Operational risk includes exposure to loss from errors caused by people, processes or systems, group risk and emerging risks. The agency seeks to manage these risks by operating a control based environment which consists of documented procedures, segregation of duties and appropriate levels of review.

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 and team who monitor regulatory developments and assess the impact on agency policy. They also carry out a compliance monitoring programme.

Conduct Risk is the risk that as part of writing and servicing insurance policies the syndicate fails to pay due regard to the interests of its customers. This is mitigated through the application of Atrium's conduct risk policy and procedures and through staff's adherence to Atrium's Code of Business Principles and Ethics. Atrium is committed to conducting its activities and stakeholder relationships in a fair and honest manner and the highest standard of conduct, professionalism and integrity is expected from all of its employees, with due regard paid at all levels of the organisation to ensuring fair outcomes for customers. Key controls include training of staff, embedding of the consideration of conduct risk as part of the business planning process and through the product life-cycle and Board and governance oversight and reporting. The ORSC fulfils the role of a "product oversight group" providing customer challenge and perspective to Atrium's products.

Regular reviews are performed by the Internal Audit department to ensure that deviations from the agency's policies, and control weaknesses, are identified and reported to the appropriate level of management and the Audit Committee when considered necessary.

BOARD AND MANAGEMENT CHANGES

In 2015

Scott Moser stepped down from the Board in May and was succeeded by Stephen Riley who is a Non-Executive Director.

In 2016

With effect from 1 January 2016 a number of Board changes took effect. Richard Harries stepped down from his role as Active Underwriter for Syndicate 609 and was replaced by Toby Drysdale. Richard became the Chief Executive Officer of the Managing Agency and remains the Chief Executive Officer of the Atrium Group. On the same date, Steve Cook stepped down from his Executive Director role of Deputy Chairman of the Managing Agency and became a Non-Executive Director of Atrium Underwriters Limited.

DIRECTORS & OFFICERS

The Directors and Officers of the managing agent who served during the year ended 31 December 2015 were as follows:

Martha Bruce, Bruce Wallace Associates Limited (Company Secretary)
Steve Cook
James Cox
Toby Drysdale (effective 1 January 2016, Active Underwriter 609)
Andrew Elliott
Gordon Hamilton
Richard Harries
James Lee
Brendan Merriman
Nick Packer
Stephen Riley (appointed effective 8 May 2015)
Samit Shah
Paul O'Shea
Kirsty Steward
Andrew Winyard

The following Director & Officer resigned during the year:
Scott Moser (resigned effective 8 May 2015)

DIRECTORS' INTERESTS

Details of Directors' interests can be found in Note 20 to the accounts.

RE-APPOINTMENT OF AUDITOR

The Board of Directors have re-appointed KPMG LLP as the syndicate auditor for the year ending 31 December 2016. KPMG LLP have indicated their willingness to continue in office as the syndicate auditor.

By order of the Board

James Lee
Agency Managing Director
2 March 2016

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year 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:

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

INDEPENDENT AUDITOR'S REPORT

We have audited the syndicate underwriting year accounts for the 2013 year of account of Syndicate 609 for the three years ended 31 December 2015, as set out on pages 46 to 68. 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'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 42, the managing agent is responsible for the preparation of the syndicate 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 the 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 UNDERWRITING YEAR ACCOUNTS

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

OPINION ON SYNDICATE 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 the 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- 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.

Jonathan Bell (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
7 March 2016

UNDERWRITER'S REPORT

SYNDICATE 609

Wow! When I look back at the people who have been responsible for the underwriting activities of Atrium over my time in the business it reminds me that whilst it is a daunting proposition, it is also a great privilege to be appointed Active Underwriter of Syndicate 609 with effect from 1 January 2016.

2013 YEAR OF ACCOUNT

I am delighted to report that Syndicate 609 is declaring a profit of £66.7m after all personal expenses but before members' agents' fees. This represents a 15.9% return on stamp capacity. Favourable run-off of the back years contributed 9.1% to the result, net of profit commission and associated expenses, which is slightly larger than last year (2012 Year of Account was 7.1%). We believe that this result will compare well with our peers within Lloyd's, and should reflect our ambition to be a top quartile performer.

When we first wrote a plan for the 2013 Year of Account (back in May 2012) we targeted a return of 8.3% of stamp, so we are delighted to have more than beaten that plan. However any plan looks at expected losses – the losses that on average you would anticipate in any given year. We all know though that a lot of the business written in Lloyd's does not perform consistently – it is volatile, and whilst there is a low frequency, the severity can be high.

The main losses suffered for 2013 showed this trait. The loss of MH17, the attack at Tripoli Airport and the loss of MH370 impacted both our Aviation Reinsurance account and our Aviation Hull War account.

The loss of MH370 is one of two large claims where there remains some uncertainty regarding the final outcome of the claim. The other is a large disputed energy construction advice. In both instances we believe that we have set appropriate reserves.

The gross written premium (net of acquisition costs) was £276m which is 66% of capacity.

2014 YEAR OF ACCOUNT

At this stage of its development, the 2014 pure Year of Account looks to be just as good, if not better than 2013. This is completely contrary to market conditions! Terms and rates fell further during the year, but the loss experience has been so much better (unnaturally so!).

Accounts that are performing exceptionally well include Hull/TLO, Non Marine D&F, Energy, Property Reinsurance and all of the War & Terrorism classes.

There were a number of space losses that will impact 2014. Atrium had lines on 3 launch failures that will cost the syndicate \$9.5m in total.

Final gross written premium (net of acquisition costs) is expected to be £275m which is 66% of capacity. We are currently forecasting a profit of between 7.5% and 12.5% for the 2014 Year of Account.

