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# AmTrust Syndicates Limited: Syndicate 44

## Syndicate Financial Statements

## 31 December 2016

# Contents

## Directors and advisers

### Managing Agent

| | | |
|---|---|---|
| **Managing Agent** | AmTrust at Lloyd's Limited (till 3 March 2017) | |
| **Directors** | D J L Barrett | |
| | J E Cadle | |
| | M G Caviet | |
| | H A Contractor | (Resigned 8 December 2016) |
| | P Dewey | |
| | J P Fox | (Non-Executive Director) |
| | B Gilman | (Appointed 28 November 2016) |
| | J M Hamilton | (Appointed 8 December 2016) |
| | J S Helson | (Appointed 8 November 2016) |
| | B J Jackson | (Non-Executive Director) |
| | B Jansli | (Non-Executive Chairman) |
| | N C T Pawson | (Appointed 8 November 2016) |
| | M A Sibthorpe | |
| | G Sweatman | (Resigned 20 February 2017) |
| | G L Ross | (Resigned 20 May 2015) |
| | E Tenenti | (Resigned 31 March 2015) |
| **Secretary** | D J L Barrett | |
| **Registered Office** | 1 Great Tower Street<br>London<br>EC3R 5AA | |
| **Registered Number** | 3043923 | |

**Directors and advisers** *(continued)*:

| | |
|---|---|
| **Managing Agent** | AmTrust Syndicates Limited (from 3 March 2017) |

| | | |
|---|---|---|
| **Directors** | A C Barker | (Resigned 31 October 2016) |
| | D J L Barrett | (Appointed 29 November 2016) |
| | J E Cadle | (Appointed 8 December 2016) |
| | M G Caviet | (Appointed 8 December 2016) |
| | L J Cross | (Resigned 7 November 2016) |
| | P Dewey | (Appointed 8 November 2016) |
| | R M Fairfield | (Resigned 21 April 2015) |
| | J P Fox | (Non-Executive Director Appointed 22 November 2016) |
| | B Gilman | |
| | J M Hamilton | |
| | A S W Hall | (Resigned 7 November 2016) |
| | S J Helson | (Appointed 22 January 2016) |
| | A P Hulse | (Non-Executive Director Resigned 7 November 2016) |
| | B J Jackson | (Non-Executive Director Appointed 8 November 2016) |
| | B Jansli | (Non-Executive Chairman Appointed 8 November 2016) |
| | S Lacy | (Appointed 11 August 2016, Resigned 7 November 2016) |
| | N C T Pawson | (Non-executive Director) |
| | M A Sibthorpe | (Appointed 8 December 2016) |
| | G Sweatman | (Appointed 22 November 2016, resigned 20 February 2017) |
| | J M P Taylor | (Non-Executive Chairman Resigned 7 November 2016) |
| | J G M Verhagen | (Non-Executive Director Resigned 12 July 2016) |
| | G M van Loon | (Resigned 7 November 2016) |

| | | |
|---|---|---|
| **Secretary** | A S W Hall | (Resigned 22 January 2016) |
| | G J Luckett | (Appointed 22 January 2016, Resigned 7 November 2016) |
| | D J L Barrett | (Appointed 29 November 2016) |

| | |
|---|---|
| **Registered Office** | 47 Mark Lane<br>London<br>EC3R 7QQ |
| **Registered Number** | 4434499 |

## Syndicate:

| | |
|---|---|
| **Active Underwriter** | M J Herrick |
| **Bankers** | Barclays Bank PLC<br>Citibank N.A. |
| **Independent Auditors** | KPMG LLP |

## Report of the directors of the Managing Agent

The directors of the Managing Agent present their report for the year ended 31 December 2016.

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 and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS102') and Financial Reporting Standard 103: Insurance Contracts ('FRS103').

### Principal Activities

The principal activity of the Syndicate is the transaction of term life assurance business. The portfolio consists of life business written mainly within the United Kingdom and Europe with a small number of risks written internationally. The maximum term written by the life syndicate is 10 years.

### Managing Agent

During 2016, AmTrust at Lloyd's Limited ("ATL") was the managing agent of Syndicate 44 ("the Syndicate"). ATL and the Syndicate's capital provider AmTrust Corporate Member Limited Two ("ACML2") are wholly owned by AmTrust International Limited, a subsidiary of AmTrust Financial Services Inc. ("AmTrust"), throughout 2016.

On 3 March 2017, the management of the Syndicate was novated to AmTrust Syndicates Limited ("ASL") formerly ANV Syndicates Limited. On 7th November 2016, ASL became a wholly owned subsidiary of AmTrust as part of its acquisition of ANV Holdings B.V. at which point ANV Syndicates Limited was renamed AmTrust Syndicates Limited. Following the acquisition, an exercise was completed to align the ASL Board and governance structure with ATL's existing structure. The changes to the Board composition are detailed within the Directors' Report and in the Directors and Advisers on pages 1 - 2.

Being part of a major financial institution has provided greater capital flexibility and work continues to capitalise on efficiencies and opportunities that being part of AmTrust provides.

**Members' balances**

Primarily as a result of the losses arising on the 2015 and 2016 years the member's balance on the balance sheet show a deficit. Although the Syndicate does not hold capital on its own balance sheet, the sole corporate member AmTrust Corporate Member Two Limited holds Funds at Lloyd's on behalf of the Syndicate and has deposited the required Funds for the 2017 Coming into Line Process as at 1 December 2016. These funds are deposited to support the solvency position of the Syndicate and for the Syndicate's 2017 business plan.

Ultimately, the Syndicate's obligations are underpinned by the support provided by the Lloyd's solvency process and the Lloyd's chain of security.

**Business review**

For 2016, the Syndicate continued to concentrate its activities on writing group life and life schemes with a minimal emphasis on writing individual business.

As set out below it is pleasing to see the Syndicate yet again close another year of account with a profit and to see that underwriting year profit increase over the previous year. This provides an excellent return on capital. The total capacity for the 2016 underwriting year was £15 million (2015 - £12.5million). Following the encouraging signs witnessed during 2016 with new business shown to the Syndicate, the capacity for 2017 has been increased to £17.5 million.

