

## **Important information about Syndicate Reports and Accounts**

The syndicate reports and accounts set forth in this section of the Jubilee website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgement.

JUBILEE

Syndicate

**1231**

Report and Accounts

at 31 December 2010

**Syndicate 1231**

**Annual Report and Accounts**

At 31 December 2010

**Annual Report and Accounts  
Year Ended 31 December 2010**

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**Directors and Advisers**

<b>Managing Agent</b>	Jubilee Managing Agency Limited	
<b>Registered Office</b>	Sidcup House 12-18 Station Road Sidcup Kent DA15 7EX	
<b>Company Registration No.</b>	4434499	
<b>FSA Firm Registration No.</b>	226696	
<b>Lloyd's Registration No.</b>	2073D	
<b>Directors</b>	T T M Agnew C Buesnel	( appointed 25 May 2010 and resigned 20 August 2010)
	P A Cockburn H P Ganteaume A P D Lancaster (Chairman)	(appointed 5 October 2010)
	K J Lewis A C Loucaides	(resigned 20 July 2010)
	R J G Lowe I Mclsaac	(resigned 25 August 2010)
	J S Mack Lord Marland of Odstock	(resigned 18 June 2010)
	N H Topche M J Watson	(see note on page 7)
<b>Company Secretary</b>	P A Cockburn	
<b>Active Underwriter</b>	J R Cashen was the active underwriter until his resignation and J Shepherd was appointed Motor account underwriter 1 June 2010.	
<b>Bankers</b>	HSBC 95 Gracechurch Street London EC3V ODQ	
<b>Investment Managers</b>	Goldman Sachs International Limited Peterborough Court 133 Fleet Street London EC4A 2BB	
<b>Auditors</b>	Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD	

## Report of the Directors of the Managing Agent Year Ended 31 December 2010

The directors of the Managing Agent present their annual report for the year ended 31 December 2010. This report is in respect of Motor Syndicate 1231.

The annual report is prepared using the annual basis of accounting as required by Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

### Results

The result for calendar year 2010 is a loss of £13.4m (2009: loss of £3.8m) after currency translation. Profits or losses will be distributed or collected by reference to the results of individual underwriting years.

The key driver for the 2008 and 2009 deterioration is due to stronger than expected outstanding claims development from mainly the private hire business. Since 31 December 2009, the gross ULR for private hire has increased from 120.6% to 176.5% for 2008 YoA and from 115.9% to 170.5% for 2009 YoA. However, there have been marginal improvements in the account since 31<sup>st</sup> December 2009 in other lines of business for motor, most significantly in the recent years for the Irish account.

The deterioration since 31 December 2009 was highlighted at Q2 2010. The motor market is suffering from pressures on reserves and underwriting profits are being driven by several key factors including:

- Bodily injury claims:  
During 2009, there appear to have been continued rises in the volume and cost of third-party bodily injury claims. According to the Compensation Recovery Unit, the number of personal injury claims in the UK increased by 13% between 2007 and 2008. According to the ABI, average compensation payments increased by 16% in 2008 compared with the previous year.  
  
Key factors are thought to be: increases in claims farming; recessionary pressures; and the number of multiple claimant cases.
- Credit hire costs:  
The market continues to experience significant year on year inflation in credit hire costs. There has been an increase in claim now relating to the hire of a replacement vehicle while the non fault driver's car is off the road being repaired or while they await receipt of the total loss cheque for their vehicle.
- Unsolicited text messages from organisations promoting personal injury services.

### Principal Activities

The principal activity of the Syndicate during the year continued to be the transaction of motor business in the fleet and commercial sectors for business written up until 31 December 2009. From 1 January 2010, the motor account written by the Syndicate was underwritten by Syndicate 5820, another Syndicate managed by Jubilee Managing Agency Limited. The gross written premium during 2010 of £5.4m is predominately in respect of Eire business for the 2009 year of account and lineslip written back for the 2008 year of account.

**Report of the Directors of the Managing Agent (continued)**  
**Year Ended 31 December 2010**

**Key Performance Indicators**

The Syndicate's key financial performance indicators below relate to the results for the Syndicate on an annual accounting basis during the year and were as follows:-

	<b>2010</b>	<b>2009</b>
	<b>£m</b>	<b>£m</b>
Gross premium written	5.4	49.0
Net premium written	5.1	46.0
Net premium earned	21.9	43.9
Loss for the year	(13.4)	(3.8)
Cash and investments	39.0	60.0
	%	%
Claims ratio (net)	134.3	84.7
Combined ratio	166.9	115.3

Note: The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned.

**Other Performance Indicators**

*Staff Matters*

The Managing Agent considers its staff to be a key resource and seeks to provide a good working environment for its staff that is safe and complies with appropriate legislation. During the year, there has been no significant injury to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters. The employee retention was 48.7% of the employees in place at 1 January 2010 (2009: 88.2%).