2015 YEAR OF ACCOUNT

2015 was the first full year of our new Marine Reinsurance team, Andrew Hedges and Claire Wallace. Whilst the year got off to a relatively shaky start due to the fire on a Pemex rig which did hit some cedants' excess of loss programmes, the current expectation is that this new account will make a healthy profit for 2015. (The Pemex rig loss will cost the syndicate \$2.9m gross and \$2.6m net.) We also witnessed the extraordinary explosion at the Port of Tianjin in China. Initial fears were that this would lead to significant claims from our Cargo, Marine Reinsurance and Property Reinsurance accounts. However as the loss has developed it seems clear that the bulk of the claims (mostly for all of the damaged cars) will fall on the property market, with no significant exposure to Syndicate 609. Our current estimate is \$1.7m (gross and net).

We also enjoyed the first full year of the re-vamped Aviation team led by James Weigall. They do a tremendous job in what is a very difficult market. The retention rate for our General Aviation Hull War book has been amazingly high and is a testament to their outstanding levels of service. We do have exposure to the Metrojet loss (the aircraft that came down in Egypt) mostly through exposure to potential passenger liability claims. Current reserves for the syndicate stand at \$2.9m gross / \$1.5m net. This should reduce if, as expected, the cause of loss is found to be terrorism because Syndicate 609 did not write the Hull War insurance.

There are two Marine Liability losses that are noteworthy. The first is the Troll Solution, another rig loss offshore Mexico (cost to the syndicate \$3.6m gross and \$2.8m net). The second is the Alpine Eternity – a vessel that hit a gas installation offshore Iran (estimated cost to the syndicate \$2m).

Regrettably there were further losses in the Space market. During 2015 we had losses from one launch (EgyptSat) and an in-orbit loss (Amos 5). Each loss will cost us \$1.6m. We believe that 2015 will be the third year in a row that the overall Space market will be in loss. Whilst the results of our Space Consortium (ASIC) are marginal they are better than three years of loss! The class really ought to be hardening due to this loss activity, but just isn't. As with Aviation War in 2014, excess capacity, new entrants and market appetite for income means that the market remains soft. Our space income will decrease accordingly as the team decline risks that they feel are inadequately priced.

The other issue that came to light in 2015 was Cyber. Syndicate 609 supported two facilities that wrote cyber insurance. However unfortunately the results of both facilities have not been satisfactory. The product offered has been found to be too broad and we have had to increase reserves for the 2013, 2014 and 2015 Years of Account accordingly. We no longer support the facilities.

At this early stage we believe that the floods in the UK will cost us between £1.5m and £2m, with losses coming from the Property Reinsurance account and the UK binder book.

Final gross written premium (net of acquisition costs) is expected to be £284m which is 68% of capacity. As you will note from the comments above, 2015 is seeing a more normal loss pattern. At this stage we are currently forecasting a small profit for the 2015 Year of Account.

2016 YEAR OF ACCOUNT AND BEYOND

I joined Atrium in 1993. An awful lot has changed since then. We have gone from a company of 6 employees to nearly 180. Back in 1993 we concentrated our underwriting in a handful of classes – War, TLO and Hull. We now have 26 reserving classes that still include the three classes mentioned above, but have most recently been expanded to include International Professional Liability. James Rowan, Matthew Marshall and Alex Blyth joined us in the latter part of 2015 to write this business. We also hired David Sankey during 2015 to expand our Marine book. His primary responsibility will be Marine Liability, but will also contribute to our Hull and Marine War accounts.

As mentioned in previous reports we have been growing our US Property and Casualty accounts over the last few years, especially through the use of our online offerings through AuGold. Income for the class is now expected to be over $100m, (21% of our 2016 planned income).

There is no doubt that market conditions are as tough as I can remember. There are many classes where the current rates are completely unsustainable. Unfortunately with such a benign loss environment the true unprofitability is not readily identifiable. Syndicate 609's 2015 net combined ratio is just 81.5% which suggests that we ought to be growing and expanding in all classes due to the wonderful profits available, but this is not the case. Certain classes such as Aviation, and perhaps even Energy must be almost at the bottom of the cycle, but with so much capacity there remains a miss factor to most losses, and so any attempts to get the market moving in the right direction will not succeed until this excess capacity leaves the market.

The immediate future does not look encouraging. The big get bigger; the increasing pressure from brokers' facilities and increasing competition in our classes make our strategy of aiming for bottom line profit rather than top line growth more and more difficult to achieve. We will continue to battle on though. I am extremely grateful that all of our capital providers understand and appreciate what we are trying to achieve and remain very supportive of Atrium.

It would be completely inappropriate to write my first Active Underwriter's report without mentioning the tremendous input into Atrium made by Richard Harries, whose mantle I have assumed. He has taken a new role within Atrium, Agency CEO, which will compliment his existing Atrium Group CEO position. It is very reassuring to know that when I need to "phone a friend" I will have Richard ready to offer advice. Not only did Richard take over from the iconic Christine in such a professional fashion, but he also oversaw the merger of the two syndicates and the sale to Enstar and Stone Point, creating the Atrium of today. I look forward to continuing his work.

Toby Drysdale

Toby Drysdale
Active Underwriter, Syndicate 609
2 March 2016

STATEMENT OF COMPREHENSIVE INCOME TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE 2013 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2015

	Notes	£'000
Syndicate allocated capacity		419,039
Earned premiums, net of reinsurance		
Gross premiums written	5	392,637
Outward reinsurance premiums		(45,519)
Earned premiums, net of reinsurance		347,118
Reinsurance to close premium received, net of reinsurance		
At transaction rates of exchange		277,497
Revaluation to closing rates of exchange		11,461
Reinsurance to close premium received, net of reinsurance at closing rates of exchange	6	288,958
		636,076
Allocated investment return transferred from the non-technical account	11	4,452
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		170,232
Reinsurers' share		(17,544)
		152,688
Reinsurance to close premium payable, net of reinsurance	7	262,006
		414,694
Net operating expenses	8	161,888
Balance on the technical account for general business	12	63,946

NON-TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE 2013 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2015