AmTrust Corporate Member Two Limited is the sole capital provider for Syndicate 44 from the 2008 underwriting year of account onwards.

The result for the calendar year 2016 is a profit of £351k (2015 – £2,262k). The main drivers of the result were as follows:

***Gross premiums written***

The annual accounts for 2016 show a reduction in premium income due to the non-renewal of certain legacy business. However, on a pure year of account basis, new business opportunities will lead to an increase in written income for the 2016 YOA and is on target to do so again in 2017.

***Claims incurred net of reinsurance***

One of the drivers for the reduced GAAP profit in 2016 was an increased loss ratio for the 2015 YOA, driven by the number of lives lost with the sums assured being above the average. As the make-up of the overall book has not changed in respect of the average sum assured and the percentage of lives with sums assured higher than the average, it is felt that the increased 2015 loss ratio is not representative of how the book should perform in the future and that the loss ratio should normalise at previous levels.

## Report of the directors of the Managing Agent *(continued)*:

**Key performance indicators**

The Syndicate's key financial performance indicators below relate to the results for the Syndicate on an annual accounting basis:

| | **2016** | 2015 |
|---|---|---|
| | **£000** | £000 |
| Gross premiums written | **13,801** | 16,870 |
| Earned premiums, net of reinsurance | **12,956** | 16,220 |
| Claims incurred, net of reinsurance | **(7,277)** | (6,549) |
| Net operating expenses | **(5,798)** | (7,599) |
| Profit for the period | **351** | 2,262 |
| | | |
| Claims ratio (net) | **53.7%** | 40.0% |
| Acquisition ratio (net) | **24.6%** | 29.1% |
| Expense Ratio (net) | **20.2%** | 17.7% |
| Combined ratio | **98.4%** | 86.8% |

*Note the combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned*

### Development of underwriting years of account

The 2014 underwriting year closed with a profit after all expenses of £1,266k (2013 - a profit of £1,107k), being 12.66% of capacity. This result will be paid to the capital provider in June 2017.

With the increased loss ratio for the 2015 YOA it is projected to close at around a break even position. The 2016 YOA is too early through its claims cycle to be confidently able to predict its final position.

### Principal risks and uncertainties

The Managing Agent has a formal risk management programme to analyse its risk profile and adopt risk mitigation strategies. Risk identification, assessments and control reviews are updated and refreshed regularly to ensure that risk management adapts to changing conditions and that risk mitigation is continuously strengthened.

The risk committee meets regularly to review and update the risk register, risk appetite and monitor performance of risk controls and reports to the Board on a quarterly basis. Reportable changes to the risk profile being defined within the Syndicate's risk management policy.

The risk management programme is controlled by the Chief Risk Officer ("CRO") who provides guidance and support for risk management practice across the entity. Responsibility for risk management is spread throughout the organisation and is embedded in the operational responsibilities of each executive director. The CRO works together with Actuarial on the risk based capital modelling; and with Compliance and Internal Audit on other specific initiatives to evaluate and address risk.

The principal risks and uncertainties facing the Syndicate, as detailed in Note 4 to the financial statements, are as follows:

- Insurance risk
- Investment risk
- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Regulatory risk

### Future development

The Syndicate's capacity for 2017 has been increased to £17.5 million. The main focus of the Syndicate will continue to be Group and Scheme business which will be more short term in nature and thereby allow reserve requirements to be managed to maximise returns on capital.

Management do not expect the 'Brexit' vote represents a threat to delivering on the Syndicate strategy. In the short-term the UK continues to be a full member of the EU with access to the single market and operating under the current passporting regime. Lloyd's remains committed to its European markets and is delivering on plans to continue trading with the single market.

## Report of the directors of the Managing Agent *(continued)*

### Directors and directors' interests

The names of persons who were members of the Board of directors at any time during the period are given on page 1. None of the directors had any direct interest in the Syndicate during the year.

### Disclosure of information to the auditors

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

### Auditors

Following the appointment of KPMG LLP as the Auditors of the parent company, they were appointed as auditors of the Managing Agent, AmTrust at Lloyd's Limited (now novated to AmTrust Syndicates Limited), and the managed Syndicates. The Managing Agent intends to reappoint KPMG LLP as the Syndicate's auditors.

### Syndicate's Annual General Meeting

AmTrust Syndicates Limited does not propose to hold an annual general meeting of members of the Syndicate to re-appoint the existing Syndicate auditors, KPMG LLP.

By Order of the Board.

**Peter Dewey**
*Director*

21 March 2017

## Statement of Managing Agent's Directors' Responsibilities

The directors of the Managing Agent are responsible for preparing the Syndicate annual report and accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") require the Managing Agent to prepare financial statements at 31 December each year in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 *The Financial Reporting Standard Applicable in the UK and the Republic of Ireland*. The Syndicate's financial statements 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 these financial statements, the directors of the Managing Agent are required to:

1. select suitable accounting policies which are applied consistently.
2. make judgements and estimates that are reasonable and prudent;
3. state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
4. prepare the financial statements assuming there are no uncertainties surrounding the Syndicate's ability to continue to write business in the future as required to provide a true and fair view.

The Directors of the Managing Agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the Syndicate's financial statements 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.

The Directors of the Managing Agency are responsible for the maintenance and integrity of the Syndicate and financial information included on the Syndicate's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that they have complied with the above requirements in preparing the financial statements of Syndicate 44.

By Order of the Board

**Peter Dewey**
*Director*

21 March 2017

## Independent auditor's report to the member of Syndicate 44

We have audited the financial statements of Syndicate 44 for the year ended 31 December 2016, as set out on pages 8 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

**Respective responsibilities of the Managing Agent and the auditors**

As explained more fully in the Statement of Managing Agent's Directors Responsibilities set out on page 6, the managing agent's directors are responsible for the preparation of the syndicate's 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 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 financial statements**

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

**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2016 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 matter prescribed by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008**

In our opinion the information given in the Report of the Directors of the Managing Agent 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.