*Environmental Matters*

The Managing Agent does not consider that a business such as a syndicate at Lloyd's has a large adverse impact upon the environment. As a result the agent does not manage its business by reference to any environmental key performance indicators. Directors and employees of the Managing Agent are not provided with company cars. Travel requisitions and expenses are subject to review as to whether the journey is necessary for the business. The Managing Agent seeks to maintain a high proportion of its records electronically.

**Report of the Directors of the Managing Agent (continued)**  
**Year Ended 31 December 2010**

**Investments**

*Investment Return*

	<b>2010</b>	<b>2009</b>
	<b>£m</b>	<b>£m</b>
Average amount of syndicate funds available for investment during the year:		
Sterling	35.9	52.6
Euro	12.2	13.5
	<u>48.1</u>	<u>66.1</u>
Combined in sterling	<u>48.1</u>	<u>66.1</u>
Gross aggregate investment return for the calendar year in sterling	<u>1.22</u>	<u>3.01</u>
Gross calendar year investment yield:		
Sterling	2.86%	5.05%
Euro	1.57%	2.63%
	<u>2.53%</u>	<u>4.55%</u>
Combined	<u>2.53%</u>	<u>4.55%</u>

The above investment returns are calculated using average funds based on the monthly balances and investments as revalued to month-end market prices including accrued interest. The amount of funds available has decreased due to increased claims volumes and the cessation of new business written into the Syndicate at 31 December 2009.

The investment manager during the year was Goldman Sachs International Limited.

**Underwriting Years of Account**

	<b>2009</b>	<b>2008</b>
	<b>£m</b>	<b>£m</b>
Syndicate capacity	45.0	54.0
Result range/2008 actual	(16.5) to (18.7)	(11.0)
Result as percentage of capacity	(36.6)% to (41.6)%	(20.4)%

## Report of the Directors of the Managing Agent (continued) Year Ended 31 December 2010

### 2008 account

The result for the 2008 account and prior years is a loss of £11.0m after all expenses. Within this is a profit of £1.3m relating to prior years. The 2008 pure year made a loss of £12.3m. The loss of £11.0m is 20.35 % as a percentage of stamp.

### 2009 account

The forecast ultimate result for the 2009 account is a loss of £17.6m after all expenses. The loss of £17.6m is 39.10 % as a percentage of stamp.

### Future Opportunities

From 1 December 2010, Syndicate 5820 has ceased to underwrite Motor business. The management of Motor claims will continue to be managed by Jubilee Managing Agency Limited with some claims management being outsourced.

It is proposed that Syndicate 5820 or another Syndicate will reinsure the 2009 and prior liabilities of Syndicate 1231 at 31 December 2011.

### Principle Risks and Uncertainties

The Syndicate's activities expose the business to a number of key risks which have the potential to affect the Jubilee Group's ability to achieve its objectives. The risk appetite is set annually as part of the Syndicate business planning and individual capital assessment process. The Jubilee Group recognises that the Syndicate's business is to accept risk which is appropriate to enable it to meet its objectives and that it is not realistic or possible to eliminate risk entirely. Therefore, in 2010 there has been an increase in Jubilee Group staff resources to develop the risk management framework, including the monitoring of systems and controls to ensure they remain appropriate and effective.

The Syndicate largely ceased writing business in 2010 with new business being transacted in Syndicate 5820, therefore the weighting given to Insurance and Strategic risk within the Syndicate is lower than would be the case if it was continuing to underwrite.

The principal risks and uncertainties facing the Syndicate are as follows:

*Insurance Risk* - Insurance risk refers to the risk of loss or adverse change in the value of insurance liabilities, due to inadequate pricing and reserving practices. These risks may be caused by the fluctuations in timing, frequency and severity of insured events and claim settlements in comparison to the expectation at the time of underwriting. The syndicates manage insurance risk by agreeing the appetite for these risks annually through the business plan, which sets out targets for volumes, pricing and retention by class of business and aggregate levels of exposure to catastrophe events. The Managing Agent monitors performance against the business plan throughout the year. Reserve adequacy is monitored by the Syndicates' appointed actuary and by the Managing Agency Board.

*Credit Risk* - In addition to the insurance terms of trade offered as part of normal business operation, the syndicates are exposed to a certain amount of credit risk. Key aspects of credit risk are default by a reinsurer and certain financial instruments within the investment portfolio that include an element of credit exposure to the issuers of the security. The syndicate seeks to limit exposure by placing its reinsurance programme with reinsurers rated A or higher and through limiting exposure to reinsurers for single events. Investment credit risk is mitigated through detailed investment guidelines which include minimum credit quality and counterparty limits.

*Market Risk* - The exposure to financial market risk arises from the investment decisions made in relation to the syndicate funds and adverse movements in foreign exchange rates, interest rates and equities. The Managing Agent sets the investment strategy. Exposure to foreign exchange movements is mitigated through currency matching of assets and liabilities. Limits on the duration of invested assets are in place to limit the adverse affect of interest rate movements. Exposure to market risk is managed through the Group's Investment Committee.