	Notes	£'000
Balance on the technical account for general business		63,946
Investment income	11	10,135
Net unrealised losses on investments	11	(4,220)
Investment expenses and charges	11	(1,463)
Allocated investment return transferred to general business technical account		(4,452)
Foreign exchange losses		(5,203)
Profit for the 2013 closed year of account		58,743
Other comprehensive income		7,962
Total comprehensive income for the 2013 closed year of account	15	66,705

BALANCE SHEET

FOR THE 2013 CLOSED YEAR OF ACCOUNT AT 31 DECEMBER 2015

	Notes	£'000
Assets		
Investments	13	359,971
Debtors	14	13,054
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	7	46,779
Other assets		
Cash at bank and in hand		23,514
Overseas deposits		35,998
Prepayments and accrued income		148
Total assets		479,464

	Notes	£'000
Liabilities		
Amounts due to members	15	64,077
Reinsurance to close premium payable to close the account - gross amount	7	308,785
Creditors	16	104,537
Accruals and deferred income		2,065
Total liabilities		479,464

The 2013 closed year underwriting accounts were approved at a meeting of the Board of Directors of Atrium Underwriters Limited, and by the Active Underwriter, on 2 March 2016 and were signed on its behalf by:

Toby Drysdale

James Lee
Agency Managing Director
2 March 2016

Toby Drysdale
Active Underwriter
2 March 2016

STATEMENT OF CASH FLOWS

FOR THE 2013 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2015

	Notes	£'000
Cash flows from operating activities		
Profit for the year of account		58,743
Net realised and unrealised investment (gains)/losses		(19,471)
Currency translation differences		7,962
Decrease in debtors		7,675
Increase in creditors		(68,409)
Increase in overseas deposits		(7,050)
Net portfolio investment		44,586
Non-cash consideration for net RITC receivable	18	(259,901)
Net reinsurance to close premium payable		262,007
Net cash inflow from operating activities		26,142
Cash flows from financing activities		
Members' agents' fees paid on behalf of members		(2,628)
Net cash outflow from financing activities		**(2,628)**
Net increase in cash and cash equivalents		23,514
Cash and cash equivalents at 1 January 2013		–
Effect of foreign exchange rate changes		–
Cash and cash equivalents at end of financial year		**23,514**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 2013 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2015

1. BASIS OF PREPARATION

The syndicate is managed by Atrium Underwriters Limited which is incorporated in United Kingdom. The address of its registered office is Room 790, Lloyd's, 1 Lime Street, London, EC3M 7DQ.

The syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's.

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2006), the applicable Accounting Standards in the United Kingdom including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) as issued in August 2014 and Financial Reporting Standard 103, "Insurance contracts" (FRS 103) as issued in March 2014.

The financial statements have been prepared on this historical cost basis with the exception of financial assets which are measured at fair value through profit or loss.

The financial statements are presented in Sterling (GBP), which is the syndicate's presentational currency. The syndicate's functional currency is US Dollars (USD).

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 as at 31 December 2015.

Consequently the balance sheet represents the assets and liabilities of the 2013 year of account at the date of closure. The statement of comprehensive income and statement of cash flows reflect the transactions for that year of account during the three year period until closure.

These financial statements cover the three years from the date of inception of the 2013 year of account to the date of closure. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

2. USE OF JUDGMENTS AND ESTIMATES

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the syndicate's accounting policies and the 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 estimates are recognised prospectively.

The measurement of the provision for claims outstanding involves judgments and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgment is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the in house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged. Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 4.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2013 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the syndicate financial statements are set out below.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

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.

Insurance classification

The syndicate's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to make significant additional benefits in any scenario, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

Gross Premiums Written

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

Reinsurance Premium Ceded

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

Claims Paid and Related Recoveries

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

Reinsurance to Close Premium Payable

The net reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein. The estimate of claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. It also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods.

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

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

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

The directors consider that the estimates of gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the reinsurance to close premium so determined.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Foreign Currencies

On transition to FRS 102, the syndicate has adopted US dollars as its functional currency being the primary economic environment in which it operates. The syndicate's presentational currency remains as Sterling.

Transactions, other than reinsurance to close, in US Dollars, Canadian Dollars and Euros are translated at the average rates of exchange for the period. Reinsurance to close premiums receivable and payable, and underwriting transactions denominated in other foreign currencies, are included at the rate of exchange ruling at the transaction date. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Exchange differences are included in the non-technical account.

In translating its results and financial position into the presentational currency, the syndicate translates all assets and liabilities at the closing rates of exchange and translates all income and expense items at average rates, with all resulting exchange gains and losses recognised in other comprehensive income.

Where Canadian Dollars or Euros are sold or bought relating to the profit or loss of the closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where United States Dollars relating to the profit or loss of a closed underwriting account are bought or sold by members on that year, any exchange profit or loss accrues to those members.

Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. The returns on the Joint Asset Trust Funds and Illinois Deposit are allocated to the year of account as notified by Lloyd's. The returns on other assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

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 support the underwriting business.

Operating Expenses

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

Financial Instruments

The syndicate has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including deposits with credit institutions, debtors arising out of direct insurance and reinsurance operations, cash and cash equivalents and other debtors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at fair value.

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Any surplus or deficit on any revaluation is recognised in the non-technical account.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2013 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including creditors arising from insurance operations that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicate estimates the fair value by using a valuation technique. See note 13 for further information on the syndicate's valuation techniques.

At each reporting date the syndicate assesses whether there is objective evidence that financial assets not at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

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 during the year are included in the balance sheet under the heading 'other debtors'.

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

Pension Costs

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

Profit Commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause. Where profit commission is charged, it is included within members' standard personal expenses within administrative expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4. RISK AND CAPITAL MANAGEMENT

This note presents information about the nature and extent of insurance and financial risks to which the syndicate is exposed.