Mark Taylor (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
United Kingdom

21 March 2017

## Statement of Profit or Loss: Technical account – Long term business

**For the year ended 31 December 2016**

| | Notes | Year Ended 31 December 2016 £000 | Year Ended 31 December 2016 £000 | Year Ended 31 December 2015 £000 | Year Ended 31 December 2015 £000 |
|---|---|---|---|---|---|
| **Earned premiums, net of reinsurance** | | | | | |
| Gross premiums written | 5 | | **13,801** | | 16,870 |
| Outward reinsurance premiums | | | **(845)** | | (650) |
| | | | **12,956** | | 16,220 |
| Investment return | | | **3** | | 1 |
| Total technical income | | | **12,959** | | 16,221 |
| **Claims incurred, net of reinsurance** | | | | | |
| Claims paid | | | | | |
| Gross amount | 13/14 | **(7,787)** | | (6,368) | |
| Reinsurers' share | | **276** | | - | |
| Net claims paid | | **(7,511)** | | (6,368) | |
| Change in the provision for reported claims | | | | | |
| Gross amount | | **234** | | (181) | |
| Change in the net provision for reported claims | 13/14 | **234** | | (181) | |
| **Claims incurred, net of reinsurance** | | | **(7,277)** | | (6,549) |
| **Changes in other technical provisions, net of reinsurance** | | | | | |
| Long term business provision | | | | | |
| Gross amount | | **326** | | 34 | |
| Reinsurers' share | | **(1)** | | 35 | |
| | 13/14 | | **325** | | 69 |
| **Net operating expenses** | 7 | | **(5,798)** | | (7,599) |
| Total technical charges | | | **(12,750)** | | (14,079) |
| **Balance on the technical account for long term business** | | | **209** | | 2,142 |

All operations relate to continuing activities.

The notes on pages 14 to 28 form part of these financial statements.

## Statement of Profit or Loss: Non-technical account
### For the year ended 31 December 2016

| | Year Ended 31 December 2016 | Year Ended 31 December 2015 |
|---|---|---|
| | £000 | £000 |
| **Balance on the long term business technical account** | **209** | 2,142 |
| Profit on foreign exchange | **142** | 120 |
| **Profit for the financial year** | **351** | 2,262 |

All operations relate to continuing activities.

There were no recognised gains or losses relating to the current or preceding year other than those included in the income statement. Therefore, no statement of other comprehensive income has been presented.

The notes on pages 14 to 28 form part of these financial statements.

## Statement of financial position – Assets
### As at 31 December 2016

| | Notes | 2016 £000 | 2016 £000 | 2015 £000 | 2015 £000 |
|---|---|---|---|---|---|
| **Investments** | | | | | |
| Participation in investment pools | 10 | | **636** | | 1,544 |
| **Reinsurers' share of technical provisions** | | | | | |
| Long term business provision | | **411** | | 397 | |
| | 13 | | **411** | | 397 |
| **Debtors** | | | | | |
| Debtors arising out of direct insurance operations | 11 | **3,405** | | 4,271 | |
| Other debtors | 12 | **10** | | 206 | |
| **Total debtors** | | | **3,415** | | 4,477 |
| **Other assets** | | | | | |
| Cash at bank and in hand | | | **1,581** | | 1,132 |
| **Total assets** | | | **6,043** | | 7,550 |

The notes on pages 14 to 28 form part of these financial statements.

## Statement of financial position – Liabilities
### As at 31 December 2016

| | Notes | 2016 £000 | 2016 £000 | 2015 £000 | 2015 £000 |
|---|---|---|---|---|---|
| **Capital and reserves** | | | | | |
| Members' balances | | | **(972)** | | (216) |
| **Technical provisions** | | | | | |
| Long term business provision | | **5,550** | | 5,747 | |
| Claims outstanding | | **906** | | 1,113 | |
| | 13 | | **6,456** | | 6,860 |
| **Creditors** | | | | | |
| Creditors arising out of direct insurance operations | 15 | **16** | | 262 | |
| Creditors arising out of reinsurance operations | 16 | **368** | | 270 | |
| Accruals and deferred income | 17 | | | 374 | |
| Other Creditors | 17 | **175** | | - | |
| Total creditors | | | **559** | | 906 |
| **Total liabilities** | | | **6,043** | | 7,550 |

These Syndicate financial statements were approved by the Board of AmTrust Syndicates Limited on 21 March 2017 and were signed on its behalf by:

**Janice Hamilton**
*Director*

The notes on pages 14 to 28 form part of these financial statements.

## Statement of changes in member's balances
### As at 31 December 2016

| | **2016** | 2015 |
|---|---|---|
| | **£000** | £000 |
| Member's balances brought forward at 1 January | **(216)** | (1,361) |
| Profit for the financial year | **351** | 2,262 |
| Payments of profit to member's personal reserve funds | **(1,107)** | (1,117) |
| **Members' balances carried forward at 31 December** | **(972)** | (216) |

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

The notes on pages 14 to 28 form part of these financial statements.

## Statement of cash flows

### For the year ended 31 December 2016

| | Notes | 2016 £000 | 2015 £000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit for the financial year | | **351** | 2,262 |
| *Adjustments:* | | | |
| Investment return | | **(3)** | (1) |
| Movements in operating assets and liabilities: | | | |
| Decrease in gross technical provisions | | **(404)** | 26 |
| Decrease in reinsurers' share of technical provisions | | **(14)** | (25) |
| Decrease in debtors | | **1,062** | (1,247) |
| Decrease in creditors | | **(347)** | (454) |
| Investment income received | | **3** | 1 |
| **Net cash flow from operating activities** | | **648** | 562 |
| **Net cash flow from financing activities:** | | | |
| Transfer to members in respect of underwriting participations | | **(1,107)** | (1,117) |
| **Net decrease in cash and cash equivalents** | | **(459)** | (555) |
| Cash and cash equivalents at 1 January | | **2,676** | 3,231 |
| **Cash and cash equivalents at 31 December** | 18 | **2,217** | 2,676 |

The notes on pages 14 to 28 form part of these financial statements.

