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AmTrust

Syndicate 779

Annual Report and Accounts
For the year ended 31 December 2016

AmTrust Syndicates Limited
An AmTrust Financial Company

Contents

Directors and Advisers

Managing Agent
AmTrust Syndicates Limited

Registered office
47 Mark Lane
London EC3R 7QQ

Managing Agent's registration No. 4434499
FCA firm registration No. 226696
Lloyd's registration No. 2073D

Syndicate: 779

Directors

B Jansli	Non-Executive Chairman	Appointed 08/11/2016
N C T Pawson	Non-Executive Director	
J P Fox	Non-Executive Director	Appointed 22/11/2016
B Jackson	Non-Executive Director	Appointed 08/11/2016
J E Cadle	Non-Executive Deputy Chairman	Appointed 08/12/2016
M G Caviet	Non-Executive Director	Appointed 08/12/2016
P Dewey		Appointed 08/11/2016
S J Helson		Appointed 22/01/2016
J M Hamilton		
B Gilman		
G Sweatman		Appointed 22/11/2016; Resigned 20/02/2017
M A Sibthorpe		Appointed 08/12/2016
D J L Barrett		Appointed 29/11/2016
J M P Taylor	Non-Executive Chairman	Resigned 07/11/2016
J G M Verhagen	Non-Executive Director	Resigned 12/07/2016
A P Hulse	Non-Executive Director	Resigned 07/11/2016
A C Barker		Resigned 31/10/2016
G M Van Loon		Resigned 07/11/2016
L J Cross		Resigned 07/11/2016
A S W Hall		Resigned 07/11/2016
S Lacy		Appointed 11/08/2016; Resigned 07/11/2016

Company secretary

A S W Hall	Resigned 22/01/2016
G Luckett	Appointed 22/01/2016; Resigned 07/11/2016
D J L Barrett	Appointed 29/11/2016

Run-off Management
G Ross
D J L Barrett Director Responsible

Bankers
Lloyds Bank plc
City Office, Bailey Drive
Gillingham Business Park
Kent ME8 0LS

Investment Manager
Goldman Sachs International Limited
Peterborough Court
133 Fleet Street
London EC4A 2BB

Statutory Auditor
PKF Littlejohn LLP
1 Westferry Circus
Canary Wharf
London E14 4HD

Report of the Directors of the Managing Agent

The Directors of the Managing Agent present their report, which incorporates the strategic review, for the year ended 31 December 2016. The Syndicate's Managing Agent is a company registered in England and Wales.

This Annual Report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (Lloyd's Regulations 2008).

These Financial Statements and related notes have been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 100 ('Application of Financial Reporting Requirements'), FRS 102 ('The Financial Reporting Standard Applicable in the UK and Republic of Ireland') and FRS 103 ('Insurance Contracts') as promulgated by the Financial Reporting Council (FRC).

A run-off underwriting year account has been prepared on the traditional fund accounting basis in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) for the run-off 2014 year and is included after the Annual Report.

Principal activity
The Syndicate's principal activity continued to be the transaction of term life insurance and reinsurance business.

The Syndicate capacity for the 2016 year of account is £22.2m. Following the withdrawal of capital support, and despite the Managing Agent's best efforts, it was not possible to secure alternative capital to continue underwriting the Syndicate for the 2017 year of account. The Managing Agent has put the Syndicate into run-off with agreement of the Lloyd's Capacity Transfer Panel.

AmTrust Group
The Managing Agent is an indirect wholly owned subsidiary of AmTrust Financial Services, Inc. (AFSI) the ultimate parent company of the AmTrust group of companies (the Group / AmTrust) a multinational property and casualty insurer writing a diversified portfolio of specialty property and casualty, workers compensation and warranty insurance and related products and services. With extensive underwriting experience and a prestigious "A" (Excellent) Financial Size XIV rating from A. M. Best, AmTrust has built a reputation as an innovative, technology-driven insurance company with a commitment to excellence.

AmTrust at Lloyd's
AmTrust's Lloyd's platform, trading as AmTrust at Lloyd's, combining syndicate underwriting and managing agency operations is central to the Group's international operations, allowing AmTrust to access profitable specialty business on a worldwide basis.

Syndicate 779 is managed by AmTrust Syndicates Limited (ASL), which was renamed following the acquisition of ANV Holdings BV (ANV), ASL's former ultimate parent company, by AmTrust Lloyd's Holdings (UK) Ltd., an indirect wholly owned subsidiary of AFSI in November 2016, having previously traded as ANV Syndicates Limited.

During 2016 ASL managed Lloyd's Syndicates 1861, 5820 and 779 wrote a globally diversified risk portfolio across twelve lines of business, selected based on the platform's strategic position, the market opportunity within Lloyd's and the portfolio diversification and capital benefits these classes offered.

The following lines of business were identified as core to ASL:

- Accident & Health and Special Risks
- Aviation
- Consumer Products
- Cyber
- Energy
- Life
- Marine
- Non-Marine Liability
- Property
- Political Risks and Political Violence
- Professional Lines
- Specialty Reinsurance

Underwriting Review
Syndicate 779 wrote 100% Term Life Insurance and ancillary covers in the UK and international territories, offering both bespoke and tabulated rating solutions for risk durations from 1 day to 10 years. Historically the majority of business was written through Lloyd's coverholders under binding authority arrangements; however, from 2015 the Syndicate was repositioned to focus equally on achieving open market growth as a lead market.

While the Syndicate achieved some success in deploying the refreshed strategy, including optimising of the outwards reinsurance structure, this was against the backdrop of the softest niche term life market for at least two decades. The Syndicate experienced unprecedented levels of competition from other life insurers, new and meaningful competition from overseas markets, and significant mergers of broking houses causing distraction for both placers and producers. As a result 779 struggled to reach the required scale to support its expense base, and the 2015 and 2016 years of account are expected to be loss making.

Following the withdrawal of capital support and despite the Managing Agent's best efforts, it was not possible to secure alternative capital to continue underwriting the Syndicate for the 2017 year of account. ASL has put the Syndicate into run-off with agreement from Lloyd's Capacity Transfer Panel.

Significant Events
ANV Syndicates Limited had been rated red for Solvency II Pillar 2 compliance by Lloyd's in 2015, in respect of Governance and Risk Management. In April 2016, Lloyd's confirmed that the issues preventing a Solvency II green rating had been addressed.

At the beginning of 2016 ASL was a subsidiary of ANV Holdings B.V. (ANV), the parent of the ANV Group which was a privately owned and held Dutch registered holding company and its lead investor was Ontario Teachers' Pension Plan (OTPP). ANV held an 80% majority shareholding in ASL's immediate parent, ANV Syndicate Management Limited, with the remaining 20% held by Jubilee Group Holdings Ltd (JGHL), a subsidiary of the Ryan Specialty Group. ANV purchased JGHL's minority shareholding in July 2016, resulting in ASL being 100% owned by ANV. Johanna Verhagen, a non-executive director and a representative of Ryan Specialty Group, resigned in July 2016 following the transaction.

In November 2016, AmTrust completed the acquisition of ANV and its affiliates from OTPP, at which point ASL was renamed AmTrust Syndicates Limited, having previously traded as ANV Syndicates Limited. Following the acquisition, an exercise was completed to align the Board structure with AmTrust's existing Lloyd's Managing Agency, AmTrust at Lloyd's Limited. The changes to the Board composition are detailed within the Directors and Advisers Report.

As a result of Syndicate 779 going into run-off, the 2014 year of account remains open at 36 months following consideration of the fact that capital participation varies between the 2014 and 2015 years of account and the significant change in business mix between these two years.

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:

	2016	2015
	£m	£m
Written Premiums		
Gross premiums written	19.8	14.1
Net premiums written [1]	18.3	11.4
Earned Premiums		
Earned premium, net of reinsurance [2]	20.8	15.1
Result for the year	(6.5)	(3.6)
Cash, investments and overseas deposits	13.3	11.0
Key Ratios	%	%
Claims ratio (net)	66.4	47.7
Acquisition ratio (net)	48.4	56.6
Expense ratio (net)	16.6	19.7
Combined ratio [3]	131.4	124.0

[1] Net premiums written are stated gross of brokerage and commission, and net of associated reinsurance costs.
[2] Earned premiums, net of reinsurance are stated gross of brokerage and commission, and net of associated reinsurance costs.
[3] The combined ratio is the ratio of net claims incurred, acquisition costs and net operating expenses to net premiums earned.

Gross premiums written

Despite continued aggressive pricing from other life syndicates and overseas markets' increased appetite for niche life business the Syndicate achieved gross premium growth of £5.7m during the year. Growth was driven by the Latin America market as the Syndicate sought opportunities in developing markets to diversify the portfolio away from the commoditised and low margin developed markets.

Net premiums written

The Syndicate's reinsurance programme was significantly restructured in 2015 with Excess of Loss protection, incepting 1 April 2015, replacing the high proportion of quota share arrangements previously purchased. The 2016 calendar year is the first full year to benefit from the changed programme resulting in a reduction in outwards reinsurance premiums written of £1.2m. Together with the increase in gross premiums written, this has resulted in an increase in net premiums written of £6.9m.

Earned premium, net of reinsurance

The increase in earned premium, net of reinsurance of £5.7m is the product of a £6.9m increase in net written premium and reduction in the earned ratio as the new business introduced to the 2016 year of account incepted later in the period.

Net claims ratio

The net claims ratio increased by 18.7% to 66.4% for the 2016 calendar year. This increase is driven predominantly by the inclusion of a run-off provision within the Syndicate's technical provisions for the 2016 calendar year following the withdrawal of capital support to underwrite the 2017 year of account. Excluding the effects of this and movement in the expense provision in the current and prior years, the claims ratio for 2016 is 48.2% compared to 42.7% for the 2015 calendar year – a deterioration of 5.5%. This movement is the result of claims activity on the 2016 year of account in relation to business written in Latin America.

Loss for the year

The Syndicate's loss of £6.5m represents a combined ratio of 131.4%. This is driven largely by the claims experience and the run-off provision, being a loading of £3.9m to the expense provision held at the prior year end, representing management's best estimate of the Syndicate's expected liabilities. There were partially offsetting improvements in the acquisition and expense ratios of 8.2% and 3.1% respectively. The improvement in the acquisition ratio follows the reduction in outwards reinsurance premiums – on a gross basis the ratio improved by 2.5% from the 2015 calendar year.

The improvement in the expense ratio, before foreign exchange gains and losses, follows an increase in net earned premium and a favourable net operating expense variance of £0.3m, net of deferrals.

Cash and investments
The increase in cash and investments of £2.3m during the year follows the increase in premiums written and the lag in the payment of the additional technical reserves, together with the loss collection of £1.9m following the closure of the 2013 year of account.

Members' Balances
Members' balances, representing net liabilities of £9.7m have increased by £4.7m from 31 December 2015 following the 2016 calendar year loss of £6.5m, movements in members' agents' fees payable of £0.1m and the collection of the 2013 loss of £1.9m.

Investments and investment return

	2016	2015
	£m	£m
Average amount of syndicate funds available for investment during the year:		
Sterling	6.4	8.8
US Dollar	1.0	0.5
Euro	3.4	5.4
Norwegian Krone	0.5	0.2
Combined Sterling	11.3	14.9
Gross aggregate investment return for the calendar year in Pounds Sterling	0.1	0.1
Gross calendar year investment return:		
Sterling	0.84%	0.75%
US Dollar	0.03%	0.24%
Euro	(0.02)%	0.00%
Norwegian Krone	0.09%	0.12%
Combined Sterling	0.48%	0.46%

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

It is the Managing Agency's policy to actively monitor the Syndicate's currency exposures, and where possible, it seeks to match the Syndicate's assets and liabilities to the extent that regulatory restrictions allow.