Risk Management Framework

The Board of Directors of the Managing Agent has overall responsibility for the establishment and oversight of the syndicate's risk management framework. The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the Risk Management Framework is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee ('ERC'), which fulfils the role of Atrium's Risk Management Function, and its three Risk Sub-Committees. These are the Insurance Risk Sub-Committee ('IRSC'), the Financial Risk Sub-Committee ('FRSC') and the Operational Risk Sub-Committee ('ORSC'). The ERC reports regularly to the Board of Directors on its activities.

Insurance risk management

The syndicate accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The syndicate is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The actual number and value of claims will vary from year to year and from the level estimated, possibly significantly.

The syndicate manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the syndicate from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis. Where an individual exposure is deemed surplus to the syndicate's risk appetite additional facultative reinsurance is also purchased.

The IRSC oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development are all instrumental in mitigating reserving risk.

Our in house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance technicians. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed by external consulting actuaries.

The IRSC performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the IRSC makes recommendations to the Managing Agent's Board of Directors of the claims provisions to be established. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

Concentration of insurance risk:

A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of insurance by the location of the underlying risk is summarised below by reference to liabilities.

	Gross Claims Outstanding £'000	Reinsurer's Share of Claims Outstanding £'000	Net Claims Outstanding £'000
UK	17,601	2,666	14,935
Other EU Countries	18,218	2,760	15,458
US	172,612	26,150	146,462
Asia	16,366	2,479	13,887
Canada	14,822	2,245	12,577
Australia	10,499	1,590	8,909
Other	58,668	8,889	49,779
Total	308,786	46,779	262,007

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2013 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2015

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The concentration of insurance by type of contract is summarised below by reference to liabilities.

	Gross Claims Outstanding £'000	Reinsurer's Share of Claims Outstanding £'000	Net Claims Outstanding £'000
Accident and health	9,301	1,244	8,057
Motor (third party liability)	91	6	85
Motor (other classes)	3,336	8	3,328
Motor (other classes)	3,336	8	3,328
Marine, aviation and transport	54,445	15,194	39,251
Fire and other damage to property	34,179	3,108	31,071
Third party liability	151,739	24,778	126,961
Credit and suretyship	625	50	575
Legal expenses	2,029	–	2,029
Reinsurance	53,041	2,391	50,650
Total	308,786	46,779	262,007

Assumptions and sensitivities

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The syndicate uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios.

The syndicate considers that the liability for insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

A 5% increase or decrease in the loss ratios would have the following impact on total comprehensive income. For each sensitivity the impact of a change in a single factor is shown, with other assumptions unchanged.

	Total comprehensive income impact £'000
5% increase in loss ratios	(6,860)
5% decrease in loss ratios	6,860

Financial risk management

The syndicate is exposed to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular the key financial risk is that proceeds from, or the valuation of, financial assets are not sufficient to fund the obligations arising from policies as they fall due. The syndicate monitors and manages the financial risks relating to the operations of the syndicate through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the syndicate in managing its market risk is to ensure risk is managed in line with the syndicate's risk appetite.

The syndicate has established policies and procedures in order to manage market risk and methods to measure it.

There were no material changes in the syndicate's market risk exposure in the financial year nor to the objectives, policies and processes for managing market risk.

Foreign currency risk management

The syndicate undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The syndicate has minimal exposure to currency risk as the syndicate's financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises from other recognised assets and liabilities denominated in other currencies.

The table below summarises the carrying value of the syndicate's assets and liabilities at the reporting date:

	Sterling £'000	Euro £'000	US Dollar £'000	Can Dollar £'000	Other £'000	Total £'000
Investments	27,976	41,962	270,182	19,851	–	359,971
Debtors	7,283	–	5,771	–	–	13,054
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	759	1,520	44,421	79	–	46,779
Other assets	26,216	2,509	27,827	2,038	922	59,512
Prepayments and accrued income	72	–	73	3	–	148
Total assets	62,306	45,991	348,274	21,971	922	479,464
Reinsurance to close premium payable to close the account – gross amount	25,452	20,173	255,759	7,401	–	308,785
Creditors	44,498	7,562	51,727	–	750	104,537
Accruals and deferred income	–	3	782	1,280	–	2,065
Total Liabilities	69,950	27,738	308,268	8,681	750	415,387
Net Assets	(7,644)	18,253	40,006	13,290	172	64,077

The following table details the syndicate's sensitivity to a 10% increase and decrease in Sterling against the US Dollar and Euro. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Total comprehensive income impact £'000
10% increase in GBP/US Dollar exchange rate	(447)
10% decrease in GBP/US Dollar exchange rate	447
10% increase in GBP/Euro exchange rate	1,772
10% decrease in GBP/Euro exchange rate	(1,772)

The syndicate's method for measuring sensitivity to currency rate fluctuations has not changed significantly over the financial year.

Interest rate risk management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises primarily from the syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The FRSC monitors the duration of these assets on a regular basis. Interest rate risk also exists in products sold by the syndicate. The syndicate has no significant concentration of interest rate risk. The syndicate manages this risk by adopting close asset/liability matching criteria, to minimise the impact of mismatches between asset and liability values arising from interest rate movements.

The following table details the syndicate's sensitivity to a 50 basis point increase and decrease in the yield curve. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Total comprehensive income impact £'000
50 basis point increase	(3,652)
50 basis point decrease	3,140

The syndicate's method for measuring sensitivity to interest rate fluctuations has not changed significantly over the financial year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2013 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2015

4. RISK AND CAPITAL MANAGEMENT CONTINUED

Creditr isk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the syndicate. The key areas of exposure to credit risk for the syndicate are in relation to its investment portfolio, reinsurance programme and to a lesser extent amounts due from policyholders and intermediaries.

The objective of the syndicate in managing its credit risk is to ensure risk is managed in line with the syndicate's risk appetite. The syndicate has established policies and procedures in order to manage credit risk and methods to measure it.