# Notes to the financial statements

**For the year ended 31 December 2016**

**1. Basis of preparation**

Syndicate 44 (the Syndicate) comprises of a single corporate member of Lloyd's (AmTrust Corporate Member Two limited) that underwrites business in the London Market.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") and applicable Accounting Standards in the United Kingdom and the Republic of Ireland, Financial Reporting Standard 102 (FRS 102) and the applicable Accounting Standards on insurance contracts Financial Reporting Standard 103 ("FRS 103").

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

The financial statements are presented in Pound Sterling ("GBP"), which is the syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

After making enquiries, the Directors have a reasonable expectation that continued capital support will be in place such that the Syndicate is able to continue to write new business in future underwriting years of account. Accordingly, the annual accounts have been prepared on the going concern basis.

**2. Judgements and estimates**

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that effect 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 and revisions to estimates are recognised as they occur. The following are the key sources of estimation uncertainty:

***Estimates of future premium***

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums, on the assumption that past premium development can be used to project future premium development. These estimates are judgemental and could result in misstatements of revenue recorded in the accounts.

***Insurance contract technical provisions***

The Syndicate's principal estimates are for claims provisions and related recoveries included within the Long-term Business Provision and involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The Long-term Business Provision includes 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, judgement 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 Syndicate Managing Agent's in-house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to estimate the likely ultimate claims to be experienced and for more recent underwriting years, 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, 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 may be applied over and above the actuarial best estimate in line with the Syndicate's Reserving Policy to address the risk of un-modelled claims development.

## Notes to the financial statements
**For the year ended 31 December 2016** *(continued)*

### 3. Accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate’s financial statements.

The financial statements have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums.

***a) Basis of Accounting***

***Premiums written and earned***

Premiums, including reinsurance premiums, for annual policies are accounted on inception. Where premiums are due in instalments they are accounted for when due for payment. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Single premium contracts consist of those contracts under which there is no expectation of continuing premiums being paid at regular intervals. Additional single premiums paid in respect of existing individual contracts are also included within single premiums.

Periodic premium contracts include those contracts under which premiums are payable at regular intervals during the policy year, including repeated or recurrent single premiums where the level of premiums is defined.

***Acquisition costs***

Acquisition costs incurred and not deferred are included in net operating expenses.

***Claims***

Death claims and all other claims are accounted for when notified. Claims payable include related internal and external claims handling costs. Reinsurance recoveries are accounted for in the same period as the related claim.

***Long term reinsurance contracts***

Long term business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, investment and expenses. Such contracts are accounted for as insurance contracts within the technical account.

***Long term business provision***

The long term business provision is determined following an annual investigation of the long term fund in accordance with the requirements of EU Directive 92/96/EEC, under which certain contingency and other reserves required by insurance company regulations are excluded from the long term business provision. The basis of calculation is as follows:

Individual Life - Reserves are calculated using the gross premium method. The principle for the calculation of the reserve is, for each policy separately, to calculate the discounted value of expected future claims less the discounted value of expected future premium as received by the Syndicate (i.e. net of commission) plus an allowance for expenses.

Group Life (including schemes) - The reserves are calculated as the unexpired proportion at the valuation date of the premium received net of commission. Additional reserves are included to allow for claims that have been incurred but not reported (IBNR) based on a reporting delay of eight to twelve weeks. Reserves are also held for some policies that have expired, but claims may still arise in the future due to reporting delays. The Syndicate actuary is satisfied that this method of reserving is prudent.

Long term insurance provisions, together with related reinsurance recoveries, are established on the basis of current information. Such provisions are subject to subsequent reassessment as changes to underlying factors such as mortality occur. These factors are discussed in more detail in Note 13.

## Notes to the financial statements

**For the year ended 31 December 2016** *(continued)*

**3. Accounting policies** *(continued)*

***b) Foreign currencies***

The functional currency is Sterling. Income and expenditure in US dollars, Norwegian Krone and Euros are translated at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities are translated into Sterling at the rates of exchange at the balance sheet dates. Foreign exchange gains and losses are recognised in the non-technical account. Non-monetary assets and liabilities are translated into the functional currency using the monthly average rate of exchange prevailing at the time of the transaction as a proxy for transactional rates

Before the adoption of FRS 102 and FRS 103 for the year ended 31 December 2015 insurance assets and liabilities were considered to be non-monetary items. Under FRS 103 they are now required to be treated as monetary items.

***c) Financial assets and liabilities***

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the income statement. Financial assets and liabilities are classified on their initial recognition and subsequent reclassifications are permitted only in restricted circumstances. Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Purchases and sales of financial assets are recognised and derecognised on the trade date, i.e. the date that the Syndicate commits itself to purchase or sell the asset.

Financial assets at fair value through profit or loss are measured at fair value plus, for a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue. Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest.

Investments in shares and other variable yield securities, units in unit trusts and debt and other fixed income securities are managed on a fair value basis in accordance with the Syndicate's investment strategy. Deposits with credit institutions, debtors and accrued interest are classified as loans and receivables. Financial assets at fair value through profit and loss are stated at fair value at the balance sheet date. For this purpose, listed investments are stated at mid-market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they were traded on the balance sheet date or the last trading day before that date.

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value and are used by the Syndicate in the management of its short-term commitments.

***d) 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 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 investments disposals in the current period.

The investment return is credited to the technical account. No transfer is made to the non-technical account as all investment assets relate to the technical account.

## Notes to the financial statements

**For the year ended 31 December 2016** *(continued)*

**3. Accounting policies** *(continued)*

***e) 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 on behalf of the members 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.

***f) Pension costs***

AmTrust Syndicate Holdings Limited ("ASH"), the parent company of AmTrust at Lloyd's or other group companies employ all individuals working on the Syndicate. ASH operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

**4. Risk and capital management**

The Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. It has established a Risk Committee to oversee the operation of the Syndicate's risk management framework and to review and monitor the management of the risks to which the Syndicate is exposed. These risk management policies are established to identify and analyse the risks faced by the Syndicate, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

***a) Insurance risk***

***Management of insurance risk***

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board then monitors performance against the business plan.

Reserve adequacy is monitored through half yearly reviews by an external actuary.

Binding authority arrangements are an important part of the business and present operational risk to the Syndicate. The Agency has established a dedicated Product Governance Committee to oversee pre-appointment reviews and on-going annual reviews including periodic on-site third party audits.