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 Syndicate's invested funds have reduced considerably over recent periods as the tail of continuing business has shortened and the rate of claims payments on legacy business combined with reinsurance spend and expenses has exceeded the cash inflow from premiums. Given this and the need to maintain liquidity the Syndicate has not invested in additional securities in 2015 or 2016. The Syndicate's funds are held principally in money market funds while the pre-existing debt portfolio is held to maturity.

The investment returns of the Syndicate during the year, whilst disappointing, are reflective both of the restrictions upon the investment opportunities available to the Syndicate and the wider market conditions. The investment return of 0.48% (2015: 0.46%) also reflects the effects of the interest rate environment on the Syndicate's limited debt portfolio.

Underwriting Years of Account
Following the withdrawal of capital support to continue underwriting the Syndicate for the 2017 year of account, and consent from Lloyd's Capacity Transfer Panel to cease trading, the Syndicate is now in run-off.

A run-off provision has been included within the technical provisions of the Syndicate representing management's best estimate assessment of the expected future developments in finalising the Syndicate's liabilities. As a consequence the retained loss to date reflects managements' best estimate of the forecast ultimate results.

ASL has committed to work with capital providers to develop an acceptable means of closing the Syndicate at the earliest opportunity for all years of account; this is currently estimated as 31 December 2018. Until agreement has been reached with a third party to accept the runoff portfolio the ultimate cost and timing of any reinsurance to close, together with the future expenses required until any such reinsurance to close is concluded, remains uncertain. The ultimate costs to finalise the Syndicate's liabilities may, therefore vary significantly from those recorded within the Syndicate's technical provisions.

Profits/losses will be distributed or collected by reference to the results of individual underwriting years.

2014 run-off year of account
The decision to keep the 2014 year of account open at 36 months follows consideration of the fact that capital participation varies between the 2014 and 2015 years of account and the significant change in business mix between these two years.

The retained loss on the 2014 year of account at 36 months, after the inclusion of the run-off provision, is £1.9m, before members' agents' fees, representing a loss on stamp of 8.7%.

Excluding the effects of foreign-exchange gains and losses, the loss at 36 months is the result of a pure year loss of £1.3m and a breakeven result on the 2013 & Prior years of account.

The pure year result is driven by the Syndicate's inability to achieve sufficient scale to meet its expense base, with underlying underwriting profits of £2.3m (excluding the impact of operating expenses reclassified as acquisition costs).

The 2013 & Prior years have performed in line with expectations at the previous RITC with a break-even result before foreign exchange movements.

Whilst management has sought to match the Syndicate's currency exposures where possible, the limited free funds of the Syndicate combined with the need to maintain funds in Sterling to meet the Syndicate's expense base have limited the options available. These factors together with the net Euro liability position, following the performance of the legacy European Creditor business, and the significant strengthening of the Euro against Sterling following the United Kingdom European Union membership referendum, resulted in a foreign exchange loss of £0.7m to the Syndicate during the period.

After consideration of the expected future cashflows of the Syndicate over the next 12 months and its available capital resources, the directors have determined to call £2.0m (£1.9m excluding PTF debts) from the 2014 year of account members. It is expected that these funds will be translated to Euros to meet the expected cashflows on the payment of the legacy European Creditor claims and reduce the Euro deficit on the 2014 & Prior years of account.

2015 year of account
The 2015 year of account forecast is an ultimate loss of £1.7m, before members' agents' fees, representing a loss on stamp of 7.7%.

The 2015 year recorded a second year profit of £0.1m, after the inclusion of a run-off provision, taking the cumulative result at 24 months to a loss of £1.7m. The tail of the business has shortened from previous years and consequently the year is significantly more earned at 24 months than was the case for previous years of account.

The key challenge for the Syndicate has been achieving the desired level of premium volume, particularly under current market conditions. The performance of the underlying core business has been favourable on an underwriting basis to date but insufficient in scale to achieve the planned results after operating expenses. Cumulative underwriting profits of £2.0m have been earned to date (excluding the effects of the run-off provision included within the Long-Term Business Provision).

2016 year of account
The 2016 year of account has made a loss of £5.7m during the calendar year. Whilst a loss in the first year is expected given the timing difference between incurring expenses and earning the premiums written, the loss is significantly higher than the 2015 year of account at the same stage which by comparison incurred a loss of £1.8m at 12 months.

The disparity in the result is driven largely by the inclusion of a run-off provision of £4.2m following the cessation of the Syndicate at the end of 2016.

Excluding the effects of this provision, the calendar year results are broadly comparable. Whilst forecast results are not normally disclosed at 12 months, following the inclusion of a run-off provision accounting for the expected future developments of the year of account, current forecasts indicate an ultimate loss of £5.7m before members' agents' fees representing 25.8% of stamp.

Principal risks and uncertainties
On completion of AmTrust's purchase of ANV, the AmTrust at Lloyd's Governance and Risk Frameworks were adopted.

The Syndicate's activities expose the Managing Agent to a number of key risks which have the potential to affect the Managing Agent's ability to achieve its and the Syndicate's objectives. The Managing Agent's Risk Committee oversees the operation of the Syndicate's risk management framework and reviews and monitors the management of the risks to which the Syndicate is exposed. 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.

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

Insurance risk
Insurance risk includes the risks that a policy will be written for too low a premium or provides 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.

The Managing Agent uses catastrophe modelling software to model maximum probable losses from catastrophe-exposed business in major territories. Reserve adequacy is monitored through quarterly review by the Reserving Committee. In addition the Agency receives independent external analysis of the reserve requirements annually.

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

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.

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:

- Debt securities;
- Overseas deposits;
- Cash at bank and deposits with credit institutions;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of settled claims;
- Amounts due from group undertakings; and
- Amounts due from insurance intermediaries.

The Syndicate's credit risk in respect of debt securities 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.

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, cash and overseas deposits. 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.

Exchange rate risk arises when 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), together with the Risk Committee, reviews currency matching quarterly.

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, together with the Investment Committee, monitors cash flows and manages liquid assets to ensure that cash is available to meet obligations and operational liquidity needs.

Operational risk
This is the risk that errors caused by people, processes, systems or external events lead to losses to the Syndicate. The Managing Agent seeks to manage this risk through the use of detailed procedures manuals and regular reviews of systems and controls, and a structured programme of testing of processes, controls 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.

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 (FCA), the Prudential Regulation Authority (PRA) and the Council of 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.

Conduct Risk is the risk that customers experience poor outcomes in their engagement with ASL and is part of Regulatory Risk. This risk applies to all of the Syndicate's business but is particularly focused where the Syndicate insures retail risks especially using delegated underwriting. This has been an area of particular emphasis by the FCA and by Lloyd's, with the introduction of new minimum standards in this area. ASL has a Product Governance Committee which oversees its response to these requirements and operates a conduct framework designed to ensure that appropriate outcomes are delivered to customers.

Supplementing and informing the assessment of risk in the categories identified above, management receives regular risk reports highlighting the material areas of risk, uncertainty and comparison with risk appetite as well as risk events, near misses and emerging risks.

Corporate Governance
Prior to the acquisition of ASL by AmTrust Lloyd's Holdings (UK) Ltd the ASL Board was chaired by Max Taylor and supported by three further Non-Executive Directors. Until the acquisition ASL had seven Executive Directors in total. Following the acquisition of ASL the Board is chaired by Bjorn Jansli and supported by five further Non-Executive Directors. ASL has eight Executive Directors in total.

A defined operational and management structure as well as terms of reference for all Board committees has been in place throughout the period.

The ASL Board meets at least four times a year and more frequently when business needs require. The Board has a schedule of matters reserved for its decision and has appointed an Executive Committee to manage the operations of the business. The Board and the Executive Committee are supported by an Audit Committee and a Risk Committee. The Committee Framework includes a number of other Committees, including a dedicated Product Governance Committee to manage conduct risk issues. In addition, following the decision to place the Syndicate into run-off, ASL has assembled a Run-Off Committee to oversee the orderly run-off of the Syndicate.

Future Developments
A run-off provision has been included within the technical provisions of the Syndicate representing management's best estimate assessment of the expected future developments in finalising the Syndicate's liabilities.

ASL has committed to work with capital providers to develop an acceptable means of closing the Syndicate at the earliest appropriate date for all years of account, currently estimated as 31 December 2018. The ultimate cost and timing of any reinsurance to close, together with the future expenses required until any such reinsurance to close is concluded, remains uncertain. The ultimate costs to finalise the Syndicate's liabilities may vary significantly from those recorded within the Syndicate's technical provisions.

Following analysis of the expected future cashflows of the Syndicate over the next 12 months and its available capital resources, the directors have determined to call £2.0m (£1.9m excluding PTF debts) from the 2014 year of account members pursuant to the requirements of the Lloyd's Agency Agreements Byelaw (No.8 of 1988). It is anticipated that the call will be made for payment by 16 June 2017.

Staff matters
The Managing Agent 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.

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 2. Directors' interests are shown in note 23 as part of the related parties note to the accounts.

Disclosure of information to the auditors
So far as each person who was a director of the Managing Agent at the date of approving this report is aware, there is no relevant audit information, being information required by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agency and the Syndicate's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors
PKF Littlejohn LLP has indicated its willingness to continue in office as the Syndicate's auditor.

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, PKF Littlejohn LLP. Members are asked to note that any objections to this proposal should be submitted, in writing, to AmTrust Syndicates Limited within 21 days of this notice.

P Dewey
Chief Executive Officer
AmTrust Syndicates Limited
21 March 2017

Company number: 4434499

Statement of Managing Agent’s Responsibilities

The Managing Agent is responsible for preparing the Syndicate Annual Accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Syndicate annual accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the Syndicate annual accounts, the Managing Agent is required to:

- select suitable accounting policies and then apply them 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 notes to the Syndicate annual accounts; and
- prepare the Syndicate annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

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

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the website. Legislation in the UK governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Report of the Auditors

Independent Auditor's Report to the Members of Syndicate 779
We have audited the Syndicate Annual Financial Statements for the year ended 31 December 2016 as set out on pages 15 to 43. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".

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 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, the Managing Agent is responsible for the preparation of the Syndicate 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 Ethical Standards for Auditors.

Scope of the audit of the Syndicate Annual Financial Statements
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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2016 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.

Emphasis of matter – Run-off
As disclosed in Note 1, the Syndicate has ceased underwriting beyond the 2016 year of account and has not closed by reinsurance the 2014 year of account and is therefore in run-off. The Managing Agent therefore no longer considers the Syndicate to be a going concern.

Accordingly within the technical provisions is a run-off provision which provides for the net ultimate additional costs in excess of income over and above the technical provisions including the unallocated loss adjustment expenses that would have been reserved if the Syndicate had remained a going concern.

Although the Managing Agent considers the technical provisions including this run-off provision to represent a prudent best estimate of the costs to be incurred in finalising this Syndicate's liabilities a third party may assess the liabilities differently. Until final agreement is reached with a third party the amount to be paid cannot be accurately ascertained and the ultimate costs including a reinsurance to close may differ significantly from the value of the technical provisions within the financial statements.

Our opinion is not modified in this respect.

Opinion on other matter prescribed by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008
In our opinion based upon the work undertaken in the course of the audit:

- the information given in the Report of the Directors of the Managing Agent for the financial year for which the Annual Financial Statements are prepared is consistent with the Annual Financial Statements; and
- the Report of the Directors of the Managing Agent has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Syndicate and its environment obtained in the course of the audit we have not identified any material misstatements in the Report of the Directors of the Managing Agent.