There were no material changes in the syndicate's credit risk exposure in the financial year nor to the objectives, policies and processes for managing credit risk.

The syndicate has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The syndicate only transacts with entities that are rated the equivalent to investment grade and above.

This information is supplied by independent rating agencies where available and if not available the syndicate uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.

The syndicate's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the FRSC annually. Furthermore, in certain instances, the syndicate receives deposits from its reinsurers which it holds under the terms of the reinsurance agreements.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The syndicate does not have any significant credit risk exposure to any single counterparty or any group of counterparties. Concentration of credit did not exceed 5% of gross monetary assets at any time during the financial year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets and reinsurance assets recorded in the financial statements represents the syndicate's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The syndicate monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investments and reinsurance assets held by the syndicate on a quarterly basis.

The following table shows aggregated credit risk exposure for assets with external credit ratings. Reinsurance assets are reinsurers' share of outstanding claims and IBNR and reinsurance receivables. They are allocated in the following table on the basis of ratings for claims paying ability.

4. RISK AND CAPITAL MANAGEMENT CONTINUED

As 31 December 2015	AAA £'000	AA £'000	A £'000	BBB £'000	BB £'000	Not rated £'000	Total £'000
Investments	71,220	95,338	137,224	56,189	–	–	359,971
Debtors	–	–	12,882	–	–	172	13,054
Reinsurance recoveries anticipated on gross	–	14,898	30,313	10	3	1,555	46,779
Other assets	24,357	4,130	29,017	1,922	–	86	59,512
Prepayments and accrued income	97	18	23	10	–	–	148
Total assets	95,674	114,384	209,459	58,131	3	1,813	479,464

The following table shows the carrying value of debtors that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining that the value of the assets have been impaired were: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

As 31 December 2015	Neither past due nor impaired £'000	Past due less than 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 90 days £'000	Past due more than 90 days £'000	Past due and impaired £'000	Carrying amount £'000
Debtors arising out of direct insurance operations	10,388	–	–	–	–	–	10,388
Debtors arising out of direct reinsurance operations	1,475	592	8	(8)	(43)	–	2,024
	11,863	592	8	(8)	(43)	–	12,412

Liquidity risk management

Liquidity risk is the risk that the syndicate cannot meet its obligations associated with financial liabilities as they fall due. The syndicate has adopted an appropriate liquidity risk management framework for the management of the syndicate's liquidity requirements. The syndicate manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The syndicate is exposed to liquidity risk arising from clients on its insurance and investment contracts. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers. Liquidity management ensures that the syndicate has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities. In practice, most of the syndicate's assets are marketable securities which could be converted in to cash when required.

There were no material changes in the syndicate's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk.

In relation to the financial assets, the following table has been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the syndicate anticipates that the cash flow will occur in a different period. The table also shows the expected maturity profile of the syndicate's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. The table includes both interest and principal cash flows.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2013 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2015

4. RISK AND CAPITAL MANAGEMENT CONTINUED

As 31 December 2015	Less than 1 year £'000	1 – 3 years £'000	3 – 5 years £'000	More than 5+ years £'000	Total £'000
Investments	92,222	200,132	63,116	4,501	359,971
Debtors	13,097	(43)	–	–	13,054
Reinsurance recoveries anticipated on gross reinsurance	19,582	14,867	6,344	5,986	46,779
Other assets	43,139	15,332	970	71	59,512
Prepayments and accrued income	66	74	7	1	148
Total assets	168,106	230,362	70,437	10,559	479,464
Amounts due to members	64,077	–	–	–	64,077
Reinsurance to close premium payable to close the account – gross amount	106,929	117,674	48,614	35,568	308,785
Creditors	104,525	12	–	–	104,537
Accruals and deferred income	–	–	2,065	–	2,065
Total liabilities	275,531	117,686	50,679	35,568	479,464

Capital Management

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to supervision by the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's would comply with the Solvency II requirements, 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 only respectively, not at syndicate level, Accordingly, the capital requirement in respect of Syndicate 609 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's SCR is 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 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to arrive at 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 ensure capital is sufficient 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), assets held 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, represent resources available to meet members' and Lloyd's capital requirements.

5. ANALYSIS OF UNDERWRITING RESULT

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

	Gross premiums written (note 1) £'000	Gross claims incurred (note 2) £'000	Gross operating expenses £'000	Reinsurance balance (note 3) £'000	Total £'000
Direct insurance:					
Accident and health	35,064	15,953	17,349	(1,277)	485
Motor (third party liability)	130	67	36	–	27
Motor (other classes)	8,381	7,530	3,164	(38)	(2,351)
Marine, aviation and transport	119,505	38,625	52,448	(12,634)	15,798
Fire and other damage to property	105,862	33,526	45,768	(7,893)	18,675
Third party liability	86,925	30,764	37,544	(4,372)	14,245
Credit and suretyship	3,688	(1,790)	1,166	(281)	4,031
Legal Expenses	3,799	1,051	1,773	(18)	957
	363,354	125,726	159,248	(26,513)	51,867
Reinsurance	29,283	11,519	8,608	(2,404)	6,752
	392,637	137,245	167,856	(28,917)	58,619
RITC received	288,958	341,772	–	53,689	875
Total	681,595	479,017	167,856	24,772	59,494

1. Gross premiums written are treated as fully earned.
2. Gross claims incurred comprises gross claims paid and gross reinsurance to close premium payable.
3. The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on reinsurance to close payable.
4. All premiums are concluded in the UK.