# Notes to the financial statements

**For the year ended 31 December 2016** *(continued)*

## 4. Risk and capital management *(continued)*

***Concentration of insurance risk***

The Syndicate's exposure to insurance risk is diversified as shown by the following table which provides an analysis of the geographical breakdown of its written premiums by destination.

| | **2016 £000** | 2015 £000 |
|---|---|---|
| UK | **12,851** | 14,383 |
| Other EU Countries | **784** | 484 |
| Other Worldwide | **166** | 2,003 |
| | **13,801** | 16,870 |

***Sensitivity to insurance risk***

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the nature of the risk being underwritten and can arise from developments in case reserving for large losses or from changes in the level of attritional losses. A five per cent increase or decrease in the ultimate cost of settling gross claims arising is considered to be reasonably possible at the reporting date and would have the following approximate effect on the result of the Syndicate.

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **5% Increase £000** | **5% Decrease £000** | 5% Increase £000 | 5% Decrease £000 |
| Gross claims | **(323)** | **323** | (343) | 343 |
| Reinsurer's share | **21** | **(21)** | 20 | (20) |
| Net impact on member's balances | **(302)** | **302** | (323) | 323 |

## b) Investment risk

The key aspect of investment risk is the risk of the Syndicate's investments not meeting their anticipated returns. All investments are managed under the direction of the Investment Committee. The broad investment strategy adopted is focused on capital preservation and in that context on maximising return while maintaining a low risk portfolio. Investment management has been outsourced to professional fund managers whose performance is monitored by the Investment Committee.

## c) Credit risk

Credit risk is the risk of financial loss to the Syndicate if a counterparty fails to discharge a contractual obligation. The Syndicate is exposed to credit risk in respect of the following:

- Participation in listed investment pools
- Cash at bank
- Reinsurers' share of insurance liabilities
- Amounts due from reinsurers in respect of settled claims
- Amounts due from group undertakings
- Amounts due from insurance intermediaries

## Notes to the financial statements
**For the year ended 31 December 2016** *(continued)*

**4. Risk and capital management** *(continued)*

The Syndicate's credit risk in respect of its participation in listed investment pools is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. The Syndicate also limits the amount of cash and cash equivalents that can be deposited with a single counterparty.

The Syndicate's exposure to reinsurance counterparties is managed by the Executive Committee which establishes standards applicable to all reinsurers and the reinsurance department which monitors the financial status of reinsurance debtors. The Board's policy is that the Syndicate will only reinsure with businesses rated A- or higher unless collateralised by means of a Letter of Credit.

The credit rating of financial assets, all of which are neither past due or impaired, is as follows:

| **31 December 2016** | **AAA £000** | **AA £000** | **A £000** | **BBB £000** | **Not rated £000** | **Total £000** |
|---|---|---|---|---|---|---|
| Participation in investment pools | **-** | **-** | **-** | **636** | **-** | **636** |
| Cash at bank and in hand | **-** | **-** | **1,581** | **-** | **-** | **1,581** |
| Insurance debtors | | | | | **3,405** | **3,405** |
| Reinsurers' share of insurance liabilities | **-** | **-** | **411** | **-** | **-** | **411** |
| Reinsurance debtors | **-** | **-** | **10** | **-** | **-** | **10** |
| **Total credit risk** | - | - | **2,002** | **636** | **3,405**- | **6,043** |

| 31 December 2015 | AAA £000 | AA £000 | A £000 | BBB £000 | Not rated £000 | Total £000 |
|---|---|---|---|---|---|---|
| Participation in investment pools | - | - | - | 1,544 | - | 1,544 |
| Cash at bank and in hand | - | - | 1,132 | - | - | 1,132 |
| Insurance debtors | | | | | 4,271 | 4,271 |
| Reinsurers' share of insurance liabilities | - | - | 397 | - | - | 397 |
| Reinsurance debtors | - | - | - | - | - | - |
| Total credit risk | - | - | 1,529 | 1,544 | 4,271 | 7,344 |

***d) Market risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices which could be caused by movements in interest rates or exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Interest rate risk arises primarily from the Syndicate's financial investments and cash. The risk of change in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The Investment Committee monitors the duration of these assets on a regular basis. An analysis of the Syndicate's sensitivity to interest rate changes on the result and net assets of the Syndicate is presented in the table below.

| **Interest rate risk** | **2016 £000** | 2015 £000 |
|---|---|---|
| Impact of 50 basis point increase on result | **8** | 1 |
| Impact of 50 basis point decrease on result | **(8)** | (1) |
| Impact of 50 basis point increase on net assets | **3** | 1 |
| Impact of 50 basis point decrease on net assets | **(3)** | (1) |

The key aspect of exchange rate risk is that the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Managing Agent's Chief Financial Officer ("CFO") reviews currency matching quarterly. Where there is a significant mismatch, appropriate risk mitigation techniques to minimise the effects of currency movements are considered such as the use of currency forward contracts. The table overleaf summarises the carrying value of the Syndicate's assets and liabilities at the reporting date.

## Notes to the financial statements

**For the year ended 31 December 2016** *(continued)*

**4. Risk and capital management** *(continued)*

| **31 December 2016** | **GBP £000** | **USD £000** | **EUR £000** | **NOK £000** | **Total £000** |
|---|---|---|---|---|---|
| Participation in investment pools | **-** | **636** | **-** | **-** | **636** |
| Reinsurers' share of technical provisions | **336** | **13** | **62** | **-** | **411** |
| Insurance and reinsurance receivables | **3,154** | **180** | **81** | **-** | **3,415** |
| Cash at bank and in hand | | | | | |
| Other assets | **1,017** | **309** | **185** | **70** | **1,581** |
| **Total assets** | **4,507** | **1,138** | **328** | **70** | **6,043** |
| Technical provisions | **(5,842)** | **(212)** | **(402)** | **-** | **(6,456)** |
| Insurance and reinsurance payables | **(297)** | **(15)** | **(72)** | **-** | **(384)** |
| Other creditors | **(175)** | **-** | **-** | **-** | **(175)** |
| **Total liabilities** | **(6,314)** | **(227)** | **(474)** | **-** | **(7,015)** |
| **Net assets / (liabilities)** | **(1,807)** | **911** | **(146)** | **70** | **(972)** |