**Report of the Directors of the Managing Agent (continued)**  
**Year Ended 31 December 2010**

**Principal Risks and Uncertainties (continued)**

*Liquidity Risk* - This is the risk that a syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. To mitigate this risk minimum levels of cash are maintained, all investments are readily marketable and cash flow is monitored.

In the event of extreme adverse claims experience, it is possible that the syndicate may not be able to settle claim liabilities out of its own funds. In that event, the capital structure underpinning a syndicate is such that any deficits can be called from the syndicate capital providers in accordance with Lloyd's rules. In the event of any member being unable to fulfil its share of such a call, Lloyd's Central Guarantee Fund may, at Lloyd's discretion, be called upon to make good any deficits for the benefit of policyholders. The Managing Agent monitors solvency requirements, to ensure the syndicates maintain at least the minimum solvency requirement.

*Operational Risk* - This is the risk that errors caused by people, processes or systems lead to losses to the syndicates. The Managing Agent seeks to manage this risk through policies and procedures and systems and controls, which are regularly reviewed and updated, the regular review of changes to the syndicates' risk environment, limits of authority granted to employees, the recruitment and retention of experienced personnel, staff training assessments and plans, the internal audit function, which reports on the effectiveness of operational controls and the Audit Committee which reviews the major findings from both operational and external audit.

*Regulatory Risks* - The Managing Agent is required to comply with the requirements of the Financial Services Authority, Lloyd's and overseas authorities. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Managing Agent has a compliance officer who monitors developments and assesses the impact on the Managing Agent's objectives and policies.

*Strategic Risks* - This is the risk of loss arising from Syndicate market position, strategic direction and commercial interests and includes capital availability for future underwriting. Market position and strategic direction are reviewed at least annually as part of the business planning process. The Executive Committee monitors performance and market position. The Board meets at least quarterly, each year to review results and opportunities.

**Corporate Governance**

The Managing Agency Board comprises an appropriate number of executive directors and non-executive directors and meets quarterly. The Board has established a practical and effective governance framework which includes delegation of authority to a number of committees. All of the committees comprise appropriately qualified and experienced members, and operate under formal terms of reference, with reporting requirements to the Board. The key Committees are:

*Executive Committee* – The executive committee is responsible for the overall management of the business, including implementation of strategy, monitoring the operating environment and risk mitigation.

*Underwriting Committee* - The underwriting committee is responsible for reviewing Syndicate activities, management and performance. This includes reviewing results and forecasts against agreed business plans and budgets.

*Risk and Capital Committee* – The risk and capital committee is responsible for the effective management of risk, capital requirements, reinsurance strategy and governance of the internal model and monitoring of the risk environment against risk appetite in line with syndicate business forecasts.

*Audit Committee* - The audit committee is responsible for the monitoring and review of the Group's financial reporting and internal control policies. The committee provides assurance that an appropriate control framework exists to mitigate business risk. The committee is chaired by a non-executive director.

**Report of the Directors of the Managing Agent (continued)**  
**Year Ended 31 December 2010****Corporate Governance (continued)**

*Reinsurance Committee* - The reinsurance committee is responsible for reinsurance purchase in line with individual syndicate's business forecast strategy and for reviewing the suitability of reinsurer's (approved by the reinsurance security sub committee) on all types of outward reinsurance.

*Investment Committee* - The investment committee is responsible for the management of the group's investment strategy, investment risk and performance of fund managers. The committee is chaired by a non-executive director.

**Directors and Directors' Interests**

The directors who held office during the year are shown on page 2. M J Watson was a director during the year but died in July 2010. Directors' interests are shown on pages 24 and 25 as part of the related parties note to the accounts.

**Annual General Meeting**

The directors do not propose to hold an annual general meeting for the Syndicate. If any direct corporate supporter of the Syndicate wishes to meet with them the directors will be prepared to do so.

**Disclosure of Information to Auditors**

The Directors who held office at the date of the approval of this Directors' report confirm that, so far as they are individually aware, there is no relevant audit information of which the Syndicate's auditors are unaware and each Director has taken all the steps that he ought to have taken as Director to make himself aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

**Auditors**

From 1 January 2010, the Motor account underwritten by the Syndicate was underwritten by Syndicate 5820. The Managing Agent appointed Littlejohn LLP to audit the 31 December 2011 Syndicate 5820 syndicate accounts in accordance with paragraph 5(2(c)) of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Littlejohn LLP has signified its willingness to continue in office as auditors of both Syndicate 1231 and Syndicate 5820.

Approved by Order of the Board



P A Cockburn  
Director  
Jubilee Managing Agency Limited  
14 March 2011

## Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the Syndicate Annual Report and the Syndicate Annual Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Regulation 5 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations") requires the Managing Agent to prepare Syndicate Annual Financial Statements at 31 December each year which give a true and fair view of the state of affairs of the Syndicate and of its profit or loss for that year.