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 PKF Littlejohn LLP
1 Westferry Circus
Canary Wharf
London E14 4HD

21 March 2017

Income Statement: Technical Account – Long Term Business

Year Ended 31 December 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Earned premiums, net of reinsurance					
Gross premiums written	5	19,810		14,100	
Outward reinsurance premiums		(1,509)		(2,744)	
Net premiums written			18,301		11,356
Change in the provision for unearned premiums					
Gross amount	6	2,584		3,899	
Reinsurers' share	6	(120)		(192)	
Change in the net provision for unearned premiums			2,464		3,707
Earned premiums, net of reinsurance			20,765		15,063
Allocated investment return transferred from the non-technical account			54		68
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(6,443)		(8,413)	
Reinsurers' share		962		1,741	
Net claims paid			(5,481)		(6,672)
Change in the provision for claims					
Gross amount	6	(7,976)		(108)	
Reinsurers' share	6	(339)		(410)	
Change in the net provision for claims			(8,315)		(518)
Claims incurred, net of reinsurance			(13,796)		(7,190)
Net operating expenses	7		(13,500)		(11,496)
Balance on the technical account for long term business			(6,477)		(3,555)

The Syndicate has ceased trading forward and therefore there are no component parts of the business to be separately classified and disclosed as discontinued.

The accompanying notes form an integral part of the financial statements.

Income Statement: Non-Technical Account

Year Ended 31 December 2016

	Note	2016 £'000	2015 £'000
Balance on the Technical Account - Long Term Business		(6,477)	(3,555)
Investment income	11	129	299
Unrealised gains on investments	11	2	-
Investment expenses and charges	11	(8)	(88)
Unrealised losses on investments	11	(69)	(143)
Allocated investment return transferred to the long term business technical account		(54)	(68)
Loss for the financial year		(6,477)	(3,555)

The accompanying notes form an integral part of the financial statements

There is no other comprehensive income and consequently no Statement of Other Comprehensive Income has been presented.

Statement of Financial Position – Assets

As at 31 December 2016

Assets	Note	2016	2016	2015	2015
		£'000	£'000	£'000	£'000
Investments					
Other financial investments	12		9,963		9,028
Reinsurers' Share of Technical Provisions - Long-Term Business Provision					
Provision for unearned premiums	6	1,392		1,504	
Claims outstanding	6	1,866		2,120	
			3,258		3,624
Debtors					
Debtors arising out of direct insurance operations	13	7,208		3,512	
Debtors arising out of reinsurance operations	14	180		1,309	
Other debtors	15	386		167	
			7,774		4,988
Other assets					
Cash at bank and in hand		2,574		1,524	
Other	16	787		479	
			3,361		2,003
Prepayments and accrued income					
Deferred acquisition costs	17	2,665		4,039	
Other prepayments and accrued income		97		140	
			2,762		4,179
Total assets			27,118		23,822

The accompanying notes form an integral part of the financial statements

Statement of Financial Position – Liabilities

As at 31 December 2016

Liabilities	**Note**	**2016 £'000**	**2016 £'000**	**2015 £'000**	**2015 £'000**
Capital and reserves					
Members' balances			(9,663)		(4,981)
Technical Provisions – Long-Term Business Provision					
Provision for unearned premiums	6	7,998		9,622	
Claims outstanding	6	23,774		14,168	
			31,772		23,790
Creditors					
Creditors arising out of direct insurance operations	18	4,665		4,991	
Creditors arising out of reinsurance operations	19	344		22	
			5,009		5,013
Total liabilities			27,118		23,822

The accompanying notes form an integral part of the financial statements

The annual accounts on pages 15 to 43 were approved by the Board of ASL on 21 March 2017 and were signed on its behalf by:

J M Hamilton
Director

21 March 2017

Statement of Changes in Equity

Year Ended 31 December 2016

	2016 £'000	2015 £'000
Members' balances brought forward at 1 January	(4,981)	(2,116)
Loss for the financial year	(6,477)	(3,555)
Receipt from members' personal reserve funds	1,879	796
Members' agents fees advances	(84)	(106)
Members' balances carried forward at 31 December	(9,663)	(4,981)

Members participate on syndicates by reference to years of account and the ultimate result therefrom. Assets and liabilities are determined by reference to policies incepting in that year of account in respect of their membership of a particular year.

Statement of Cash Flows

Year Ended 31 December 2016

	2016 £'000	2015 £'000
Loss for the year	(6,477)	(3,555)
Adjustment for:		
Increase / (decrease) in gross technical provisions	7,982	(4,984)
Decrease in reinsurers' share of gross technical provisions	366	692
Operating cash flow before movement in working capital	1,871	(7,847)
(Increase) / decrease in debtors	(2,786)	305
Decrease in creditors	(4)	(2,087)
Decrease in other assets / liabilities	1,417	2,317
Investment return	(54)	(68)
Net cash inflow / (outflow) from operating activities	444	(7,380)
Cash flows from investing activities		
Sale of equity and debt instruments	2,533	7,505
Purchase of other financial instruments	(3,329)	-
Investment income received	54	68
Foreign exchange movements	(139)	-
Increase in overseas deposits	(308)	(26)
Net cash (outflow) / inflow from investing activities	(1,189)	7,547
Net cash flow from financing activities:		
Receipt from members in respect of underwriting participations	1,879	796
Members' agents' fees paid on behalf of members	(84)	(106)
Net cash inflow from financing activities	1,795	690
Net increase in cash and cash equivalents	1,050	857
Cash and cash equivalents at 1 January	1,524	667
Cash and cash equivalents at 31 December	2,574	1,524

Notes to the Financial Statements

1. Basis of preparation

The Syndicate comprises a group of members of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the Syndicate's managing agent is 47 Mark Lane, London, EC3R 7QQ.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and Financial Reporting Standard 103 Insurance Contracts (FRS 103).

The financial statements have been prepared on the historical cost basis, except for financial assets measured at fair value through profit or loss. The Syndicate has early adopted the March 2016 amendment to paragraph 34.22 of FRS 102 in relation to fair value hierarchy. The fair value hierarchy is detailed in note 3.

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.

Syndicate in Run-Off
Following the withdrawal of capital support, and despite the Managing Agent's best efforts, it was not possible to secure alternative capital to continue underwriting the Syndicate for the 2017 year of account. ASL has put the Syndicate into run-off with agreement from Lloyd's Capacity Transfer Panel. The consequent decision to keep the 2014 year of account open at 36 months is after consideration of the fact that the capital participation varies between the 2014 and 2015 years of account and the significant change in business mix between these two years.

A run-off provision has been included within the technical provisions of the Syndicate representing management's best estimate assessment of the expected future developments in finalising the Syndicate's liabilities.

ASL has committed to work with capital providers to develop an acceptable means of closing the Syndicate at the earliest appropriate date for all years of account, currently estimated as 31 December 2018. The ultimate cost and timing of any reinsurance to close, together with the future expenses required until any such reinsurance to close is concluded, remains uncertain. The ultimate costs to finalise the Syndicate's liabilities may vary significantly from those recorded within the Syndicate's technical provisions.

2. Use of judgements and estimates

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which they are identified.

The Syndicate's principal estimates are for claims provisions, related recoveries and run-off provision included within the Long-term Business Provision. Management regularly reviews and revises these estimates as appropriate based on current information. Any adjustments made to these estimates are reflected in the period the estimates are revised.

The measurement of the Long-term Business Provision 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 statement of financial position date, whether reported or not as well as the expected costs required to conclude the Syndicate. 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 as well as the expected future costs in concluding the business of the Syndicate. Bespoke techniques are employed for the legacy European Creditor account where the significant majority of IBNR is held. This account also contains a significant level of claims incurred but not enough reported (IBNER) to allow for case reserve uncertainty and statistical techniques are used for this element as well. 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.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 4.

3. Significant accounting policies

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

Gross premiums written
Premiums written comprise premiums on contracts of insurance incepted during the financial year as well as adjustments made in the year to premiums incepted in prior accounting periods. Premiums are shown gross of brokerage payable and are exclusive of taxes and duties thereon. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet received.

Additional or return premiums are treated as a re-measurement of the initial premium.

Outwards reinsurance premiums
Written outwards reinsurance premiums comprise the total premiums payable for contracts entered into during the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Under some policies, reinsurance premiums payable are adjusted retrospectively in the light of claims experience. Where written premiums are subject to a re-measurement retrospectively, it is recognised as soon as there is an obligation to the reinsurer.

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

Technical provisions
Technical provisions comprise claims outstanding whether reported or not, provisions for unearned premiums and provisions for unexpired risk.

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 and included in technical provisions for solvency purposes are excluded from the long term business provision for financial reporting purposes.

In order to enable members of the Syndicate to consolidate the results of the Syndicate with their other Lloyd's participations on a consistent basis, movements in the unearned premium reserve are shown as part of earned premiums rather than as movements in other technical provisions. This is permitted by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and has no effect on the result of the Syndicate. The separate components are combined within the long-term business provision within the statement of financial position.

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years. In addition a run-off provision is included in relation to the estimated future expenses that will be incurred in finalising the Syndicate's liabilities.

The provision for claims outstanding is assessed on an individual case by case basis and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs.

The provision also includes the estimated cost of claims incurred but not reported (IBNR) as well as claims incurred but not enough reported (IBNER) at the statement of financial position date based on statistical methods.

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 and a run-off provision. The run-off provision has been calculated as management’s best estimate assessment of the expected future developments in finalising the Syndicate’s liabilities.

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.

For individual life business, an additional analysis is carried out based on underlying mortality expectations taking into account the CMI mortality rates. This individual life analysis is used to determine the transfer premium provision for GAAP reserving. This is a mechanism to deliver equity between years of account, in which later years of account to which long term policies re-sign are provided a share of any excess in earlier years to compensate for the higher mortality in the latter part of the overall policy term. This is calculated by projecting forward future premiums and future expected claims, with a prudent allowance for lapses, and assessing any deficiencies in the future premiums receivable.

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

Accordingly the most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development, that the outstanding claims estimates are reasonable and that the rating and other models used for current business are based on fair reflections 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, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The 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.

Provisions for unearned premiums
Written premiums are recognised as 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 statement of financial position date, calculated on the basis of established earnings patterns, including consideration of mortality expectations for individual life business, or time apportionment as appropriate.

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, in the normal course of events, to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

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

Net operating expenses (including acquisition costs)
Net operating expenses include acquisition costs, profit or loss on exchange and amounts charged to members through the Syndicate.

Certain contracts between the Syndicate and its producing agents and brokers include the requirement to pay overrider commissions based on the volume of business produced on the Syndicate's behalf. Amounts in relation to this and other commissions are accrued and earned in line with the premium to which they relate and classified as acquisition costs.

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. Acquisition costs are deferred in line with the earning of the gross premiums to which they relate. The deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the statement of financial position date.

Foreign currencies
Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on translation of foreign currency amounts relating to the insurance operations of the Syndicate are included in the technical account in accordance with Life accounting requirements.

Financial assets and liabilities
The Syndicate has chosen to apply the provisions of Section 11 (Basic Financial Instruments) and Section 12 (Other Financial Instruments Issues) of FRS 102 for the treatment and disclosure of financial assets and liabilities, with the amendment to section 12.17 as set out in Amendments to FRS 102 section 34.22.

The Syndicate's investments comprise debt investments and cash and cash equivalents. The Syndicate does not invest in derivative financial instruments.

Recognition:
Financial assets and liabilities are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of an undertaking after deducting all of its liabilities. The Syndicate does not hold any equity instruments.

Initial Measurement:
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. The Syndicate was not party to any financing transactions during the period.

Subsequent measurement:
All debt instruments are measured at fair value through the income statement.

Realised and unrealised gains and losses arising from changes in the fair value of investments are initially presented in the non-technical account in the period in which they arise. Dividend and interest income is recognised when earned. Investment management and other related expenses are recognised when incurred. The overall investment return is subsequently transferred to the Technical Account to reflect the investment return on funds supporting the underwriting business

Derecognition of financial assets and liabilities:
Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Syndicate transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Syndicate, despite having retained some significant risks

and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

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

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, yield curves, credit spreads, liquidity statistics and other factors.