6. REINSURANCE TO CLOSE PREMIUM RECEIVABLE

	£'000
Gross notified outstanding claims	131,755
Reinsurance recoveries anticipated	(18,818)
Net notified outstanding claims	112,937
Provision for gross claims incurred but not reported	196,668
Reinsurance recoveries anticipated	(32,108)
Provision for net claims incurred but not reported	164,560
Reinsurance to close premium receivable, net of reinsurance at transaction rates of exchange	277,497
Revaluation to closing rates of exchange	11,461
Reinsurance to close premium receivable, net of reinsurance at closing rates of exchange	288,958

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2013 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2015

7. REINSURANCE TO CLOSE PREMIUM PAYABLE

	£'000
Gross notified outstanding claims	117,782
Reinsurance recoveries anticipated	(14,139)
Net notified outstanding claims	103,643
Provision for gross claims incurred but not reported	191,003
Reinsurance recoveries anticipated	(32,640)
Provision for net claims incurred but not reported	158,363
Reinsurance to close premium payable, net of reinsurance	262,006

The reinsurance to close is effected to the 2014 year of account of Syndicate 609.

8. NET OPERATING EXPENSES

	£'000
Acquisition costs:	
Brokerage & Commission	104,266
Other acquisition costs	12,375
	116,641
Administrative expenses	39,754
Allocation to reinsurance to close premium receivable, net of reinsurance	11,461
	167,856
Reinsurance commissions receivable	(5,968)
	161,888

Administrative expenses include:

	£'000
Auditors' remuneration	
Audit services	251
Other services	3
Managing agent's profit commission	15,983

Members' standard personal expenses are included within administrative expenses and amount to £21,780,000.

9. STAFF NUMBERS AND COSTS

All staff are employed by Atrium Group Services Limited. The following amounts were recharged to the syndicate in respect of salary costs:

	£'000
Wages and salaries	16,411
Social security costs	1,891
Other pension costs	1,697
	19,999

The average number of employees employed by Atrium Group Services Limited, but working for the syndicate during the three years, was as follows:

	Number
Management	7
Underwriting	61
Claims	11
Administration	53
	132

10. REMUNERATION OF THE DIRECTORS OF ATRIUM UNDERWRITERS LIMITED

The fourteen Directors of Atrium Underwriters Limited received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	£'000
Remuneration	1,905

No other compensation was payable to key management personnel.

The Active Underwriter received the following remuneration charged as a syndicate expense:

	£'000
Remuneration	290

11. INVESTMENT RETURN

	£'000
Investment income:	
Income from investments	9,648
Gains on the realisation of investments	487
	10,135
Net unrealised losses on investments:	
Unrealised gains on investments	627
Unrealised losses on investments	(4,847)
	(4,220)
Investment expenses and charges:	
Investment management expenses, including interest	(465)
Losses on the realisation of investments	(998)
	(1,463)
Allocated investment return transferred to the technical account	4,452

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2013 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2015

12. BALANCE ON TECHNICAL ACCOUNT

	£'000
Balance excluding investment return and operating expenses	
Profit attributable to business allocated to the 2013 pure year of account	169,799
Profit attributable to business reinsured into the 2013 year of account	51,583
	221,382
Allocated investment return transferred from the non-technical account	4,452
Net operating expenses	(161,888)
	63,946

13. INVESTMENTS

	Fair value £'000	Cost £'000
Shares and other variable yield securities and units in unit trusts	16,231	16,231
Debt securities and other fixed income securities	343,497	346,194
Loans secured by mortgage	222	190
Deposits with credit institutions	21	21
	359,971	362,636

Shares and other variable yield securities and units in unit trusts represents the syndicate's holdings in collective investment schemes.

Using Standard & Poor's and Moody's as rating sources, the credit ratings of the debt and other fixed income securities are set out below:

	Fair value £'000	%
Government/Government Agency	28,955	8.4
AAA/Aaa	51,200	14.9
AA/Aa	86,243	25.1
A	120,910	35.2
BBB	56,189	16.4
	343,497	100.0

Fair Value methodology

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the syndicate applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

To provide an indication about the reliability of the inputs used in determining fair value, the syndicate has classified its financial instruments into the three levels. An explanation of each level is provided below.

Investments carried at fair value have been categorised using a fair value hierarchy as detailed below:

13. INVESTMENTS CONTINUED

Fair value hierarchy:

Level 1 – Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 – The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 – Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3. The syndicate did not have any such instruments.

The table below shows financial assets and liabilities carried at fair value through profit or loss grouped into the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Shares and other variable yield securities and units in unit trusts	–	16,231	–	16,231
Debt securities and other fixed income securities	47,709	295,788	–	343,497
Loans secured by mortgage	–	222	–	222
	47,709	312,241	–	359,950

14. DEBTORS

	£'000
Arising out of direct insurance operations	
Due from intermediaries	10,388
Arising out of reinsurance operations	2,024
Other	642
	13,054

15. AMOUNTS DUE TO MEMBERS

	£'000
Profit for the 2013 closed year of account	66,705
Members' agents' fee advances	(2,628)
Distributions to members to date	–
Amounts due to members at 31 December 2015	64,077

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2013 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2015

16. CREDITORS

	£'000
Arising out of direct insurance operations	
Due to intermediaries	18,439
Arising out of reinsurance operations	14,947
Managing agent's profit commission	24,558
Other	46,593
	104,537

Other creditors include inter year loans of £45,839,000.

17. CLAIMS DEVELOPMENT

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than ten years. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

The cumulative claims estimates and payments for each underwriting year are translated into pounds sterling at the exchange rates prevailing at 31 December 2015 in all cases.