In preparing those Syndicate Annual Financial Statements, the Managing Agent is required to:

- select suitable accounting policies, and apply them consistently except where relevant accounting requirements change;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Syndicate Annual Financial Statements; and
- prepare the Syndicate Annual Financial Statements on a going concern basis, unless it is inappropriate to 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 Financial Statements 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.

## Report of the Auditors

### Independent Auditor's Report to the Members of Syndicate 1231

We have audited the Syndicate Annual Financial Statements for the year ended 31 December 2010 which comprise the Profit & Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Statement of Accounting Policies and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members of the Syndicate as a body, in accordance with Regulations 10 to 14 of 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 that 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 and the Syndicate's members as a body for our audit work, for this report, or for the opinion 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 9, the Managing Agent is responsible for the preparation of the Annual Financial Statements which give a true and fair view. Our responsibility is to audit and express an opinion on the Syndicate Annual 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 (APB's) Ethical Standards for Auditors.

### Scope of the audit of the Syndicate Annual Accounts

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

### Opinion on Syndicate Annual Financial Statements

In our opinion the Annual Financial Statements:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the 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 Report of the Directors of the Managing Agency for the financial year for which the Annual Financial Statements are prepared is consistent with the Annual 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:

- the Managing Agent in respect of the Syndicate has not kept adequate accounting records; or
- the Syndicate Annual 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.



**Neil Coulson (Senior statutory auditor)**  
For and on behalf of Littlejohn LLP  
Statutory auditor  
14 March 2011

1 Westferry Circus  
Canary Wharf  
London E14 4HD

**Profit and Loss Account**  
**Technical Account – General Business**  
**Year Ended 31 December 2010**

	Note	2010 £000	2010 £000	2009 £000	2009 £000
<b>Earned Premiums, Net of Reinsurance</b>					
Gross premiums written	1	5,369		49,059	
Outward reinsurance premiums		(239)		(3,008)	
Net premium written			5,130		46,051
Change in the provision for unearned premiums					
Gross amount		17,840		(2,148)	
Reinsurers' share		(1,111)		(43)	
Change in the net provision for unearned premiums			16,729		(2,191)
Earned premiums, net of reinsurance			21,859		43,860
<b>Allocated investment return transferred from the Non-Technical account</b>			1,219		2,941
<b>Claims Incurred, Net of Reinsurance</b>					
Claims Paid					
Gross amount		(33,294)		(43,036)	
Reinsurers' share		200		1,472	
Net claims paid		(33,094)		(41,564)	
Change in the provision for claims					
Gross amount		2,406		(439)	
Reinsurers' share		1,323		4,842	
		3,729		4,403	
Claims incurred, net of reinsurance	2		(29,365)		(37,161)
<b>Net Operating Expenses</b>	3		(7,114)		(13,410)
<b>Balance on the Technical Account - for General Business</b>			(13,401)		(3,770)

All of the Syndicate's operations are classed as discontinued.

**Profit and Loss Account  
Non-Technical Account  
Year Ended 31 December 2010**

	Note	2010 £000	2009 £000
<b>Balance on the Technical Account – General Business</b>		(13,401)	(3,770)
Investment income	6	1,384	3,025
Unrealised gains on investments		202	377
Investment expenses and charges	7	(246)	(151)
Unrealised losses on investments		(121)	(310)
Allocated investment return transferred to general business technical account		(1,219)	(2,941)
<b>Loss for the Financial Year</b>	11	<u>(13,401)</u>	<u>(3,770)</u>
<b>Statement of Total Recognised Gains and Losses</b>			
Loss for the financial year		(13,401)	(3,770)
Currency translation differences		22	(26)
<b>Total Recognised Gains and Losses since last annual report</b>		<u>(13,379)</u>	<u>(3,796)</u>

The aggregate £(13.379)m result of the 2010 calendar year (2009: (£3.796)m loss) stated above was after a total exchange movement loss of £0.016m (2009: £0.115m profit).

**Balance Sheet - Assets**  
**At 31 December 2010**

<b>Assets</b>	<b>Note</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Investments</b>					
Other financial investments	8		36,808		57,788
<b>Reinsurers' Share of Technical Provisions</b>					
Provision for unearned premiums		65		1,186	
Claims outstanding		12,637		11,316	
		<hr/>	12,702	<hr/>	12,502
<b>Debtors</b>					
Debtors arising out of direct insurance operations	9	102		6,369	
Debtors arising out of reinsurance operations	10	99		159	
Other debtors		121		-	
		<hr/>	322	<hr/>	6,528
<b>Other Assets</b>					
Cash at bank and in hand			2,157		2,230
<b>Prepayments and Accrued Income</b>					
Deferred acquisition costs		1,131		4,875	
Other prepayments and accrued income		-		92	
		<hr/>	1,131	<hr/>	4,967
<b>Total Assets</b>			<hr/> <b>53,120</b>	<hr/> <b>84,015</b>	