The use of different valuation techniques could lead to different estimates of fair value.

FRS 102 section 34.22 provides the fair value hierarchy criteria upon which the financial instruments should be categorised, as defined below. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Impairment of financial instruments measured at amortised cost or cost:

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in the income statement immediately.

Cash and cash equivalents
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.

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

Realised gains and losses represent the difference between the net proceeds on disposal and the purchase price. Unrealised gains and losses on investments represent the difference between the fair value at the statement of financial position date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period, or the valuation at the beginning of the year; as well as the reversal of previously recognised unrealised gains and losses in respect of investment disposed of in the current period.

Investment return is initially recorded in the Non-Technical Account and subsequently transferred to the Technical Account to reflect the investment return on funds supporting the 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 (currently at 20%) 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 statement of financial position under the heading 'other debtors'.

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

Managing agent's profit commission
ASL has agreed contractual terms with the capital providers to the Syndicate for the payment of profit commissions based on the performance of the individual years of account of the Syndicate. Profit commissions are accrued in line with the contractual terms and the development of the result of the underlying years of account.

Amounts charged to the Syndicate do not become payable until after the appropriate year of account closes, normally at 36 months, although the Managing Agent may receive payments on account of anticipated profit commissions in line with interim profits released to members.

Retirement benefit scheme costs
ASL operates a defined contribution scheme through a related company, ANV Central Bureau of Services Limited (CBS). Pension contributions relating to Managing Agency staff working on behalf of the syndicate 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. 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.

Insurance Risk

i. 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.

The Managing Agent uses catastrophe modelling software to model maximum probable losses from catastrophe-exposed business in major territories. Reserve adequacy is monitored through quarterly review by the Syndicate's actuaries. The Reserving Committee performs a comprehensive review of the projected reserves, both gross and net of reinsurance, and makes recommendations to the Managing Agent's board of directors, via the executive committee, as to the claims provisions to be established. In addition the Agency receives independent external analysis of the reserve requirements annually.

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

ii. Concentration of insurance risk

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

Territory	2016 £'000	Restated 2015[1] £'000
United Kingdom	9,003	8,898
United States of America	5,087	523
Netherlands	984	238
Norway	841	1,389
Other Europe	3,022	2,657
Other Worldwide	873	395
Total	19,810	14,100

[1] *The prior year has been restated following reanalysis of the geographical territories disclosed in the table.*

iii. 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 classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses or catastrophes 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 £'000		2015 £'000	
	Gross	**Net**	**Gross**	**Net**
5% increase in total claims liabilities	(857)	(764)	(570)	(464)
5% decrease in total claims liabilities	857	764	570	464

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.

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:

- Debt securities;
- Units in unit trusts and overseas deposits;
- Cash at bank and deposits with credit institutions;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of settled claims;
- Amounts due from group undertakings; and
- Amounts due from insurance intermediaries.

The Syndicate's credit risk in respect of debt securities 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.

The credit rating of the assets within the statement of financial position is as follows:

As at 31 December 2016	AAA £'000	AA £'000	A £'000	BBB £'000	Not rated £'000	Total £'000
Financial investments:						
Shares and other variable yield securities and units in unit trusts	9,336	-	-	-	-	9,336
Debts securities and other fixed income securities	-	-	-	627	-	627
Participation in investment pools	-	-	-	-	-	-
Overseas deposits	787	-	-	-	-	787
Reinsurers' share of technical provisions:						
Reinsurers' share of outstanding claims	-	1,756	110	-	-	1,866
Reinsurers' share of unearned premiums	-	-	-	-	1,392	1,392
Debtors arising out of direct insurance operations	-	-	-	-	7,208	7,208
Debtors arising out of reinsurance operations	-	-	-	-	180	180
Cash at bank and in hand	-	-	2,574	-	-	2,574
Other Debtors and accrued income:						
Deferred acquisition costs	-	-	-	-	2,665	2,665
Other debtors	-	-	-	-	483	483
Total	**10,123**	**1,756**	**2,684**	**627**	**11,928**	**27,118**

As at 31 December 2015	AAA £'000	AA £'000	A £'000	BBB £'000	Not rated £'000	Total £'000
Financial investments:						
Shares and other variable yield securities and units in unit trusts	6,008	-	-	-	-	6,008
Debts securities and other fixed income securities	-	886	709	1,424	-	3,019
Participation in investment pools	1	-	-	-	-	1
Overseas deposits	479	-	-	-	-	479
Reinsurers' share of technical provisions:						
Reinsurers' share of outstanding claims	-	2,120	-	-	-	2,120
Reinsurers' share of unearned premiums	-	-	-	-	1,504	1,504
Debtors arising out of direct insurance operations	-	-	-	-	3,512	3,512
Debtors arising out of reinsurance operations	-	1,309	-	-	-	1,309
Cash at bank and in hand	-	-	1,524	-	-	1,524
Other Debtors and accrued income:						
Deferred acquisition costs	-	-	-	-	4,039	4,039
Other debtors	-	-	-	-	307	307
Total	**6,488**	**4,315**	**2,233**	**1,424**	**9,362**	**23,822**

Financial assets that are past due or impaired

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. These debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties. The Syndicate does not consider these debtors to be impaired on the basis of stage collection of amounts owed to the Syndicate.

An analysis of the carrying amounts of past due or impaired debtors is presented in the table below.

Debtors arising from (re)insurance operations	**2016 £'000**	**Restated 2015[1] £'000**
Past due but not impaired financial assets:		
Past due by:		
1 to 90 days	66	5
91 to 180 days	29	138
More than 180 days	171	142
Past due but not impaired financial assets	**266**	**285**
Impaired financial assets	-	-
Neither past due nor impaired financial assets	**7,122**	**4,536**
Net carrying value	**7,388**	**4,821**

[1] *The prior year has been restated to include debtors arising from reinsurance operations.*

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, cash and overseas deposits. 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 following table.

	2016 Profit or loss for the year £'000	**2015 Profit or loss for the year £'000**
+ 50 basis points shift in yield curves	(50)	45
- 50 basis points shift in yield curves	50	(45)

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 below summarises the carrying value of the Syndicate's assets and liabilities, at the reporting date:

As at 31 December 2016	**Sterling £'000**	**Euro £'000**	**US Dollar £'000**	**Norwegian Krone £'000**	**Total £'000**
Total assets	11,988	5,600	7,334	2,196	27,118
Total liabilities	(17,610)	(9,263)	(7,420)	(2,488)	(36,781)
Net assets / (liabilities)	**(5,622)**	**(3,663)**	**(86)**	**(292)**	**(9,663)**

As at 31 December 2015	Sterling £'000	Euro £'000	US Dollar £'000	Norwegian Krone £'000	Total £'000
Total assets	14,407	6,843	845	1,727	23,822
Total liabilities	(13,857)	(12,335)	(392)	(2,219)	(28,803)
Net assets / (liabilities)	**550**	**(5,492)**	**453**	**(492)**	**(4,981)**

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 £0.2m (2015: £0.2m).

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 below summarises the maturity profile of the Syndicate's statement of financial position based on the estimated timing of claims payments and other undiscounted contractual obligations.

As at 31 December 2016	Carrying amount	Total cash flows	Undiscounted net cash flows			
			Less than 1 year	1-2 years	2-5 years	More than 5 years
	£'000	**£'000**	£'000	£'000	£'000	£'000
Financial investments:						
Shares and other variable yield securities and units in unit trusts	9,336	9,336	9,336	-	-	-
Debts securities and other fixed income securities	627	627	627	-	-	-
Participation in investment pools	-	-	-	-	-	-
Overseas deposits	787	787	787	-	-	-
Reinsurers' share of technical provisions:						
Reinsurers' share of outstanding claims	1,866	1,866	978	527	361	-
Reinsurers' share of unearned premiums[1]	1,392	-	-	-	-	-
Debtors arising out of insurance operations	7,388	7,388	7,388	-	-	-
Cash at bank and in hand	2,574	2,574	2,574	-	-	-
Other Debtors and accrued income:						
Deferred acquisition costs[1]	2,665	-	-	-	-	-
Other debtors	483	483	483	-	-	-
Total assets	**27,118**	**23,061**	**22,173**	**527**	**361**	**-**
Gross share of technical provisions:						
Outstanding claims	(23,774)	(23,774)	(10,972)	(5,913)	(5,393)	(1,496)
Unearned premiums[1]	(7,998)	-	-	-	-	-
Creditors arising out of insurance operations	(5,009)	(5,009)	(5,009)	-	-	-
Total liabilities	**(36,781)**	**(28,783)**	**(15,981)**	**(5,913)**	**(5,393)**	**(1,496)**
Net assets / (liabilities)	**(9,663)**	**(5,722)**	**6,192**	**(5,386)**	**(5,032)**	**(1,496)**

[1] *These assets/liabilities are not cash settled and therefore have no future net cash flow in the above note.*

As at 31 December 2015	Carrying amount	Total cash flows	Undiscounted net cash flows Less than 1 year	1-2 years	2-5 years	More than 5 years
	£'000	**£'000**	£'000	£'000	£'000	£'000
Financial investments:						
Shares and other variable yield securities and units in unit trusts	6,008	6,008	6,008	-	-	-
Debts securities and other fixed income securities	3,019	3,019	2,379	640	-	-
Participation in investment pools	1	1	1	-	-	-
Overseas deposits	479	479	479	-	-	-
Reinsurers' share of technical provisions:						
Reinsurers' share of outstanding claims	2,120	2,120	1,111	598	411	-
Reinsurers' share of unearned premiums[1]	1,504	-	-	-	-	-
Debtors arising out of insurance operations	4,821	4,821	4,821	-	-	-
Cash at bank and in hand	1,524	1,524	1,524	-	-	-
Other Debtors and accrued income:						
Deferred acquisition costs[1]	4,039	-	-	-	-	-
Other debtors	307	307	307	-	-	-
Total assets	**23,822**	**18,279**	**16,630**	**1,238**	**411**	**-**
Gross share of technical provisions:						
Outstanding claims	(14,168)	(14,168)	(6,560)	(3,514)	(3,205)	(889)
Unearned premiums[1]	(9,622)	-	-	-	-	-
Creditors arising out of insurance operations	(5,013)	(5,013)	(5,013)	-	-	-
Total liabilities	**(28,803)**	**(19,181)**	**(11,573)**	**(3,514)**	**(3,205)**	**(889)**
Net assets / (liabilities)	**(4,981)**	**(902)**	**5,057**	**(2,276)**	**(2,794)**	**(889)**

[1] *These assets/liabilities are not cash settled and therefore have no future net cash flow in the above note.*

In the above tables debt securities are presented according to their maturity dates. In practice cash could be realised through the sale of these investments which are actively traded. The disclosure does not take account of premiums received from new business written which can be used to pay claims arising.

Operational risk

This is the risk that errors caused by people, processes, systems or external events 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.

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 (FCA), the Prudential Regulation Authority (PRA) and the Council of 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.

Capital management (excluding Funds at Lloyd's)

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 779 is not disclosed in these financial statements.

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member 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, the combination of both is 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 was 35% of the member's SCR to ultimate, plus an additional 20% uplift until the mid-year 2016 Coming into Line.

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 pages 17 to 18, 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 through a formal process controlled by Lloyd's.

