

HCC INSURANCE SERVICES LTD

FINANCIAL STATEMENTS

5156306

Year ended 31 December 2010

Walsingham House,
35, Seething Lane,
London EC3N 4AH

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HCC INSURANCE SERVICES LTD

COMPANY INFORMATION

DIRECTORS	C Ashmead P Baynham J M Goodall
SECRETARY	R L Hughes
REGISTERED NUMBER	5156306
REGISTERED OFFICE	Walsingham House 35 Seething Lane London EC3N 4AH
AUDITORS	PricewaterhouseCoopers LLP 7 More London Riverside, London SE1 2RT

HCC INSURANCE SERVICES LTD

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HCC INSURANCE SERVICES LTD

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 2010
The company reference number is 5156306

Directors

The directors set out below have held office from 1 January 2010 to the date of this report unless otherwise stated

C Ashmead
P Baynham
J M Goodall

Principal activity

During the year the company carried on business as a service company for Lloyd's Syndicates 4040 and 4141 respectively

The company is approved by the Financial Services Authority under Part IV of FSMA to act as an Appointed Representative of HCC Underwriting Agency Ltd, the managing agent for Syndicate 4040 and Syndicate 4141

The company is subject to the rules, regulations and byelaws of Lloyd's, and the Financial Services Authority

Business review

Results and dividends

The company made neither profit nor loss for the year (2009 £nil), as stated on page 7 No dividends were paid during the year (2009 £ nil)

The company produced £4,190,569 (2009 £4,164,592) of premium income for the Syndicates during the year This was an increase of 0.6% on the figure for 2009 which the directors consider satisfactory in the competitive underwriting conditions The administrative expenses, which under an agreement with the capital providers of Syndicate 4040, are fully reimbursed by the syndicate, totalled £380 (2009 £299,800) With effect from 1 January 2010 expenses totalling £302,721 (2009 £nil) relating to the company were charged directly to Syndicate 4141 Total expenses, including those charged directly to the syndicate are £313,101 (2009 £299,800) and are equivalent to 7.5% (2009 7.2%) of the premium income

Key performance indicators

The directors consider that key performance indicators have been disclosed in the statement above in respect of the company

Future developments

The Directors will continue to keep under review opportunities to develop the business

HCC INSURANCE SERVICES LTD

REPORT OF THE DIRECTORS

Financial risk management

The directors of the company have assessed the risks to which the company is exposed and consider the following as the material risks -

- Currency risk

The company is exposed to currency risk in respect of assets and liabilities denominated in currencies other than US Dollars. The risk is controlled by holding an appropriate level of assets in the relevant currency to meet expected liabilities.

Disclosure of information to auditors

Each of the persons who is a director at the date of this report confirms that

- so far as each of them is aware, there is no information relevant to the audit of the company's financial statements for the year ended 31 December 2010 of which the auditors are unaware, and
- the director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Charitable and political donations

The company did not make any political or charitable donations during the year ended 31 December 2010 (2009 £nil)

Auditors

The company has passed an elective resolution dispensing with the requirement to hold an Annual General Meeting. PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and the directors have approved their reappointment.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to

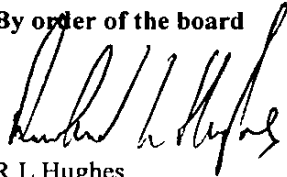
- select suitable accounting policies and then apply consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

HCC INSURANCE SERVICES LTD

REPORT OF THE DIRECTORS

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

A handwritten signature in black ink, appearing to read 'R L Hughes', written over the printed name.

R L Hughes
Secretary
Walsingham House,
35, Seething Lane,
London EC3N 4AH

26 May 2011

HCC INSURANCE SERVICES LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF HCC INSURANCE SERVICES LTD

We have audited the financial statements of HCC Insurance Services Ltd for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the 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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for 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 Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Alex Bertolotti (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 May 2011

HCC INSURANCE SERVICES LTD

PROFIT & LOSS ACCOUNT

For the year ended 31 December 2010

	Notes	2010 £	2009 £
Turnover	2	380	299,800
Administrative expenses		<u>(380)</u>	<u>(299,800)</u>
Operating profit		<u>-</u>	<u>-</u>
Result on ordinary activities before taxation	3	-	-
Tax on result on ordinary activities		<u>-</u>	<u>-</u>
Result for the year		<u>-</u>	<u>-</u>

The company has no recognised gains and losses other than the result for the year

All items in the profit and loss account relate to continuing operations

There are no material differences between the result on ordinary activities before taxation and the retained result for the financial year stated above and their historical cost equivalents

HCC INSURANCE SERVICES LTD

BALANCE SHEET

As at 31 December 2010

	Notes	2010 £	2009 £
Current assets			
Debtors	6	69,436	72,887
Cash at bank and in hand		3,155	3,243
Creditors			
Amounts falling due within one year	7	<u>(22,591)</u>	<u>(26,130)</u>
Net current assets		<u>50,000</u>	<u>50,000</u>
Net assets		<u>50,000</u>	<u>50,000</u>
Capital and reserves			
Called-up share capital	8	50,000	50,000
Profit and loss account		<u>-</u>	<u>-</u>
	9	<u>50,000</u>	<u>50,000</u>