| 31 December 2015 | GBP £000 | USD £000 | EUR £000 | NOK £000 | Total £000 |
|---|---|---|---|---|---|
| Participation in investment pools | - | 1,544 | - | - | 1,544 |
| Reinsurers' share of technical provisions | 327 | 12 | 58 | - | 397 |
| Insurance and reinsurance receivables | 4,056 | 130 | 101 | (16) | 4,271 |
| Cash at bank and in hand | 578 | 172 | 282 | 100 | 1,132 |
| Other assets | 206 | - | - | - | 206 |
| Total assets | 5,167 | 1,858 | 441 | 84 | 7,550 |
| Technical provisions | (6,001) | (291) | (320) | (248) | (6,860) |
| Insurance and reinsurance payables | (520) | (4) | (8) | - | (532) |
| Other creditors | (374) | - | - | - | (374) |
| Total liabilities | (6,895) | (295) | (328) | (248) | (7,766) |
| Net assets / (liabilities) | (1,728) | 1,563 | 113 | (164) | (216) |

If the exchange rates of all non-GBP currencies moved by a foreseeable 5% either to the benefit or detriment of the Syndicate at the same time, the impact on both the result for the year and the members' balances would be £43,000 (2015: £92,000).

***e) Liquidity risk***

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. The CFO monitors cash flows and manages liquid assets to ensure that cash is available to meet obligations and operational liquidity needs. The table overleaf summarises the maturity profile of the Syndicate's financial liabilities based on the estimated timing of claims payments and other undiscounted contractual obligations.

## Notes to the financial statements
**For the year ended 31 December 2016** *(continued)*

**4. Risk and capital management** *(continued)*

| **31 December 2016** | **No stated maturity £000** | **Less than 1 year £000** | **1-3 years £000** | **3-5 years £000** | **More than 5 years £000** | **Total £000** |
|---|---|---|---|---|---|---|
| Technical provisions | **-** | **5,034** | **1,422** | **-** | **-** | **6,456** |
| Insurance and reinsurance payables | **-** | **384** | **-** | **-** | **-** | **384** |
| Other creditors | **-** | **175** | **-** | **-** | **-** | **175** |
| **Total liabilities** | **-** | **5,593** | **1,422** | **-** | **-** | **7,015** |

| 31 December 2015 | No stated maturity £000 | Less than 1 year £000 | 1-3 years £000 | 3-5 years £000 | More than 5 years £000 | Total £000 |
|---|---|---|---|---|---|---|
| Technical provisions | - | 5,391 | 1,469 | - | - | 6,860 |
| Insurance and reinsurance payables | - | 532 | - | - | - | 532 |
| Other creditors | - | 374 | - | - | - | 374 |
| Total liabilities | - | 6,297 | 1,469 | - | - | 7,766 |

***f) Operational risk***

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. The Managing Agent seeks to manage this risk through the use of detailed procedures manuals and a structured programme of testing of processes and systems by internal audit. The internal audit process is designed to provide management and the Board, through its Audit Committee, with reasonable assurance that the controls and procedures are able to contain the risks within acceptable limits.

***g) Regulatory risk***

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

***h) Capital management***

The Managing Agent's objectives in managing the capital of the Syndicate, consistent with the risk profile and the regulatory and market requirements of its business are:

- To match the profile of assets and liabilities, taking account of the risks inherent in the business;
- To satisfy the requirements of the policyholders, regulators and rating agencies; and
- To manage exposure to movements in exchange rates.

***Capital framework at Lloyd's***

The Society of Lloyd's ("Lloyd's") is a regulated undertaking and subject to the supervision of the Prudential Regulation 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 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 44 is not disclosed in these financial statements.

## Notes to the financial statements

**For the year ended 31 December 2016** *(continued)*

**4. Risk and capital management** *(continued)*

***Lloyd's capital setting process***

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicates on which it participates though not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR is therefore determined by the sum of the member's shares of the syndicates' 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 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 2017 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 statement of financial position on page 12, represent resources available to meet members' and Lloyd's capital requirements.

***Funds at Lloyd's***

Funds at Lloyd's ("FAL") are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these financial statements by way of such capital resources. However, the Managing Agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

## Notes to the financial statements

**For the year ended 31 December 2016** *(continued)*

**4. Risk and capital management** *(continued)*

***Capital resource sensitivities***

The capital position is sensitive to changes in market conditions due to both changes in the value of the assets and the effect that change in investment conditions may have on the value of the liabilities. It is also sensitive to assumptions and experience relating to mortality and morbidity and to a lesser extent, expenses and persistency

The timing of any impact on capital would depend on the interaction of past experience and assumptions about future experience. In general, if experience had deteriorated or was expected to deteriorate and management actions were not expected to reduce the future impact, then assumptions relating to future experience would be changed to reflect it. In this way, liabilities would be increased to anticipate the future impact of the worse experience with immediate impact on the capital position.

**5. Segmental analysis**

In the opinion of the directors of the Managing Agent, the Syndicate operates in one business segment being that of long term insurance business.
All premiums were written in the UK and are in respect of non-participating contracts.

***a) Business split***

| | **2016** | 2015 |
|---|---|---|
| | **£000** | £000 |
| New business written | **297** | 484 |
| Renewal business written | **13,504** | 16,386 |
| Total | **13,801** | 16,870 |

***b) Gross business type split***

| | **2016** | 2015 |
|---|---|---|
| | **£000** | £000 |
| Binder business written | **11,287** | 14,325 |
| Scheme business written | **983** | 1,441 |
| Group business written | **1,508** | 1,070 |
| Individual business written | **23** | 34 |
| Total | **13,801** | 16,870 |

The renewal business written amount includes new business written under existing schemes.

***c) Reinsurance balance***

The reinsurance balance amounted to a charge to the long term business technical account at 31 December 2016 of £570k (2015 – charge of £615k).