Analysis of claims development - gross	2011 £'000	2012 £'000	2013 £'000	Total £'000
Estimate of ultimate gross claims				
at end of underwriting year	258,998	227,911	229,253	
one year later	233,968	190,604	223,319	
two years later	225,628	175,195	201,399	
three years later	223,929	157,134		
four years later	215,942			
Less gross claims paid	163,492	107,657	119,876	
Gross ultimate claims reserve	52,450	49,477	81,523	183,450
Gross ultimate claims reserve for 2010 & prior years				125,335
Gross claims reserve				308,785

17. CLAIMS DEVELOPMENT CONTINUED

Analysis of claims development - net	2011 £'000	2012 £'000	2013 £'000	Total £'000
Estimate of ultimate net claims				
at end of underwriting year	222,974	203,253	205,567	
one year later	209,623	177,105	209,759	
two years later	194,571	164,460	185,580	
three years later	180,066	147,321		
four years later	172,203			
Less net claims paid	140,486	101,157	110,807	
Net ultimate claims reserve	31,717	46,164	74,773	152,654
Net ultimate claims reserve for 2010 & prior years				109,352
Net claims reserve				262,006

The syndicate has taken advantage of the transitional provisions within FRS 103 not to disclose information about claims development that occurred earlier than 5 years before the end of the first financial year in which FRS 103 is applied.

18. CONSIDERATION FOR NET RITC RECEIVABLE

Consideration for net RITC receivable comprised:

	£'000
Non-cash consideration:	
Portfolio investments	387,345
Deposits with credit institutions	29
Overseas deposits	26,660
Debtors	20,877
Creditors	(175,010)
	259,901
Cash	17,596
	277,497

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2013 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2015

19. MOVEMENT IN OPENING AND CLOSING PORTFOLIO INVESTMENTS NET OF FINANCING

Movement in Cash, Portfolio Investments and Financing

	At 1 Jan 2013 £'000	Cash flow £'000	Received as consideration for net RITC receivable £'000	Changes to market value and currencies £'000	At 31 Dec 2015 £'000
Cash at bank and in hand	–	5,918	17,596	–	23,514
Overseas deposits	–	7,050	26,660	2,288	35,998
Portfolio investments:					
Shares and other variable yield securities and units in unit trusts	–	(14,808)	29,510	1,529	16,231
Debt securities and other fixed income securities	–	(14,433)	352,960	4,970	343,497
Participation in investment pools	–	–	–	–	–
Loans secured by mortgage	–	(15,334)	4,875	10,681	222
Other loans	–	–	–	–	–
Deposits with credit institutions	–	(11)	29	3	21
Total portfolio investments	–	(44,586)	387,374	17,183	359,971
Total cash, portfolio investments and financing	–	(31,618)	431,630	19,471	419,483

The changes to market values and currencies include £11.8m relating to currency revaluation of non-Sterling denominated investments and deposits.

20. DISCLOSURES OF INTEREST

Atrium Underwriting Group Limited (AUGL) is a wholly owned subsidiary of Alopuc Ltd (a UK holding company) and Alopuc Ltd is in turn a wholly owned subsidiary of Northshore Holdings Ltd, a Bermudan company. The ultimate beneficial owners of Northshore are Enstar Group Ltd (Enstar) who hold approximately 57.5% economic interest and affiliates of Stone Point Capital LLC (Stone Point) who hold approximately 38.5% economic interest. The balance of shareholding is held by Dowling Capital Partners and Atrium management and staff.

AUGL is the holding company of the following wholly owned subsidiaries; Atrium Underwriters Limited (AUL), Atrium Underwriting Holdings Limited (AUHL), Atrium Insurance Agency Limited (AIAL), Atrium Group Services Limited (AGSL), Atrium Insurance Agency (Asia) Pte. Ltd (ASIA), Atrium Risk Management Services (Washington) Ltd (ARMS), Atrium Risk Management Services (British Columbia) Ltd (ARMSBC) and Atrium 5 Limited. AGSL is the holding company of Atrium Nominees Limited (incorporated 20 January 2015). AUL is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is the managing agent of Syndicate 609. AUHL is the holding company of ten non-continuing Lloyd's corporate members.

AUGL participates on the managed syndicate through its corporate member subsidiary, Atrium 5 Limited whose participation on each year of account is as follows:

	2013 Capacity £m	2014 Capacity £m	2015 Capacity £m	2016 Capacity £m
Syndicate 609	106.8	106.8	107.1	**107.1**

Atrium 5 Limited's participation on the managed syndicate as % of syndicate capacity:

	Year of account 2013 %	2014 %	2015 %	2016 %
Syndicate 609	25.5	25.5	25.4	**25.5**

AIAL is a registered Lloyd's UK coverholder and is authorised and regulated by the Financial Conduct Authority. Syndicate 609 leads a binding authority granted to AIAL to underwrite Space business. Under the terms of the binding authority, fees and profit commission are payable by the syndicate to AIAL. Fee income of US$1,572,000 was paid by the syndicate to AIAL in relation to premium earned on the 2013 year of account. No profit commission is due in relation to the 2013 year of account.

20. DISCLOSURES OF INTEREST CONTINUED

AGSL is a group service company. All UK employee contracts and, where possible, all material service provider contracts are held by AGSL. A service agreement is in place whereby AGSL provides all management services to all Atrium Group companies. Under the service agreement AGSL will charge the costs to each Atrium group company, including AUL, for the respective services provided.

ASIA carries on for its own account the business of insurance intermediation in Singapore, operating on the Lloyd's Asia platform. In this capacity it has been granted authority by Syndicate 609 to bind certain risks (including marine hull, energy, aviation and non-marine property risks) and has been approved by Lloyd's and the Monetary Authority of Singapore to act as a Lloyd's Singapore Service Company. Under the terms of the arrangement with Syndicate 609, ASIA charges fees to the Syndicate equal to its operating costs plus a small margin for tax reasons. Fees of S$3,108,000 were paid by Syndicate 609 to ASIA on the 2013 year of account.

ARMS is incorporated in Washington State, United States, and was established to support the Syndicate strategy to maintain and growi ts North American direct portfolio and distribution network. ARMS charges fees to the Syndicates equal to its operating costs plus a small margin for tax reasons. Fees of U$1,235,000 were paid by Syndicate 609 to ARMS in respect of the 2013 year of account.