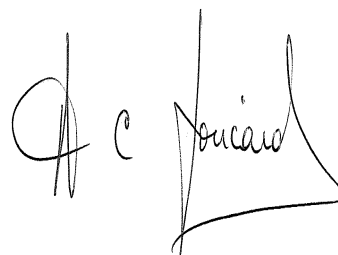
**Balance Sheet - Liabilities**  
**At 31 December 2010**

<b>Liabilities</b>	<b>Note</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Capital and Reserves</b>					
Members' balances	11		(28,590)		(19,003)
<b>Technical Provisions</b>					
Provision for unearned premiums		2,431		20,553	
Claims outstanding		74,907		77,700	
		<hr/>	77,338	<hr/>	98,253
<b>Creditors</b>					
Creditors arising out of direct insurance operations	12	998		530	
Creditors arising out of reinsurance operations	13	396		24	
Other creditors including taxation and social security		2,655		1,126	
Accruals and deferred income		323		3,085	
		<hr/>	4,372	<hr/>	4,765
<b>Total Liabilities</b>			<hr/> <b>53,120</b> <hr/>		<hr/> <b>84,015</b> <hr/>

Approved by the Board of Jubilee Managing Agency Limited on 14 March 2011 and signed on its behalf by:



**P A Cockburn**  
**Director**



**A C Loucaides**  
**Director**

**Cash Flow Statement**  
**Year Ended 31 December 2010**

	Note	2010 £000	2009 £000
<b>Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities</b>			
Operating loss on ordinary activities		(13,401)	(3,770)
Realised/unrealised investments losses	14	460	1,310
Decrease in net technical provisions		(21,116)	(3,806)
Decrease in debtors		10,042	341
Decrease in creditors		(393)	(525)
Other movements		140	-
Currency translation differences		22	(26)
<b>Net Cash Outflow from Operating Activities</b>		<u>(24,246)</u>	<u>(6,476)</u>
<b>Financing:</b>			
Transfer from/(to) members in respect of underwriting participations		3,792	(7,223)
		<u>(20,454)</u>	<u>(13,699)</u>
<b>Cash flows were invested as follows:</b>			
Decrease in cash holdings	14	(41)	(2,889)
Net portfolio investment	16	(20,413)	(10,810)
<b>Net Investment of Cash Flows</b>		<u>(20,454)</u>	<u>(13,699)</u>

## Statement of Accounting Policies

### Basis of Preparation

These Financial Statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and applicable accounting standards in the United Kingdom, and comply with the statement of recommended practice on accounting for insurance business issued by the Association of British Insurers in December 2006 ("the ABI SORP") except that exchange differences are dealt with in the technical account as all such differences arise from technical account transactions.

Syndicates by their nature only underwrite for single underwriting years on behalf of their supporting members, however this is within a context of not finalising results until after 36 months so that typically there are three underwriting years in progress at any given time. In addition Syndicates will normally expect to continue to trade for more underwriting years in the future.

The Syndicate's business activities, together with the factors likely to affect its future development are set out in the Business Review contained within the Report of the Directors. In addition the Risk Management section of the Report of the Directors provides details of the financial risks that the Syndicate is exposed to and how those risks are managed.

Although the Syndicate is not underwriting for the 2010 year, this motor business has been underwritten within Syndicate 5820 for 2010 and it is proposed that Syndicate 5820 or another Syndicate will reinsure the 2009 and prior liabilities of Syndicate 1231 at 31 December 2011 on a reserving basis similar to that currently established. No additional run-off costs beyond those reserved are therefore considered necessary.

The Syndicate has adequate financial resources, and is expected to receive payment of the 2008 loss in May 2011. It is also anticipating that 2009 is likely to produce losses in line with those currently reported which will ultimately need to be funded by its supporting member. The directors have a reasonable expectation that the Syndicate has adequate resources including the Funds at Lloyd's of the members supporting the Syndicate (as detailed in Note 18) to continue in operational existence for the foreseeable future until its anticipated closure as at 31 December 2011. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Basis of Accounting

These accounts have been prepared under the annual basis of accounting, and accordingly, the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

#### Premiums Written

Premiums written comprise premiums on contracts of insurance incepted during the financial year and any adjustments made in the year to estimates of premiums written in prior years. Premiums are shown gross of commission payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, including amounts due to the Syndicate not yet notified.

#### Unearned Premiums

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

#### Reinsurance Premium Ceded

Outwards reinsurance premiums are accounted for on an earned basis in the same accounting period as the premiums for the related direct or inwards business being reinsured.