The financial statements on pages 7 to 12 were approved by the board of directors on 26 May 2011 and signed on its behalf by



P Baynham
Director

HCC INSURANCE SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

- (a) The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom
- (b) Turnover represents brokerage fees receivable arising in the United Kingdom Brokerage is recognised when the underlying risk is accepted
- (c) Costs in respect of operating leases are paid by the group's service company and charged directly to Syndicate 4141
- (d) Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that HCC Insurance Holdings, Inc publishes consolidated financial statements which include the affairs of this company
- (e) Under FRS 8 the company is exempt from the requirement to disclose related party transactions or balances with entities which form part of the group on the grounds that HCC Insurance Holdings, Inc publishes consolidated financial statements
- (f) Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account

2. Turnover

Turnover represents brokerage fees earned during the year from acting as a service company for Lloyd's Syndicate 4141 respectively All brokerage fees were earned in the United Kingdom

3. Result on ordinary activities before taxation

This is stated after charging -

	2010 £	2009 £
Auditors' remuneration – audit fees	-	3,400
Operating lease rentals	-	7,850

In 2010 expenses incurred on behalf of the company by HCCS Corporation (UK Branch) were recharged directly to Syndicate 4141

HCC INSURANCE SERVICES LTD

NOTES TO THE FINANCIAL STATEMENTS

4. Directors' emoluments

	2010 £	2009 £
Aggregate emoluments	-	204,397
Company contributions paid to defined contribution pension scheme	-	13,425
The amounts in respect of the highest paid director are as follows -		
Aggregate emoluments	-	141,424
Company contributions paid to a defined contribution pension scheme	-	8,875
Number of directors who are members of a defined contribution pension scheme	2	2
Directors emoluments include an amount of £Nil (2009 £31,607) paid by another group company		

5. Staff costs

	2010 £	2009 £
Aggregate gross wages and salaries	-	200,397
Employer's NI contributions	-	22,863
Employer's pension contributions	-	18,100
Other staff costs	-	3,619
	<u>-</u>	<u>244,979</u>

The average number of persons employed by the company, including executive directors, during the year was

	2010	2009
Underwriting	-	3
	<u>-</u>	<u>3</u>

With effect from 1 January 2010, all staff and directors have been employed by HCC Service Company Inc. From that date the service company has charged Syndicate 4141 directly with all staff costs.

6. Debtors

	2010 £	2009 £
Amount owed from Syndicate 4040	69,436	69,056
Prepayments	-	3,831
	<u>69,436</u>	<u>72,887</u>

All amounts fall due within one year

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NOTES TO THE FINANCIAL STATEMENTS

7. Creditors

	2010 £	2009 £
Accruals	-	24,597
Other	-	1,110
Amount owed to other group companies	22,591	423
	<u>22,591</u>	<u>26,130</u>
All amounts fall due within one year		

8. Called-up share capital

	2010 £	2009 £
Authorised 50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Called up, allotted and fully paid 50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

9. Reconciliation of movements in shareholder's funds

	Share capital £	Profit & loss account £	Total shareholder's funds £
At 1 January 2009	50,000	-	50,000
Result for the year	-	-	-
At 31 December 2009	<u>50,000</u>	<u>-</u>	<u>50,000</u>
At 1 January 2010	50,000	-	50,000
Result for the year	-	-	-
At 31 December 2010	<u>50,000</u>	<u>-</u>	<u>50,000</u>

10. Financial commitments

At 31 December 2010, the company had annual commitments under non-cancellable operating leases for assets other than land and buildings expiring as follows.	2010	2009
	£	£
Within one year	7,850	7,850
Later than one year and less than five years	8,366	16,216
	<u>16,216</u>	<u>24,066</u>

Operating lease payments represent rental fees payable by the company for office and related services. The operating lease expires on 24 January 2013. No arrangements have been entered into for contingent rental payments. From 1 January 2010 all lease costs have been paid by HCCS Corporation (UK Branch) and charged directly to Syndicate 4141.

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NOTES TO THE FINANCIAL STATEMENTS

11. Holding company

HCC Insurance Holdings, Inc , incorporated in the USA and listed on the New York Stock Exchange, is regarded by the directors of the company as the company's ultimate parent company. The largest and smallest group in which the results of the company are consolidated is that of which HCC Insurance Holdings, Inc is the parent company. The consolidated accounts of HCC Insurance Holdings, Inc may be obtained from the company's principal office at 13403 Northwest Freeway, Houston, Texas 77040-6094, USA.

HCC Underwriting Agency Ltd is the immediate parent company, however, consolidated accounts are not prepared by that company as it claims exemption from the requirement to produce such accounts by virtue of s401 CA2006 in that the ultimate parent company's published accounts are considered to be compatible with the requirements of the European Union's 7th Directive.