# Notes to the financial statements

**For the year ended 31 December 2016** *(continued)*

## 6. Currency rates of exchange

The rates of exchange applied in these accounts are:

| | **31 December 2016** | **Average for 2016** | 31 December 2015 | Average for 2015 |
|---|---|---|---|---|
| US Dollar | **1.2325** | **1.3557** | 1.5000 | 1.5300 |
| Euro | **1.1717** | **1.2246** | 1.4200 | 1.3800 |
| Norwegian Krone | **10.6508** | **11.3897** | 13.0700 | 12.3500 |

## 7. Net operating expenses

| | **2016 £000** | 2015 £000 |
|---|---|---|
| Acquisition costs | **3,181** | 4,721 |
| Administration expenses | **2,617** | 2,878 |
| | **5,798** | 7,599 |

| | **2016 £000** | 2015 £000 |
|---|---|---|
| Auditors' remuneration | | |
| *Audit Services* | | |
| Audit services-fees payable to the Syndicate's auditor, for the audit of the Syndicate accounts - KPMG LLP (BDO LLP) | **55** | 46 |
| *Fees payable to KPMG LLP (BDO LLP) for other services:* | | |
| Other services pursuant to legislation, including the audit of the regulatory return - KPMG LLP BDO LLP | **35** | 10 |
| | **90** | 56 |

## 8. Staff numbers and costs

All staff (including directors) are employed by AmTrust Syndicate Holdings Limited ("ASH") or other group companies and their costs recharged to the Managing Agent. The following amounts were recharged to the Syndicate in respect of staff costs:

| | **2016 £000** | 2015 £000 |
|---|---|---|
| Wages and salaries | **1,010** | 1,385 |
| Social security costs | **129** | 208 |
| Other pension costs | **81** | 110 |
| | **1,220** | 1,703 |

The average number of employees (including directors) employed by ASH or other group companies but working for the Syndicate during the year was as follows:

| | **2016 Number** | 2015 Number |
|---|---|---|
| Administration and finance | **6** | 8 |
| Underwriting | **7** | 6 |
| Technical support | **12** | 12 |
| | **25** | 26 |

## Notes to the financial statements

**For the year ended 31 December 2016** *(continued)*

### 9. Emoluments of the directors of AmTrust at Lloyd's and the active underwriter

AmTrust at Lloyd's Limited recharged the Syndicate £225,277k (2015 - £520k) in respect of emoluments and pension costs paid to its directors and the active underwriter of the Syndicate. This included pension contributions and also included remuneration received by the active underwriter and charged to the Syndicate of £302k (2015 - £318k).

### 10. Other financial investments

| | **Market Value 2016 £000** | **Cost 2016 £000** | Market Value 2015 £000 | Cost 2015 £000 |
|---|---|---|---|---|
| Participation in investment pools | **636** | **636** | 1,544 | 1,544 |
| | 636 | 636 | 1,544 | 1,544 |

The participation in investment pools comprises the Lloyd's American Trust Fund (LATF). All investments are Level 1 category, financial assets that are measured by reference to published quotes in an active market where quoted prices are readily available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### 11. Debtors arising out of direct insurance operations

| | **2016 £000** | 2015 £000 |
|---|---|---|
| Due within one year | | |
| Intermediaries | **3,405** | 4,271 |
| | **3,405** | 4,271 |

### 12. Other Debtors

| | **2016 £000** | 2015 £000 |
|---|---|---|
| Due within one year | | |
| Due from Managing Agent | **-** | 206 |
| Other debtors | **10** | - |
| | **10** | 206 |

### 13. Long term business provision

**Technical Provisions**

| | **2016** | | 2015 | |
|---|---|---|---|---|
| | **LTBP Gross Reserves and O/S Claims £000** | **LTBP Reinsurers' Share £000** | LTBP Gross Reserves and O/S Claims £000 | LTBP Reinsurers' Share £000 |
| Balance at 1 January | **6,860** | **397** | 6,834 | 372 |
| Exchange Adjustments | **155** | **14** | (121) | (10) |
| | **7,015** | **411** | 6,713 | 362 |
| Movement in Provision | **(559)** | **-** | 147 | 35 |
| Balance at 31 December | **6,456** | **411** | 6,860 | 397 |

## Notes to the financial statements

**For the year ended 31 December 2016** *(continued)*

**13. Long term business provision** *(continued)*

The long term business provision of individual life businesses is calculated based on the discounted value of expected future claims less discounted value of expected future premiums (net of commissions) plus allowance for expenses. Where the reserve for a policy as calculated above would be negative the reserve has been taken as 50% of this negative reserve. The technical provisions have been calculated on actuarial bases considered most appropriate by the Board.

The portfolio of the Syndicate is too small to carry out a quantitative analysis of mortality experience. The assumptions used are based on standard industry tables with a rating to ensure that the reserves remain prudent.

The principal assumptions underlying the calculation of the long term business provision are as follows:

| | **2016** | **2015** |
|---|---|---|
| Mortality table | TMN00/TFN00 for non-smokers, TMS00/TFS00 for smokers, TMC00/TFC00 where status unknown 5 year select. | TMN00/TFN00 for non-smokers, TMS00/TFS00 for smokers, TMC00/TFC00 where status unknown 5 year select. |
| Mortality rating | 125% for Italian binder, 140% for Think Money. | 125% for Italian binder, 140% for Think Money. |
| Discount rate | Nil | Nil |

Long term business provisions for binder, group life and scheme business are calculated based on the unexpired premium at year end plus a claims 'incurred but not reported' reserve.

As the assets are all in cash, and we have used a zero discount rate, we have not considered it necessary to hold any additional resilience reserve. An increase in the discount rate would not impact the discounting on the long term business provision, as a zero per cent investment income is assumed and therefore no discounting is applied.

If a lower mortality rate were assumed to apply, the long term business provision would decrease. A 5% reduction in mortality would not decrease the liability materially.

The level of expenses included in the valuation is based on a prudent assessment of the cost of running off the Syndicate's existing business. The estimate is based on the Syndicate's assumption of the proportion of policies in force at 31 December 2016 that will still be in force at each future year end.