**Statement of Accounting Policies (continued)**  
**Claims Incurred and Reinsurers' Share**

Gross claims incurred comprise claims and settlement expenses (both internal and external) incurred during the year and the movement in the year in the provision for outstanding claims and future settlement expenses. Allowance is made for the cost of claims incurred by the balance sheet date but not reported until after the year-end. Incurred claims outstanding are reduced by anticipated salvage and other recoveries from third parties.

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's external consulting actuaries. These techniques 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. The provision for claims also includes amounts in respect of 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 the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts in relation to outstanding claims and projections for IBNR and is stated 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. The Syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly 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 including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred.

The level of uncertainty with regard to the estimations within these provisions generally decreases with the length of time elapsed since the underlying contracts were exposed to new risks.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. 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, 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 provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used and the estimates made are reviewed regularly.

**Unexpired Risks Provision**

A provision for unexpired risks is made where claims and related expenses, likely to arise 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 unexpired risk provision is included within technical provisions in the balance sheet.

The provision for unexpired risks is calculated separately by reference to classes of business which are managed together.

**Net Operating Expenses (including Acquisition Costs)**

Net operating costs include acquisition costs, profit and loss on exchange and amounts charged to members through the Syndicate.

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

**Statement of Accounting Policies (continued)**  
**Distribution of Profits and Collection of Losses**

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between syndicates and their members. Lloyd's continues to require membership of syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the Syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The Syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

**Foreign Currencies**

The Syndicate operates in two separate currency funds, Sterling and Euro.

Income and expenditure in Euros are translated at the average rates of exchange for the year. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Balance sheet assets and liabilities are translated into Sterling at the rates of exchange at the balance sheet date. The profit or loss arising on the retranslation of the members' balances to the closing rate of exchange is dealt with through the statement of total recognised gains and losses.

Any other differences arising on translation of foreign currency amounts in the Syndicate are included in the technical account.

**Investments**

Investments are stated at current value at the balance sheet date. For this purpose deposits with credit institutions are stated at cost.

**Investment Return**

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date, 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 to reflect the investment return on funds supporting underwriting business.

**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 have been included in the balance sheet under the heading 'other debtors'.

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

**Pension Costs**

Jubilee Managing Agency Limited operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

## Notes to the Financial Statements

## 1. Segmental Analysis

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

	Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Net Operating Expenses	Re- insurance Balance	Total
2010 Calendar Year	£000	£000	£000	£000	£000	£000
<b>Direct Insurance</b>						
Motor (third party liability)	721	5,406	(7,653)	(955)	43	(3,159)
Motor (other classes)	2,163	16,220	(22,961)	(2,866)	130	(9,477)
Miscellaneous	2,485	1,583	(274)	(3,293)	-	(1,984)
<b>Total</b>	<b>5,369</b>	<b>23,209</b>	<b>(30,888)</b>	<b>(7,114)</b>	<b>173</b>	<b>(14,620)</b>
	Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Net Operating Expenses	Re- insurance Balance	Total
2009 Calendar Year	£000	£000	£000	£000	£000	£000
<b>Direct Insurance</b>						
Motor (third party liability)	11,879	11,387	(10,821)	(3,024)	816	(1,642)
Motor (other classes)	35,638	34,160	(32,462)	(9,072)	2,447	(4,927)
Miscellaneous	1,542	1,364	(192)	(1,314)	-	(142)
<b>Total</b>	<b>49,059</b>	<b>46,911</b>	<b>(43,475)</b>	<b>(13,410)</b>	<b>3,263</b>	<b>(6,711)</b>

All premiums written are in respect of contracts concluded in the UK. Total commissions for direct insurance accounted for in the year amounted to £2.2m (2009 £8.0m).

The above analysis is considered by the directors of the Managing Agent to provide a better analysis of the performance and risks relating to the business underwritten than analysis by location or currency. As a result the management of the Syndicate is measured and monitored in detail on the basis of classes of risk and therefore other analysis of the business is not provided.

## 2. Claims Incurred Net of Reinsurers' Share

The Syndicate has applied a similar approach to establishing the technical provision or change in provision for claims outstanding and the reinsurers' share thereof to that established at the previous year end. Although there were no particular significant factors meriting separate explanation, differences have arisen on the provisions established at the previous year end compared to the estimated ultimate costs of those claims established at the current year end. The change amounts to a release in 2010 of £3.7m (2009 £4.4m release). This has largely resulted from favourable settlements in the year, which, together with normal effusion of time, has reduced uncertainty and enabled a reduction in the forecast ultimate claims for most classes of business and years of account.