5. Business class analysis

An analysis of the technical account result by business class before investment return is set out below:

	Note	2016 £'000	2015 £'000
Scheme	(a)	14,230	6,324
Individual		1,196	1,857
Group	(a)	4,384	5,919
Gross premium written	(b)	19,810	14,100
Periodic Premiums		16,780	10,575
Single Premiums		3,030	3,525
Gross premium written	(b)	19,810	14,100
Gross premiums earned		22,394	17,999
Gross claims incurred		(14,419)	(8,521)
Net operating expenses		(13,500)	(11,496)
Reinsurance balance	(c)	(1,006)	(1,605)
Total		(6,531)	(3,623)

Notes:

- *(a) Group business written through a coverholder is included in the above table as scheme business. This differs from the Syndicate Business Forecast return where it is defined as group business.*
- *(b) All premiums written are in respect of contracts concluded in the UK and are in respect of term life business and ancillary covers. An analysis of the geographical breakdown of written premiums by destination is included within note 4.*
- *(c) The reinsurance balance comprises reinsurance recoveries less outward reinsurance premiums. All gross premiums written by the Syndicate are in respect of direct business.*

6. Technical provisions

The Syndicate has applied a similar approach to establishing technical provisions for claims outstanding reserves and reinsurer's share thereof, as included within the Long-Term Business Provision, held at the end of the previous year. The claims incurred, as stated within the financial statements of £13.8m (2015: £7.2m) includes a deterioration of £0.7m in relation to claims incurred at the prior year end.

	Unearned premiums £'000	Claims outstanding £'000	Total £'000
Gross			
At 1 January 2016	9,622	14,168	23,790
Movement in provision	(2,584)	7,976	5,392
Foreign exchange	960	1,630	2,590
At 31 December 2016	7,998	23,774	31,772
Reinsurance			
At 1 January 2016	1,504	2,120	3,624
Movement in provision	(120)	(339)	(459)
Foreign exchange	8	85	93
At 31 December 2016	1,392	1,866	3,258
Net Long-Term technical provisions			
At 31 December 2016	6,606	21,908	28,514
At 31 December 2015	8,118	12,048	20,166

	Unearned premiums £'000	Claims outstanding £'000	Total £'000
Gross			
At 1 January 2015	14,077	14,697	28,774
Movement in provision	(3,899)	108	(3,791)
Foreign exchange	(556)	(637)	(1,193)
At 31 December 2015	9,622	14,168	23,790
Reinsurance			
At 1 January 2015	1,698	2,618	4,316
Movement in provision	(192)	(410)	(602)
Foreign exchange	(2)	(88)	(90)
At 31 December 2015	1,504	2,120	3,624
Net Long-Term technical provisions			
At 31 December 2015	8,118	12,048	20,166
At 31 December 2014	12,379	12,079	24,458

The basis of calculation of the long-term business provisions is as follows:

- **Individual Life** - Reserves are calculated based on a view of reporting delay (validated against past data) for earned business and loss ratio expectations for unearned business (validated against past performance). For individual life business, an additional analysis is carried out based on underlying mortality expectations taking into account the CMI mortality rates.

  This individual life analysis is used to determine the transfer premium provision for GAAP reserving. This is a mechanism to deliver equity between years of account, in which later years of account to which long term policies re-sign are provided a share of any excess in earlier years to compensate for the higher mortality in the latter part of the overall policy term. This is calculated by projecting forward future premiums and future expected claims, with a prudent allowance for lapses, and assessing any deficiencies in the future premiums receivable.

- **Group and Scheme Life** - 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 the unexpired premium for 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.

- **Legacy European Business** – The majority of the Syndicate's reserves relate to a legacy portfolio of predominantly accident and sickness business. The account has terms of up to 10 years, with payment periods for any period of resulting unemployment of up to 5 years, in some instances with an additional 1 year discovery period.

  By its nature this business would not be subject to standard Life reserving methods. As a result, several bespoke methods are applied for this account due to its long tail, complexity, uncertainties in respect of historical reporting delays, average length of payment term and premium earning recognising increasing mortality / morbidity over the term.

The Syndicate actuary is satisfied that this method of reserving is prudent.

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.

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 occur.

7. Net operating expenses

	2016 £'000	2015 £'000
Brokerage and commissions	7,353	5,602
Other acquisition costs	898	839
Acquisition costs	8,251	6,441
Change in deferred acquisition costs	1,797	2,091
Administrative expenses	2,716	2,984
Members' standard personal expenses	215	198
Loss / (profit) on exchange	521	(218)
	13,500	11,496

8. Auditors' remuneration

	2016 £'000	2015 £'000
Audit of syndicate annual accounts	80	77
Other services pursuant to regulations and Lloyd's byelaws	13	13
Other services relating to taxation	4	3
	97	93

9. Staff numbers and costs

All staff are employed by a related party, ANV Central Bureau of Services Limited (CBS). The average number of persons employed by CBS, but working for the Syndicate during the year, analysed by category, was as follows:

	2016	2015
Finance and administration	8	6
Underwriting	5	7
Claims	1	1
	14	14

The following amounts were recharged by CBS to the Syndicate in respect of payroll costs:

	2016 £'000	2015 £'000
Wages and salaries	1,308	1,497
Social security costs	191	177
Other pension costs	100	142
	1,599	1,816

10. Key management personnel compensation

The Directors of ASL received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2016 £'000	2015 £'000
Emoluments	247	170
Contributions to defined contribution pension schemes	11	9
	257	179

The remuneration of 11 directors was charged to the Syndicate (2015: 10). Profit-related remuneration for the directors and Active Underwriter is not charged to the Syndicate. No other compensation was payable to key management personnel.

The active underwriter received the following aggregate remuneration charged as a syndicate expense:

	2016 £'000	2015 £'000
Emoluments	323	226
Contributions to defined contribution pension schemes	6	25
	329	251

11. Investment return

The investment return transferred from the technical account to the non-technical account comprises the following:

	2016 £'000	2015 £'000
Investment income:		
Interest and dividend income	129	299
Unrealised gains on investments	2	-
Investment expenses and charges:		
Investment management expenses, including interest	(6)	(14)
Losses on the realisation of investments	(2)	(74)
Unrealised losses on investments	(69)	(143)
Total investment return transferred to the technical account from the non-technical account	54	68

The total income, expenses, net gains or losses, including changes in fair value, recognised on all financial assets and financial liabilities comprises the following:

	2016 £'000	2015 £'000
Financial assets at fair value through profit or loss	60	82
Investment management expenses, excluding interest	(6)	(14)
Total investment return	54	68

12. Financial instruments

The carrying values of the Syndicate's financial assets and liabilities are summarised by category below:

Financial assets	2016 £'000	2015 £'000
Measured at fair value through profit and loss		
• Shares and other variable yield securities and units in unit trusts	9,336	6,008
• Debt securities and other fixed income securities	627	3,019
• Participation in investment pools	-	1
	9,963	9,028
• Overseas deposits (see note 16)	787	479
	10,750	9,507
Measured at cost		
• Cash and cash equivalents	2,574	1,524
	3,361	2,003
Measured at undiscounted amount receivable		
• Other debtors (see note 15)	386	167
Total financial assets	13,710	11,198

The Syndicate does not hold any financial liabilities.

Shares and other variable yield securities, units in unit trusts and debt securities and other fixed income securities are all listed on recognised stock exchanges. The cost on acquisition of debt securities and other fixed income securities was £0.6m (2015: £3.1m). The cost on acquisition of other financial instruments is the same as the carrying value.

All investments are measured at fair value through profit or loss. The Syndicate did not hold any derivative financial instruments during the year (2015: none). The Syndicate does not enter into or trade instruments for speculative purposes.

The Syndicate classifies its financial instruments held at fair value in its statement of financial position using a fair value hierarchy, as follows:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The table below analyses financial instruments held at fair value in the Syndicate's statement of financial position at the reporting date by its level in the fair value hierarchy.

As at 31 December 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	747	8,589	-	9,336
Debt securities and other fixed income securities	-	627	-	627
Participation in investment pools	-	-	-	-
Overseas deposits	-	787	-	787
	747	10,003	-	10,750

As at 31 December 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	94	5,914	-	6,008
Debt securities and other fixed income securities	-	3,019	-	3,019
Participation in investment pools	-	1	-	1
Overseas deposits	-	479	-	479
	94	9,413	-	9,507

Information on the methods and assumptions used to determine fair values for each major category of financial instrument measured at fair value is provided below.

Some government and supranational securities are listed on recognised exchanges and are generally classified as level 1 in the fair value hierarchy. Those that are not listed on a recognised exchange are generally based on composite prices of recent trades in the same instrument and are generally classified as level 2 in the fair value hierarchy.

Shares and other variable yield securities and units in unit trusts represent the Syndicate's interest in money market funds. The categorisation of the fair value of these by level has been determined by looking through the funds to the underlying holdings within the collective investment schemes. Corporate bonds, including asset backed securities, that are not listed on a recognised exchange or are traded in an established over-the-counter market are also mainly valued using composite prices. Where prices are based on multiple quotes and those quotes are based on actual recent transactions in the same instrument the securities are classified as level 2, otherwise they are classified as level 3 in the fair value hierarchy.

Debt securities are generally valued using prices provided by external pricing vendors. Pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may make adjustments for the elapsed time from a trade date to the valuation date to take into account available market information. Lacking recently reported trades, pricing vendors will use modelling techniques to determine a security price.

Management performs an analysis of the prices obtained from pricing vendors to ensure that they are reasonable and produce a reasonable estimate of fair value. Management considers both qualitative and quantitative factors as part of this analysis.

13. Debtors arising out of direct insurance operations

	2016 £'000	2015 £'000
Due within one year – intermediaries	7,208	3,512

14. Debtors arising out of reinsurance operations

	2016 £'000	2015 £'000
Due within one year – intermediaries	180	1,309

15. Other debtors

	2016 £'000	2015 £'000
Amounts due from group companies	386	167

16. Other assets - Other

	2016 £'000	2015 £'000
Overseas deposits	787	479

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

17. Deferred acquisition costs

	2016 £'000	2015 £'000
At 1 January	4,039	6,427
Movement in provision	(1,797)	(2,091)
Exchange adjustments	423	(297)
At 31 December	2,665	4,039

18. Creditors arising out of direct insurance operations

	2016 £'000	2015 £'000
Due within one year – intermediaries	4,665	4,991

19. Creditors arising out of reinsurance operations

	2016 £'000	2015 £'000
Due within one year – intermediaries	344	22

20. Claims development

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date, related direct and indirect claims handling costs and, for the latest calendar year, the run-off provision representing management's estimated future developments to be incurred in finalising the Syndicate's liabilities. Balances have been translated at exchange rates prevailing at 31 December 2016 in all cases. All balances presented are in respect of premiums earned to the statement of financial position date. Given the long earning patterns of the legacy business written, claims development is expected over an extended number of years. The entity chose not to disclose information about claims development that occurred earlier than five years before the end of the first financial year in which FRS 103 is applied in line with a transitional provision (FRS 103.6.3).

Gross basis as at 31 December 2016:

Pure underwriting year	**2011 £'000**	**2012 £'000**	**2013 £'000**	**2014 £'000**	**2015 £'000**	**2016 £'000**	**Total £'000**
Incurred gross claims							
At end of underwriting year	6,204	6,702	2,137	2,714	1,783	10,145	
one year later	13,002	11,336	6,083	4,641	4,905	-	
two years later	10,806	11,985	6,381	4,571	-	-	
three years later	10,918	11,862	6,086	-	-	-	
four years later	10,191	11,862	-	-	-	-	
five years later	10,465	-	-	-	-	-	
Gross ultimate claims on premium earned to date	10,465	11,862	6,086	4,571	4,905	10,145	48,034
Gross ultimate claims on premium earned to date for 2010 & Prior years	10,136	-	-	-	-	-	10,136
Less gross claims paid	(9,783)	(11,683)	(5,818)	(4,267)	(2,504)	(341)	(34,396)
Gross claims reserves	**10,818**	**179**	**268**	**304**	**2,401**	**9,804**	**23,774**

Net basis as at 31 December 2016:

Pure underwriting year	**2011 £'000**	**2012 £'000**	**2013 £'000**	**2014 £'000**	**2015 £'000**	**2016 £'000**	**Total £'000**
Incurred net claims							
At end of underwriting year	3,901	4,907	1,310	1,387	1,559	10,099	
one year later	9,163	8,054	3,597	3,069	4,075	-	
two years later	7,733	8,018	3,897	3,209	-	-	
three years later	7,898	8,067	3,548	-	-	-	
four years later	7,367	7,955	-	-	-	-	
five years later	7,597	-	-	-	-	-	
Net ultimate claims on premium earned to date	7,597	7,955	3,548	3,209	4,075	10,099	36,483
Net ultimate claims on premium earned to date for 2010 & Prior years	8,646	-	-	-	-	-	8,646
Less net claims paid	(7,104)	(7,810)	(3,311)	(2,918)	(1,737)	(341)	(23,221)
Net claims reserves	**9,139**	**145**	**237**	**291**	**2,338**	**9,758**	**21,908**

21. Year of account result development

The table below presents the annual results for each year of account until the earlier of the current year end and closure of the year of account by reinsurance to close. Subsequent movements in results for closed years of account are reflected within the results for the year into which they closed.