**14. Claims development**

Claims development is shown in the tables below on an underwriting year basis both gross and net of reinsurance ceded. Balances have been translated at 31 December 2016 rates of exchange.

| **Underwriting year - gross** | **2011 £000** | **2012 £000** | **2013 £000** | **2014 £000** | **2015 £000** | **2016 £000** | **Total £000** |
|---|---|---|---|---|---|---|---|
| Estimate of gross incurred claims | | | | | | | |
| At the end of underwriting year | **2,313** | **2,311** | **3,340** | **3,619** | **4,505** | **4,179** | |
| One year later | **3,201** | **3,260** | **5,213** | **6,933** | **8,602** | | |
| Two years later | **2,201** | **3,355** | **4,411** | **5,938** | | | |
| Three years later | **2,069** | **2,937** | **4,296** | | | | |
| Four years later | **2,064** | **3,036** | | | | | |
| Five years later | **2,064** | | | | | | |
| Less gross claims paid | **2,064** | **3,036** | **4,296** | **5,805** | **6,343** | **115** | |
| Gross claims reserve | **-** | **-** | **-** | **133** | **2,259** | **4,064** | **6,456** |

## Notes to the financial statements
**For the year ended 31 December 2015** *(continued)*

### 14. Claims development *(continued)*

| **Underwriting year - net** | **2011 £000** | **2012 £000** | **2013 £000** | **2014 £000** | **2015 £000** | **2016 £000** | **Total £000** |
|---|---|---|---|---|---|---|---|
| Estimate of net incurred claims | | | | | | | |
| At the end of underwriting year | **1,322** | **1,811** | **2,713** | **3,260** | **4,110** | **3,784** | |
| One year later | **2,656** | **3,176** | **5,184** | **6,916** | **8,310** | | |
| Two years later | **1,752** | **3,314** | **4,411** | **5,938** | | | |
| Three years later | **1,621** | **2,896** | **4,296** | | | | |
| Four years later | **1,616** | **2,995** | | | | | |
| Five years later | **1,616** | | | | | | |
| Less net claims paid | **1,616** | **2,995** | **4,296** | **5,805** | **6,067** | **115** | |
| Net claims reserve | **-** | **-** | **-** | **133** | **2,243** | **3,669** | **6,045** |

### 15. Creditors arising out of direct insurance operations

| | **2016 £000** | 2015 £000 |
|---|---|---|
| Direct business - Intermediaries | **16** | 262 |
| | **16** | 262 |

### 16. Creditors arising out of reinsurance operations

| | **2016 £000** | 2015 £000 |
|---|---|---|
| Reinsurance ceded | **368** | 270 |
| | **368** | 270 |

### 17. Other Creditors

| | **2016 £000** | 2015 £000 |
|---|---|---|
| Accruals and deferred income | **-** | 374 |
| Intercompany Creditor | **175** | |
| | **175** | 374 |

Other creditors in 2015 and 2016 are intercompany balances relating to expenses incurred on behalf of the Syndicate.

### 18. Cash and cash equivalents

| | **2016 £000** | 2015 £000 |
|---|---|---|
| Cash at bank and in hand | **1,581** | 1,132 |
| Participation in investment pools | **636** | 1,544 |
| | **2,217** | 2,676 |

# Notes to the financial statements
**For the year ended 31 December 2016** *(continued)*

## 19. Related Parties

Following the novation of the managing agency agreement on 3 March 2017, Syndicate 44 is now managed by AmTrust Syndicates Limited. Until that date it was managed by AmTrust at Lloyd's Limited, a subsidiary of AmTrust Syndicate Holdings Limited Messrs Barrett, Cadle, Caviet and Dewey are, and Messrs Contractor, Jansli, Ross, Sibthorpe and Sweatman and Ms Tenenti were directors of AmTrust Syndicate Holdings Limited. During the year Managing Agents fees of £150,000 (2015 - £125,000) were charged by the Managing Agent to the Syndicate. AmTrust at Lloyd's Limited is also the Managing Agent of Syndicate 2526 and was until 3 March 2017 the Managing Agent for Syndicate 1206. Syndicate 1206 is now managed by AmTrust Syndicates Limited. During the year Syndicate 44 lent funds to Syndicate 1206. The amount outstanding at 31 December 2016 was £Nil (2015 - £Nil).

Employment of staff, provision of accommodation and related services are provided by AmTrust Syndicate Holdings Limited to the Syndicate on a non-profit basis and recharges of £2,580,256 were recharged to the Syndicate by AmTrust Syndicate Holdings, and paid on the Syndicate's behalf by AmTrust at Lloyd's Limited (2015 - £2,852,016). At 31 December 2016 the amount due to AmTrust at Lloyd's Limited was £164,537 (2015 - £205,564 due to AmTrust at Lloyd's).

Syndicate 44's entire capital is provided by AmTrust Corporate Member Two Limited, a subsidiary of AmTrust Lloyd's Holdings Limited, itself the parent company of AmTrust Syndicate Holdings Limited. Messrs Barrett, Cadle, Dewey, and Ms Hamilton are and Messrs Contractor, Ross, Jansli, Sibthorpe and Sweatman and Ms Tenenti were directors of AmTrust Corporate Member Two Limited.

The ultimate holding company is AmTrust Financial Services Inc. (AFSI), a company incorporated in Delaware and listed on NASDAQ Global Market. A copy of AFSI's consolidated accounts can be obtained from that company's registered office, which is located at 59 Maiden Lane, 43rd Floor, New York, New York, USA.

## 20. Post Balance Sheet Events

### *a) Distribution*

The following amounts are proposed to be transferred to members' personal reserve funds as part of the normal distribution process.

| | **2016 £000** | 2015 £000 |
|---|---|---|
| 2014 Year of account (2013 Year of account) | **1,267** | 1,107 |

### *b) Novation of Managing Agency*

On 3 March 2017, the management of the Syndicate was novated to AmTrust Syndicates Limited ("ASL") formerly ANV Syndicates Limited. On 7 November 2016, ASL became a wholly owned subsidiary of AmTrust as part of its acquisition of ANV Holdings B.V. at which point ANV Syndicates Limited was renamed AmTrust Syndicates Limited. Following the acquisition, an exercise was completed to align the ASL Board and governance structure with ATL's existing structure.