## Notes to the Financial Statements (continued)

## 3. Net Operating Expenses

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Brokerage and commissions	2,658	8,145
Other acquisition costs	1,076	4,891
<b>Acquisition costs</b>	<b>3,734</b>	<b>13,036</b>
Change in deferred acquisition costs	3,713	(1,048)
Administrative expenses	(371)	1,564
Loss/(profit) on exchange	38	(142)
	<u>7,114</u>	<u>13,410</u>
<b>Administrative expenses include:</b>		
Fees payable to the Syndicate auditors for:		
The audit of the Syndicate's accounts	51	48
Other services pursuant to legislation (e.g. Returns to Lloyd's)	13	23
Taxation services	3	3
All other services	-	3
	<u>67</u>	<u>77</u>

## 4. Employees

All staff are employed by the Managing Agent. The following amounts were recharged to the Syndicate in respect of salary costs:

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	1,872	2,027
Social security costs	241	225
Other pension costs	116	102
	<u>2,229</u>	<u>2,354</u>

The average number of employees employed by the Managing Agent but working for the Syndicate during the year was as follows:

	<b>2010</b>	<b>2009</b>
	<b>No.</b>	<b>No.</b>
Administration and finance	11	12
Underwriting	13	14
Claims	21	20
	<u>45</u>	<u>46</u>

**Notes to the Financial Statements (continued)****5. Directors' and Active Underwriter's Emoluments**

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Emoluments	334	300
Contributions to defined contribution pension schemes	20	18
	<u>354</u>	<u>318</u>

The motor account underwriter received the following aggregate remuneration charged as a Syndicate expense:

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Emoluments	159	235
Contributions to defined contribution pension schemes	7	12
	<u>166</u>	<u>247</u>

**6. Investment Income**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Income from investments	983	1,427
Gains on realisation of investments	401	1,598
	<u>1,384</u>	<u>3,025</u>

**7. Investment Expenses and Charges**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Investment management expenses, including interest	6	78
Losses on realisation of investments	240	73
	<u>246</u>	<u>151</u>

**8. Other Financial Investments**

	<b>Market Value</b>		<b>Cost</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Debt securities and other fixed income securities	16,825	36,143	16,678	36,161
Participations in Investment pools	19,983	-	19,983	-
Deposits with credit institutions	-	21,429	-	21,335
Other	-	216	-	216
	<u>36,808</u>	<u>57,788</u>	<u>36,661</u>	<u>57,712</u>

Debt securities and other fixed income securities are all listed on recognised stock exchanges.

**Notes to the Financial Statements (continued)****9. Debtors Arising out of Direct Insurance Operations**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Due within one year:		
Intermediaries	102	6,369
	<u>          </u>	<u>          </u>

**10. Debtors Arising out of Reinsurance Operations**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Due within one year:		
Intermediaries	99	159
	<u>          </u>	<u>          </u>

**11. Reconciliation of Members' Balances**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Members' balances brought forward at 1 January	(19,003)	(7,984)
Loss for the financial year	(13,401)	(3,770)
Currency translation differences	22	(26)
Transfers from/(to) members' personal reserve funds	3,792	(7,223)
	<u>          </u>	<u>          </u>
Members' balances carried forward at 31 December	(28,590)	(19,003)
	<u>          </u>	<u>          </u>

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

**12. Creditors Arising out of Direct Insurance Operations**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Due within one year:		
Intermediaries	998	530
	<u>          </u>	<u>          </u>

**13. Creditors Arising out of Reinsurance Operations**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Due within one year:		
Intermediaries	396	24
	<u>          </u>	<u>          </u>

## Notes to the Financial Statements (continued)

## 14. Movement in Opening and Closing Portfolio Investments Net of Financing

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Net cash outflow for the year	(41)	(2,889)
Cash flow – portfolio investments (note 16)	(20,413)	(10,810)
Movement arising from cash flows	(20,454)	(13,699)
Changes in market value and exchange rates	(460)	(1,310)
Total movement in portfolio investments net of financing	(20,914)	(15,009)
Balance brought forward at 1 January	59,879	74,888
Balance carried forward at 31 December	38,965	59,879

## 15. Movement in Cash, Portfolio Investments and Financing

	At 1 January	Cash	Changes to	At 31
	2010	Flow	Market Value	December
	£000	£000	and Currencies	2010
	£000	£000	£000	£000
Cash at bank and in hand	2,229	(41)	(31)	2,157
<b>Portfolio investments:</b>				
Participations in investment pools	-	19,983	-	19,983
Debt securities and other fixed income securities	36,143	(19,082)	(236)	16,825
Deposit with credit institutions	21,291	(21,100)	(191)	-
Other	216	(214)	(2)	-
	57,650	(20,413)	(429)	36,808
Total cash, portfolio investments and financing	59,879	(20,454)	(460)	38,965

## 16. Net Cash Inflow on Portfolio Investments

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Purchase of participations in investment pools	(19,983)	-
Purchase of debt securities and other fixed income securities	(4,984)	(32,567)
Sale of debt securities and other fixed income securities	24,066	18,537
Sale of deposits with credit institutions	21,100	24,840
Other	214	-
	20,413	10,810

**Notes to the Financial Statements (continued)****17. Post Balance Sheet Events**

The following amounts are proposed to be collected from members' funds during 2011 (2010).