Year of Account	2010 £'000	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	Profit / (loss) before members' agents' fees[2] £'000
2010	(4,951)	2,802	1,286	3,735				2,872
2011		(2,482)	1,047	770				(665)
2012			(2,847)	507	1,698			(642)
2013				(804)	1,530	(2,474)		(1,748)
2014					(1,807)	717	(846)	(1,936)
2015						(1,798)	93	(1,705)
2016							(5,724)	(5,724)
Calendar year result[1]	**(4,951)**	**320**	**(514)**	**4,208**	**1,421**	**(3,555)**	**(6,477)**	

[1] The 2010 and 2011 calendar year results exclude the movement on the earlier years of account open during those periods.
[2] The loss before members' agents' fees presents the cumulative result for each year of account until closure.

Following the decision not to close the 2014 year of account and after consideration of the expected future cashflows of the Syndicate over the next 12 months and its available capital resources, the directors have determined to call £2.0m (£1.9m excluding PTF debts) from the 2014 year of account members (2015: £1.9m call in relation to the closure of the 2013 year of account).

22. Retirement benefit schemes

ANV Central Bureau of Services Limited (CBS) operates a defined contribution retirement benefit scheme for all qualifying employees. The funds of the scheme are administered by Aviva plc and are held separately. Contributions are paid by CBS and staff. The group also makes payments into certain other staff personal pension plans. The total expense charged to the Syndicate's income statement for the year ended 31 December 2016 in respect of these was £0.1m (2015: £0.1m).

23. Related parties

Prior to 15 July 2016, ANV Holdings (UK) Limited (AHUK) held 80% of the ordinary shares of ANV Syndicate Management Limited (ASML) with the remaining 20% held by Ryan Specialty Group, LLC (RSG). Following AHUK's acquisition of RSG's 20% shareholding on 15 July 2016, AHUK owns 100% of the issued share capital of ASML. ASML is the immediate parent company of AmTrust Syndicates Limited (formerly ANV Syndicates Ltd - ASL). AHUK is a wholly owned subsidiary of ANV Risk BV and the ultimate holding company of the ANV Group is ANV Holdings BV.

On 7 November 2016, ANV Holdings BV, and its subsidiary undertakings (ANV Group) was acquired by AmTrust Lloyd's Holdings (UK) Ltd (an indirect, wholly owned subsidiary of AmTrust Financial Services, Inc.) from the company's former lead investor, the Ontario Teachers' Pension Plan. Following this transaction the name of ANV's managing agency was changed to AmTrust Syndicates Ltd.

Transactions with group entities
Lloyd's market regulations require that a Managing Agent be responsible for engaging underwriting staff and managing the affairs of each syndicate at Lloyd's on behalf of the Syndicate members. The Managing Agent of Syndicate 779 is AmTrust Syndicates Limited (formerly ANV Syndicates Ltd – ASL).

AmTrust entities
From 1 January 2015 ANV Central Bureau of Services Limited (CBS), a group company, has performed the recharge of all costs to the Syndicate under intragroup service agreements. Included within the recharges are amounts relating to the remuneration of Directors of ASL. Profit-related remuneration for the Syndicate's Active Underwriters and ASL Directors is not charged to the Syndicate. These intragroup service agreements have been updated with effect from 7 November 2016 to take to include AmTrust services companies (AmTrust

Lloyd's Holdings Ltd and AmTrust Management Services Ltd). No recharges were made from these entities during the period.

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 a calendar year basis.

For the 2016 underwriting year of account, ASL charged an average agent's fee of 0.575% of capacity (2015: 0.575%) 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 after allowance for any prior year losses subject to the provision of the loss deficit clause. Within the financial statements, fees of £0.2m (2015: £0.2m) and profit commission of £nil (2015: £nil) have been charged. At 31 December 2016 there are no unpaid fees (2015: £nil).

In 2016 and 2015 CBS incurred a large proportion of the expenses incurred in operating the Syndicate and recharged them to the Syndicate on a basis that reflected the Syndicate's usage of resources. The recharges are included within amounts disclosed as net operating expenses, acquisition costs and claims incurred.

The total amount recharged by CBS to the Syndicate during 2016 and 2015, including amounts relating to the remuneration of Directors of ASL but excluding agent fees and profit commission, was £3.3m (2015: £3.9m). As at 31 December 2016, an amount of £0.4m (2015 £0.2m) was due from CBS in relation to expenses.

Other Entities
A proportion of the business written by the Syndicate is either sourced from or involves the provision of insurance services by Ryan Direct Group Limited and its subsidiaries which are part of RSG. These subsidiaries include:

- Jubilee Service Solutions Limited – UK based provision of insurance services;
- Jubilee Europe BV – Netherlands coverholder providing underwriting and claims services; and
- Lutine Assurance Services Limited – UK coverholder providing underwriting services.

The Directors of ASL consider the commissions and fees charged to the Syndicate by these companies by Ryan Direct Group Limited and its subsidiaries to be consistent with those payable to a third party for similar services.

The fee income paid to these companies in respect of services provided to Syndicate 779 was £nil (2015 £nil. The balance due to the companies at 31 December 2016 was £nil (2015 £nil).

Jubilee Europe BV (JE) incorporated in the Netherlands (formerly Cassidy Davis Europe B.V), a wholly owned subsidiary of JGHL, provided underwriting and claims services to the Syndicate. It also held a limited binding authority to accept business on behalf of the Syndicate. In 2015, RSG began the process of winding up JE and transferred the services performed for the Syndicate to Intrust BV, an unrelated company.

Business written by Syndicate 779 may include that sourced from RSG on the open market through Lloyd's brokers. All risks have been entered into on an arm's length basis and ASL has had unfettered underwriting discretion for all opportunities.

The Directors of ASL consider the commissions and fees charged to the Syndicate by these Ryan Direct Group subsidiaries and companies within the RSG Group to be consistent with those payable to a third party for similar services.

Syndicate capital
Prior to the acquisition of ANV Holdings BV by AmTrust Lloyd's Holdings (UK) Ltd, and prior to the sale of Jubilee Managing Agency Limited (subsequently renamed ANV Syndicates Limited and then AmTrust Syndicates Limited) to the ANV Group before that, the parent company of JMAL was JGHL. On 23 September 2011, JGHL was acquired by Ryan Specialty Group, LLC (RSG). Following a change in control, JGHL became the immediate parent of the Managing Agency. Ryan Specialty Group, LLC became the ultimate parent company. As part of the sale of JMAL to the ANV Group in 2013, RSG acquired a 20% shareholding in ASML, the immediate parent company of ASL.

2013 (closed into 2014 YOA on 18 February 2016)
Following the acquisition of JMAL by RSG in 2011, Ryan Specialty Group Risk, LLC, another entity with commonality of ownership with RSG, through its wholly owned subsidiary, Jubilee Corporate Member LLP, provided 21% of the Underwriting Capacity of the Syndicate for the 2013 underwriting year.

2014
Jubilee Corporate Member LLP provided 32% of the Underwriting Capacity of the Syndicate for the 2014 underwriting year.

2015
Jubilee Corporate Member LLP provided 32% of the Underwriting Capacity of the Syndicate for the 2015 underwriting year.

2016
Jubilee Corporate Member LLP provided 33% of the Underwriting Capacity of the Syndicate for the 2016 underwriting year.

2017
On 30 November 2016, ASL submitted an application to Lloyd's for cessation of syndicate 779 following the decision of a significant proportion of third party capital not to continue to support the Syndicate. The Lloyd's Capacity Transfer Panel approved that application on 21 December 2016. ASL remains in discussion with Lloyd's and third party capital providers as to the conditions applicable to RITC of the Syndicate at the end of 2018.

Directors' interests
Members of the ASL Board are also directors of other ANV Group companies that transact with ASL and/or the Syndicate, as follows:

- Adam Barker (resigned from ASL 31 October 2016) was a director of ANV Corporate Name Limited (resigned 31 October 2016);
- Janice Hamilton is a director of ANV Corporate Name Limited and ANV Central Bureau of Services Limited (appointed 7 November 2016); and
- Lynsey Cross (resigned from ASL 7 November 2016) is a director of ANV Central Bureau of Services Limited.

Neither the directors nor the active underwriter participate on the Syndicate.

Nicholas Pawson, a non-executive director of ASL, provided capital to the Syndicate through a corporate entity to support underwriting on the 2016 year of account. No other directors or the active underwriter participate on the Syndicate.

24. Post Balance Sheet Events

On 15 February 2017 the Board of the Managing Agent authorised a call of £1.9m from members' personal reserve funds, (£2.0m including members' agents' fees) in relation to the 2014 year of account which remains open at 31 December 2016.

25. Ultimate parent company

AmTrust Syndicate Limited's immediate parent is ANV Syndicate Management Limited ("ASML"), a company registered in England and Wales. The company's ultimate holding company is AmTrust Financial services, Inc. (AFS) a company incorporated in Delaware, USA and listed on the NASDAQ Stock Market. A copy of AFS's consolidated accounts can be obtained from that company's registered office, which is located at 59 Maiden Lane, 43rd Floor, New York, USA.

AmTrust

Syndicate 779

Run-off Underwriting Year Accounts for the 2014 Year of Account
As at 31 December 2016

Syndicate Run-off Underwriting Year Accounts – 2014 Year of Account

Report of the Directors of the Managing Agent

The Directors of the Managing Agent present their report for the year ended 31 December 2016 in respect of the 2014 year of account of Syndicate 779. The principal activity of the Syndicate is that of underwriting Term Life Assurance conducted through the Lloyd's market. An overview of the Syndicate's activities is provided in the Report of the Directors of the Managing Agent within the annual financial statements.

Review of the 2014 run-off year of account
A review of the performance of the 2014 year of account is provided in the Report of the Directors of the Managing Agent within the annual financial statements.

Following the withdrawal of capital support, and despite the Managing Agent's best efforts, it was not possible to secure alternative capital to continue underwriting the Syndicate for the 2017 year of account. ASL has put the Syndicate into run-off with agreement from Lloyd's Capacity Transfer Panel. The consequent decision to keep the 2014 year of account open at 36 months is after consideration of the fact that the capital participation varies between the 2014 and 2015 years of account and the significant change in business mix between these two years. A run-off provision has been included within the technical provisions of the Syndicate representing management's best estimate assessment of the expected future developments in finalising the Syndicate's liabilities reflecting that the Syndicate is no longer a going concern.

AmTrust Syndicates Limited has committed to work with capital providers to develop an acceptable means of closing the Syndicate at the earliest appropriate date for all years of account which is currently estimated as 31 December 2018. However until agreement has been reached with a third party the ultimate cost and timing of any reinsurance to close, together with the future expenses required until any such reinsurance to close is concluded, remains uncertain. The ultimate costs to finalise the Syndicate's liabilities may vary significantly from those recorded within the Syndicate's technical provisions.

Seven Year Summary of Results
A seven year summary of underwriting results is presented on page 68.