ARMSBC is incorporated in British Columbia, Canada, and was established to support the Syndicate strategy to maintain and grow it's North American direct portfolio and distribution network. ARMSBC charges fees to the syndicate equal to its operating costs plus a small margin for tax reasons. Fees of C$756,000 were paid by Syndicate 609 to ARMSBC in respect of the 2013 year of account.

The Directors' participations on Syndicate 609 via Nomina No. 207 LLP are as follows (this includes any Director of AUL that served during 2015 and was a partner in the staff LLP):

	Year of account			
	2013 £	2014 £	2015 £	**2016 £**
Steve Cook	35,500	39,103	46,359	**–**
James Cox	37,884	48,071	103,610	**81,979**
Toby Drysdale	27,707	31,887	37,723	**23,590**
Richard Harries	250,000	300,000	446,185	**317,688**
James Lee	–	–	45,527	**42,197**
Brendan Merriman	–	–	34,145	**31,648**
Samit Shah	38,945	46,729	67,984	**50,717**
Kirsty Steward	–	–	34,145	**21,114**

The capital requirement for the LLP increased for the 2016 year of account leading to reductions in individual participations.

AUL has made no loans to directors of the company during 2015 (2014 - nil). There were no loans outstanding at the balance sheet date.

Managing agency fees of £2,924,000 were paid by the syndicate to AUL. Profit commission of £16,668,000 is payable by the syndicate to AUL in relation to the 2013 year of account result. The managing agents agreement was amended in 2007 to enable managing agents to make payments on account of profit commission, prior to the closure of a year of account. Payments on account can be made when the syndicate transfers open year surpluses from the syndicate level premium trust funds to the members' personal reserve fund. No such payment was made in 2015. Included within creditors is £16,668,000 in respect of profit commission payable to AUL in relation to the 2013 year of account.

Given the insurance related activities undertaken within the broader Enstar group it is possible that transactions may be entered into between the Atrium managed syndicate and Enstar Group companies (including Starstone insurance group entities and the Starstone managed Lloyd's syndicates 1301 and 2008). Any such related party transactions are entered into by the Syndicate on a commercial basis and managed in accordance with the protocols set out in Atrium's Conflicts of Interest Policy.

Enstar representatives serving as Directors of AUL also hold Board positions at other Enstar group companies and these individuals disclose and manage any potential conflicts of interest in line with Atrium's usual practice.

SEVEN YEAR SUMMARY OF RESULTS

SYNDICATE 609 AT 31 DECEMBER 2015

	Notes	2013 £m	2012 £m	Year of Account 2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Syndicate allocated capacity	1	**419**	418	274	275	200	215	215
Aggregate net premiums		**339**	334	183	193	195	167	147
Number of underwriting members		**3,140**	3,165	3,128	3,102	2,991	2,976	2,906
Results for an illustrative share of £10,000		**£**	**£**	**£**	**£**	**£**	**£**	**£**
Gross premiums		**9,370**	9,116	8,147	8,508	12,072	9,290	8,860
Gross premiums %	2	**93.7%**	91.2%	81.5%	85.9%	120.7%	92.9%	88.6%
Net premiums		**8,284**	7,978	6,675	7,040	9,758	7,739	6,847
Net premiums %	3	**82.8%**	79.8%	66.7%	70.4%	97.6%	77.4%	68.5%
Premium for the reinsurance to close an earlier year of account	4	**6,896**	6,951	5,916	5,301	7,929	6,842	6,441
Net claims	5	**3,644**	3,049	3,564	2,569	3,469	3,763	4,769
Premium for the reinsurance to close the year of account		**6,253**	6,632	5,256	5,985	7,969	7,287	6,747
Underwriting profit		**5,283**	5,248	3,771	3,787	6,249	3,531	1,772
Loss/(profit) on exchange		**–**	159	(107)	(69)	119	(814)	(469)
Syndicate operating expenses		**3,343**	2,929	2,074	1,944	2,719	2,063	1,836
Balance on technical account		**1,940**	2,160	1,804	1,912	3,411	2,282	405
Balance on technical account %	6	**20.7%**	23.7%	22.1%	22.5%	28.3%	24.6%	4.6%
Investment return		**106**	104	89	242	298	383	555
Other foreign exchange gains	7	**66**	–	–	–	–	–	–
Profit for closed year of account		**2,112**	2,264	1,893	2,154	3,709	2,665	960
Illustrative managing agent's profit commission		**381**	441	364	416	720	515	161
Illustrative personal expenses		**139**	51	66	69	95	76	150
Profit after illustrative profit commission and illustrative personal expenses	8	**1,592**	1,772	1,463	1,669	2,894	2,074	649

Notes

1. With effect from 1 January 2014 the 2011 year of account of Syndicate 570 was reinsured to close into the 2012 year of account of Syndicate 609.
2. Gross premiums as a percentage of illustrative share.
3. Net premiums as a percentage of illustrative share.
4. The reinsurance to close premium that has been received by the 2013 year of account has been retranslated to the rates of exchange that were applicable as at 31 December 2013. Reinsurance to close premiums receivable in respect of the 2012 and prior years of account have not been restated.
5. Net claims include internal claims settlement expenses.
6. Balance on technical account as a percentage of gross premiums.
7. Other foreign exchange gains are reported in the non-technical account and other comprehensive income.
8. Illustrative personal expenses, including illustrative profit commission, are based on a calculation of amounts incurred by a member writing an illustrative share. For this purpose minimum fee charges are ignored.

Memorandum Item

For an illustrative share of £10,000	2013 £m	2012 £m	Year of Account 2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Aggregation of annual fee, profit commission and syndicate expenses	**1,153**	1,037	778	815	1,330	973	594

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ATRIUM UNDERWRITERS LIMITED
ROOM 790
LLOYD'S
1 LIME STREET
LONDON
EC3M 7DQ

TEL: +44 (0)20 7327 4877
FAX: +44 (0)20 7327 4878
WEB: www.atrium-uw.com