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
2008 year of account (2007 year of account)	(10,991)	(3,792)
	<hr/>	<hr/>

**18. Funds at Lloyd's**

Every member of Lloyd's is required to hold additional capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are required primarily, in case syndicate assets prove insufficient to meet members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's according to the nature and the amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of that business. FAL is not hypothecated to any specific syndicate participation by a member therefore, there are no specific funds available to a syndicate which can be precisely identified as its capital.

In addition to the FAL and any additional funds a member may introduce to meet losses, there is a Central Guarantee Fund controlled by Lloyd's which they may utilise to meet any syndicate liabilities that are not met by a member.

**19. Related Parties**

Lloyd's market regulations require that a Managing Agent be responsible for employing the underwriting staff and managing the affairs of each Syndicate at Lloyd's on behalf of the Syndicate members. The Managing Agent of Syndicate 1231 is Jubilee Managing Agency Limited. The ultimate parent company of Jubilee Managing Agency Limited is Jubilee Group Holdings Limited (formerly Appleclaim Limited).

Jubilee Managing Agency Ltd is a wholly owned Subsidiary of Jubilee Group Holdings Limited. Jubilee Group Holdings Limited owns 100% of the voting shares in Jubilee Motor Policies Limited ("JMPL"), the corporate member.

T T M Agnew, R J G Lowe and Lord Marland of Odstock, were directors of JMPL during the year and directors and shareholders of Jubilee Group Holdings Limited, Guardian Re (SAC) Limited (formerly Colrich (SAC) Limited) ("Guardian Re"), a Jubilee Group Holdings Limited shareholder, and certain Syndicate underwriters are party to a participation deed under which they are entitled to receive from JMPL their relevant proportion of the Syndicate profit or loss, in relation to Funds at Lloyd's provided to JMPL.

In December 2008, JMPL entered into a quota share reinsurance contract with Guardian Re, under the terms of which Guardian Re provides funds at Lloyd's to support the Syndicate's underwriting on the underwriting years 2008 and 2009.

During 2010 Jubilee Managing Agency Limited has outsourced the management of IT to IT-Switch Limited, a group associate company owned 44% by the holding company, Jubilee Group Holdings Limited. Costs of £99,121 were charged to the Syndicate during the year (2009: £187,261).

Neither the directors, nor the active underwriter are Names on the Syndicate.

Amounts due to or from members for each underwriting year for the above participations are calculated and distributed in the same way as for all other members, and are included in the total of £(28.6m) (2009 £(19.0m)) shown as Members' balances in the balance sheet as at 31 December 2010.

**Notes to the Financial Statements (continued)****19. Related Parties (continued)**

Directors of Jubilee Managing Agency Limited and related companies of Jubilee Managing Agency Limited entered into transactions with the Syndicate as follows:-

Members' expenses, being agent's fees and profit commission payable to the Managing Agent, and subscriptions and Central Fund contributions paid to Lloyd's, are charged on an underwriting year of account, rather than calendar year basis. For the 2010 underwriting year of account Jubilee Managing Agency Limited has charged an agent's fee of nil% (2009: 0.575%) of capacity and, when the year of account result is finalised, usually after 36 months, will charge a profit commission of 17.5% of the relevant profit. Within the annual accounts for the 2010 calendar year, fees of £nil (2009: £258,750) and profit commission of £nil (2009: £nil) have been reflected within net operating expenses. At 31 December 2010 there are no unpaid fees or profit commission (2009: Profit commission £nil owed).

The Managing Agent incurs a large proportion of the expenses incurred in operating the Syndicate and recharges them to the Syndicate on a basis that reflects the Syndicate's usage of resources. The recharges are included within amounts disclosed as net operating expenses, acquisition costs and claims incurred. Included within the recharges are amounts relating to the remuneration of directors of Jubilee Managing Agency Limited. The total amount recharged by the Managing Agent to the Syndicate during 2010 was £1.8m (2009: £4.5m) excluding agent fees and profit commission. As at 31 December 2010 there were (£2,499,853) (2009: (£155,913)) due to the Managing Agent in relation to expenses.

Syndicate 1231 underwrote Lineslip for the 2008 year of account on behalf of Syndicate 5820. The estimated premium income under the Lineslip is £4.0m for 2008 and aggregate fees payable by Syndicate 1231 to date for this business are £0.9m. Syndicate 5820 receive fees for these services based on an expense override and profit commission element.

**20. Pension Obligations**

A Group Personal Pension scheme is operated for Syndicate staff, the cost of which is borne by the Syndicate. The funds of the scheme are administered by Scottish Equitable plc and are held separately. Contributions are paid by the Group and Syndicate staff. The Group also makes payments into certain other staff personal pension plans. The Syndicate's liability for all schemes is limited to the amount of its contributions. The cost of the contributions for the year was £116,112 (2009: £102,231).





**LLOYDS** Underwriters

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