Disclosure of information to the auditors
Each Director who held office at the date of the approval of this Report of the Directors of the Managing Agent confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Syndicate's auditor is unaware; and
- the Director has taken all the steps that one ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Syndicate Auditors
PKF Littlejohn LLP has signified its willingness to continue in office as the Syndicate's auditor.

Approved by Order of the Board

P Dewey
Chief Executive Officer
AmTrust Syndicates Limited
21 March 2017

Company number: 4434499

Statement of Managing Agent’s Responsibilities

ASL, as Managing Agent, is responsible for preparing syndicate underwriting year of accounts in accordance with applicable law and the Lloyd’s Syndicate Accounting Byelaw.

The Lloyd’s Syndicate Accounting Byelaw (No.8 of 2005) requires the Managing Agent to prepare Syndicate run-off underwriting year accounts at 31 December 2016 in respect of any syndicate year that is in run-off.

In preparing the syndicate run-off underwriting year accounts, the Managing Agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these financial statements.

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 run-off underwriting year accounts comply with the 2008 Regulations and the Syndicate Accounting Byelaw (No.8 of 2005). It also has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Syndicate and to prevent and detect fraud and other irregularities.

Report of the Auditors

Independent Auditor's Report to the Members of Syndicate 779 – 2014 Run-off Year of Account
We have audited the Syndicate Run-off Underwriting Year Accounts for the 2014 Run-off Year of Account of Syndicate 779 for the three years ended 31 December 2016 as set out on pages 50 to 67, which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 15. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts".

This report is made solely to the members on the 2014 Year of Account of the Syndicate, as a body, in accordance with the Regulation 6(4) of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Syndicate Accounting Byelaw (No.8 of 2005). Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Syndicate members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Managing Agent and Auditor
As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 47, the Managing Agent is responsible for the preparation of the Syndicate Run-off Underwriting Year Accounts, under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005), which give a true and fair view. Our responsibility is to audit and express an opinion on the Syndicate Run-off Underwriting Year Accounts 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 Run-off Underwriting Year Accounts
An audit involves obtaining evidence about the amounts and disclosures in the Syndicate Run-off Underwriting Year Accounts sufficient to give reasonable assurance that the Syndicate Run-off Underwriting Year Accounts 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 Syndicate Run-off Underwriting Year Accounts.

In addition, we read all the financial and non-financial information in the Report of the Directors of the Managing Agent to identify material inconsistencies with the Syndicate Run-off Underwriting Year Accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Syndicate Run-off Underwriting Year Accounts
In our opinion the Syndicate Run-off Underwriting Year Accounts:

- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005).

Emphasis of matter – Run-off
As disclosed in Note 1, the Syndicate has ceased underwriting beyond the 2016 year of account and has not closed by reinsurance the 2014 year of account and is therefore in run-off. The Managing Agent therefore no longer consider the Syndicate to be a going concern.

Accordingly within the technical provisions is a run-off provision which provides for the net ultimate additional costs in excess of income over and above the technical provisions including the unallocated loss adjustment expenses that would have been reserved if the Syndicate had remained a going concern.

Although the Managing Agent considers the technical provisions including this run-off provision to represent a prudent best estimate of the costs to be incurred in finalising this Syndicate's liabilities a third party may assess the liabilities differently. Until final agreement is reached with a third party the amount to be paid cannot be accurately ascertained and the ultimate costs including a reinsurance to close may differ significantly from the value of the technical provisions within the financial statements.

Our opinion is not modified in this respect.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005) requires us to report to you if, in our opinion:

- the Managing Agent in respect of the Syndicate has not kept proper accounting records; or
- the Syndicate Run-off Underwriting Year Accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Neil Coulson (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
1 Westferry Circus
Canary Wharf
London E14 4HD

21 March 2017

Income Statement: Technical Account – Long Term Business

2014 Run-off Year of Account for the three years ended 31 December 2016

	Note	£'000	£'000
Syndicate allocated capacity			22,281
Earned premiums, net of reinsurance			
Gross premiums written	4	13,826	
Outward reinsurance premiums		(3,939)	
Net premium written and earned			9,887
Reinsurance to close premium received, net of reinsurance	5		13,086
			22,973
Allocated investment return transferred from the non-technical account			57
Claims incurred, net of reinsurance			
Claims Paid			
Gross amount		(7,897)	
Reinsurers' share		1,656	
Net claims paid			(6,241)
Amount retained to meet known and unknown outstanding liabilities, net of reinsurance	6		(11,567)
			(17,808)
Net operating expenses	7		(7,158)
Balance on the technical account – long term business			(1,936)

The accompanying notes form an integral part of the financial statements.

Income Statement: Non-Technical Account

2014 Run-off Year of Account for the three years ended 31 December 2016

	Note	£'000
Balance on the technical account – long term business		(1,936)
Investment income	8	131
Unrealised gains on investments	8	3
Investment expenses and charges	8	(8)
Unrealised losses on investments	8	(69)
Allocated investment return transferred to the long term business technical account		(57)
Loss for the three years as at 31 December 2016		(1,936)

The accompanying notes form an integral part of the financial statements.

There is no other comprehensive income and consequently no Statement of Other Comprehensive Income has been presented.

Statement of Financial Position

2014 Run-off Year of Account as at 31 December 2016

	Note	£'000
Investments		
Financial investments	9	4,694
Reinsurance recoveries anticipated on gross amounts retained to meet known and unknown outstanding liabilities	6	1,910
Debtors		
Debtors arising out of direct insurance operations	11	1,166
Debtors arising out of reinsurance operations	12	180
Other debtors	13	3,895
		5,241
Other assets		
Cash at bank and in hand		1,218
Overseas deposits		406
		1,624
Amounts due from members		2,022
Total assets		15,491
Liabilities		
Gross amounts retained to meet known and unknown outstanding liabilities	6	13,477
Creditors		
Creditors arising out of direct insurance operations	14	2,014
Total liabilities		15,491

The accompanying notes form an integral part of the financial statements.

The syndicate underwriting year accounts on pages 50 to 67 were approved by the Board of ASL on 21 March 2017 and were signed on its behalf by:

J M Hamilton
Director

21 March 2017

Statement of Changes in Equity

2014 Run-off Year of Account for the three years ended 31 December 2016

	£'000
Amounts due from members at 1 January 2014	-
Loss for the 2014 run-off year of account	(1,936)
Prepaid members' agents' fees	(86)
Amounts due from members at 31 December 2016	(2,022)

Members participate on Syndicates by reference to years of account and the ultimate result therefrom.

Statement of Cash Flows

2014 Run-off Year of Account for the three years ended 31 December 2016

	£'000
Loss for the 2014 run-off year of account	(1,936)
Adjustment for:	
Increase in gross amounts retained to meet known and unknown outstanding liabilities	13,477
Increase in reinsurance recoveries anticipated on gross amounts retained to meet known and unknown outstanding liabilities	(1,910)
Operating cash flow before movement in working capital	9,631
Increase in debtors	(5,241)
Increase in creditors	2,014
Investment Return	(57)
Net cash inflow from operating activities	6,347
Cash flows from investing activities:	
Purchase of other financial instruments	(4,694)
Investment income received	57
Movements in overseas deposits	(406)
Net cash outflow from investing activities	(5,043)
Net cash flow from financing activities:	
Members' agents' fees paid on behalf of members	(86)
Net cash outflow from financing activities	(86)
Net increase in cash and cash equivalents:	1,218
Cash and cash equivalents at 1 January 2014	-
Effect of exchange rate changes on cash and cash equivalents	-
Cash and cash equivalents at 31 December 2016	1,218

Notes to the Syndicate Run-off Underwriting Year Accounts

1. Basis of preparation

These run-off underwriting year accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005) and applicable Accounting Standards in the United Kingdom and comply with the Statement of Recommended Practice issued in December 2005 (as amended in December 2006) by the Association of British Insurers. FRS 102 and 103 have been applied to the extent necessary to produce and true and fair view of the results.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2014 year of account which has been kept open at 31 December 2016. Consequently the statement of financial position represents the net assets and liabilities of the 2014 year of account at the current year end. The income statement and statement of cash flows reflect the transactions for that year of account during the 36 month period to date.

Syndicate in Run-Off
Following the withdrawal of capital support, and despite the Managing Agent's best efforts, it was not possible to secure alternative capital to continue underwriting the Syndicate for the 2017 year of account. ASL has put the Syndicate into run-off with agreement from Lloyd's Capacity Transfer Panel. The consequent decision to keep the 2014 year of account open at 36 months is after consideration of the fact that the capital participation varies between the 2014 and 2015 years of account and the significant change in business mix between these two years.

A run-off provision has been included within the technical provisions of the 2014 year of account representing management's best estimate assessment of the expected future developments in finalising the 2014 year of account's liabilities.

ASL has committed to work with capital providers to develop an acceptable means of closing the 2014 year of account at the earliest appropriate date which is currently estimated as 31 December 2018. However until agreement has been reached with a third party the ultimate cost and timing of any reinsurance to close, together with the future expenses required until any such reinsurance to close is concluded, remains uncertain. The ultimate costs to finalise the 2014 year of account's liabilities may vary significantly from those recorded within the technical provisions.

These run-off underwriting year accounts cover the period from the date of inception of the 2014 year of account to the current year end date. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

As a consequence of the 2014 year of account remaining open and not reinsuring to close into the 2015 year of account, the risks to the members on this open year remain. The risk disclosure requirements of FRS 102 and FRS 103 are therefore deemed applicable to these underwriting year accounts.

2. Accounting policies

The accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three-year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account. If an equitable reinsurance to close cannot be determined due to reserve uncertainty the year is held open until an equitable reinsurance to close can be determined.

The accounting policies disclosed within the notes to the Syndicate Annual Accounts have been applied consistently on an annual basis from 1 January 2014 in dealing with items which are considered material in relation to the run-off underwriting year accounts. In addition to the policies disclosed in the Annual Accounts, the run-off underwriting year accounts have been prepared in line with the following:

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

Outwards reinsurance premiums
Outwards reinsurance premiums are allocated to years of account in accordance with the underlying risks being protected.

Gross and reinsurance earned premiums
These accounts are prepared on a fund accounting basis and consequently all premium is treated as being fully earned. Any residual unearned premium relating to the year of account existing on an annual accounting basis has been included within the reinsurance to close premium payable. Where a year is held open any unearned premium existing on an annual accounting basis is included within the amount retained to meet all known and unknown liabilities.

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

Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance
The estimate of the amount retained to meet all known and unknown liabilities is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectable reinsurance recoveries and net of future net premiums relating to the open year of account and all previous years of account reinsured therein.

The techniques used and assumptions made in determining outstanding claims reserves, both gross and net of reinsurance, are described within the "Claims Provisions and Related Recoveries" and "Long-term Business Provision" sections within the accounting policies to the annual accounts.

The Directors consider that the estimates of gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. The uncertainties which are inherent in the process of estimating are such that in the normal course of events, unforeseen or unexpected future developments may cause the ultimate cost of settling the outstanding liabilities to differ from that presently estimated. Credit is taken for any reinsurance recoveries that are presently estimated to be recoverable. No credit is taken for investment earnings which may be expected to arise in the future on the funds representing either the reinsurance to close or the estimate of future liabilities as applicable.

Any unearned premiums are taken into account within the calculation of the amount retained to meet all known and unknown liabilities.

An expense provision is included within the amount retained to meet all known and unknown liabilities representing the Directors' best estimate of the expected future expenses to be incurred in concluding the Syndicate's liabilities on the 2014 year of account.

The calculation of the amount retained to meet all known and unknown liabilities is determined by the Directors on the basis of the information available to them at the time. However, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from those recorded at the current statement of financial position date.

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. Investment return arising in each calendar year is allocated to years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

Syndicate Operating Expenses
Costs incurred by the Managing Agent and ANV Central Bureau of Services Limited (CBS) in respect of the Syndicate are charged to the Syndicate. Where expenses do not relate to any specific year of account they are apportioned between years of account on bases which reflects the benefit obtained by each year of account from each type of expense.

Where expenses are incurred jointly by the Managing Agent or CBS and the Syndicate, they are apportioned on bases that are considered to fairly reflect the nature and usage of the expense concerned in order to comply with the Lloyd's Code for Underwriting Agents: Syndicate Expenses made by the Council on 6 September 2000.

Basis of Currency Translation
The financial statements are presented in Pound Sterling (GBP), which is the Syndicate's functional currency. The Syndicate maintains four settlement currencies, Sterling, US Dollars, Euros and Norwegian Krone. All items recorded within the Income Statement on translation from settlement currency to functional currency are stated at historic rates of exchange and all items within the Statement of Financial Position are stated at the closing rates of exchange at the period end.

The historic rates of exchange basis used within the Income Statement includes the valuation of the reinsurance to close received on the closure of predecessor years of account at the exchange rates prevailing at the time of the closure, the valuation of the amounts retained to meet known and unknown outstanding liabilities, net of reinsurance at rates of exchange prevailing at the period end, and the translation of the other elements of the Income Statement at monthly average rates.

Any differences arising between the translation of the Statement of Financial Position at closing rates and the Income Statement at historic rates of exchange are included within the profit or loss on exchange account within net operating expenses. As these accounts report the total profit or loss to be transferred to members all differences arising on translation of foreign currency amounts in the Syndicate have been included in the technical account.

3. 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. 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.

Insurance risk

i. 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.

The Managing Agent uses catastrophe modelling software to model maximum probable losses from catastrophe-exposed business in major territories. Reserve adequacy is monitored through quarterly review by the Syndicate's actuaries. The Reserving Committee performs a comprehensive review of the projected reserves, both gross and net of reinsurance, and makes recommendations to the Managing Agent's board of directors, via the executive committee, as to the claims provisions to be established. In addition the Agency receives independent external analysis of the reserve requirements annually.

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

ii. Concentration of insurance risk
The 2014 year of account's exposure to insurance risk is diversified by class of business and geography. The diversification by class of business is set down in the business class analysis in note 4.

iii. 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 classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses or catastrophes 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 year of account.

	5% Increase	5% Decrease
	£'000	£'000
Gross Claims	(674)	674
Reinsurers' Share	95	(95)
Net Impact on members' balances	**(579)**	**579**

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 given the limited capital resources available, and the Syndicate's need to maintain liquidity, the Syndicate holds a limited debt portfolio with the Syndicate's funds principally held as cash and money market funds. Investment management has been outsourced to professional fund managers whose performance is monitored by the Investment Committee.

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:

- Debt securities;
- Units in unit trusts and overseas deposits;
- Cash at bank and deposits with credit institutions;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of settled claims;
- Amounts due from group undertakings; and
- Amounts due from insurance intermediaries.

The Syndicate's credit risk in respect of debt securities 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.

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

As at 31 December 2016	**AAA £'000**	**AA £'000**	**A £'000**	**BBB £'000**	**Not Rated £'000**	**Total £'000**
Shares and other variable yield securities and units in unit trusts	4,067	-	-	-	-	4,067
Debt securities and other fixed income securities	-	-	-	627	-	627
Overseas deposits	406	-	-	-	-	406
Cash at bank and in hand	-	-	1,218	-	-	1,218
Reinsurers' share of insurance liabilities	-	1,756	-	-	-	1,756
Total credit risk	**4,473**	**1,756**	**1,218**	**627**	**-**	**8,074**

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date as follows:

Past due but not impaired financial assets	31 December 2016 £'000
Past due by:	
Up to three months	57
Three to six months	22
Six months to one year	50
More than one year	100
	229

There are no debtors arising from direct or reinsurance insurance operations that are impaired at the reporting date.

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, cash and overseas deposits. The risk of change in the fair value of these assets is managed by primarily investing in short to medium term 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	31 December 2016 £'000
Impact of 50 basis point increase on result	(50)
Impact of 50 basis point decrease on result	50
Impact of 50 basis point increase on net assets	(50)
Impact of 50 basis point decrease on net assets	50

Currency risk

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 following table summarises the carrying value of the Syndicate's assets and liabilities at the reporting date.

As at 31 December 2016	Sterling £'000	Euro £'000	US Dollar £'000	Norwegian Krone £'000	Total £'000
Total Assets	8,820	3,159	511	979	13,469
(Total Liabilities)	(6,341)	(7,435)	(56)	(1,659)	(15,491)
Net Assets / (Liabilities)	**2,479**	**(4,276)**	**455**	**(680)**	**(2,022)**

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 £0.2m.

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 and Investment Committee monitor cash flows and manage liquid assets to ensure that cash is available to meet obligations and operational liquidity needs. The following table summarises the maturity profile of the Syndicate's financial liabilities based on the estimated timing of claims payments and other undiscounted contractual obligations.

			Undiscounted net cash flows			
As at 31 December 2016	**Carrying amount**	**Total cash flows**	Less than 1 year	1-3 years	3-5 years	More than 5 years
	£'000	**£'000**	£'000	£'000	£'000	£'000
Financial investments	4,694	4,694	4,694			
Overseas deposits	406	406	406	-	-	-
Reinsurers' share amounts retained to meet known and unknown outstanding liabilities	1,910	1,910	1,114	589	142	65
Debtors arising out of insurance operations	1,346	1,346	1,346	-	-	-
Cash at bank and in hand	1,218	1,218	1,218	-	-	-
Other debtors	3,895	3,895	3,895	-	-	-
Total assets	**13,469**	**13,469**	**12,673**	**589**	**142**	**65**
Gross amounts retained to meet known and unknown outstanding liabilities	(13,477)	(13,477)	(7,867)	(4,154)	(999)	(457)
Creditors	(2,014)	(2,014)	(927)	(923)	(145)	(19)
Total liabilities	**(15,491)**	**(15,491)**	**(8,794)**	**(5,077)**	**(1,144)**	**(476)**
Net assets / (liabilities)	**(2,022)**	**(2,022)**	**3,879**	**(4,488)**	**(1,002)**	**(411)**

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 regular reviews of systems and controls, 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.

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, the Prudential Regulation Authority (PRA) and the Council of Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. The Managing Agent has a compliance officer who monitors regulatory developments and assesses the impact on the Managing Agent's policy.

Capital management (excluding Funds as Lloyd's)
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 779 is not disclosed in these financial statements.

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member 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.

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 52, 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.

4. Business class analysis

An analysis of the technical account result by business class before investment return is set out below:

	Note	2016 £'000
Scheme		7,667
Group		3,401
Individual		2,758
Gross premium written	(a)	13,826
Periodic premiums		10,370
Single premiums		3,456
Gross premium written	(a)	13,826
Geographical Origin of business by situs of risk		
UK		9,290
Other EU countries		1,973
Other countries		2,563
Gross premiums written	(a)	13,826
Reinsurance balance	(b)	(2,283)

Notes:

(a) Gross premiums written have been analysed by reference to the Situs of the risk. All premiums written are in respect of contracts concluded in the UK and are in respect of term life business.

(b) The reinsurance balance comprises reinsurance recoveries less outward reinsurance premiums.

5. Reinsurance to close premium received

	Outstanding claims £'000	IBNR £'000	Total £'000
Gross reinsurance to close premium received	2,885	12,091	14,976
Reinsurance recoveries anticipated	(340)	(1,550)	(1,890)
Reinsurance to close premium received, net of reinsurance	2,545	10,541	13,086

6. Amounts retained to meet known and unknown outstanding liabilities

	Outstanding claims £'000	IBNR £'000	Total £'000
Gross amounts retained to meet known and unknown outstanding liabilities	(3,033)	(10,444)	(13,477)
Reinsurance recoveries anticipated on gross amounts retained to meet known and unknown outstanding liabilities	164	1,746	1,910
Amounts retained to meet known and unknown outstanding liabilities net of reinsurance	(2,869)	(8,698)	(11,567)

7. **Net operating expenses**

	£'000
Brokerage and commissions	4,330
Other acquisition costs	700
Acquisition costs	5,030
Administrative expenses	2,799
Members' standard personal expenses	201
Profit on exchange	(872)
	7,158
Members' agents' fees not included within the technical account, but treated as a deduction from members' balances	86

8. **Investment return**

The investment return transferred from the technical account to the non-technical account comprises the following:

	£'000
Investment income:	
Interest and dividend income	130
Realised gains	1
Unrealised gains on investments	3
Investment expenses and charges:	
Investment management expenses, including interest	(6)
Losses on the realisation of investments	(2)
Unrealised losses on investments	(69)
Total investment return transferred to the technical account from the non-technical account	57

The total income, expenses, net gains or losses, including changes in fair value, recognised on all financial assets and financial liabilities comprises the following:

	£'000
Financial assets at fair value through profit or loss	63
Investment management expenses, excluding interest	(6)
Total investment return	57

9. Financial investments

	Market Value £'000	Cost £'000
Shares and other variable yield securities and units in unit trusts	4,067	4,067
Debt securities and other fixed income securities	627	640
	4,694	4,707

Financial assets	**2016 £'000**
Measured at fair value through profit and loss	4,694
Measured at amortised cost	-
Total financial assets	4,694

The Syndicate does not hold any financial liabilities.

Debt securities and other fixed income securities are all listed on recognised stock exchanges. The 2014 year of account's investments are analysed between the three levels in the fair value hierarchy as follows:

31 December 2016	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Shares and other variable yield securities and units in unit trusts	325	3,742	-	4,067
Debt securities and other fixed income securities	-	627	-	627
Overseas deposits	-	406	-	406
	325	4,775	-	5,100

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market where quoted prices are readily available from an exchange, dealer, broker, industry group or pricing service and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions.

The level 3 category includes financial assets measured using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are based on available market data but are based on assumptions that market participants would use in pricing the asset.

10. Balance on the technical account

	2013 & Prior years of account £'000	2014 pure year of account £'000	Total 2014 Year of account £'000
Technical account balance before net operating expenses and allocated investment return	2,093	3,072	5,165
Brokerage and commissions	(1,991)	(2,339)	(4,330)
	102	**733**	**835**
Allocated investment return transferred from the non-technical account			57
Net operating expenses other than acquisition costs			(2,828)
Loss for the 2014 run-off year of account			(1,936)

11. Debtors arising out of direct insurance operations

	£'000
Due within one year - intermediaries	1,166

12. Debtors arising out of reinsurance operations

	£'000
Due within one year - intermediaries	180

13. Other debtors

	£'000
Inter-year loans	3,895

14. Creditors arising out of direct insurance operations

	£'000
Due within one year - intermediaries	2,014

15. Related parties

Prior to 15 July 2016, ANV Holdings (UK) Limited (AHUK) held 80% of the ordinary shares of ANV Syndicate Management Limited (ASML) with the remaining 20% held by Ryan Specialty Group, LLC (RSG). Following AHUK's acquisition of RSG's 20% shareholding on 15 July 2016, AHUK owns 100% of the issued share capital of ASML. ASML is the immediate parent company of AmTrust Syndicates Limited (formerly ANV Syndicates Ltd - ASL). AHUK is a wholly owned subsidiary of ANV Risk BV and the ultimate holding company of the ANV Group is ANV Holdings BV.

On 7 November 2016, ANV Holdings BV was acquired by AmTrust Lloyd's Holdings (UK) Ltd (an indirect, wholly owned subsidiary of AmTrust Financial Services, Inc.) from the company's former lead investor, the Ontario Teachers' Pension Plan. Following this transaction the name of ANV's managing agency was changed to AmTrust Syndicates Ltd.

Syndicate Capital
Prior to the sale of JMAL to the ANV Group, the parent company of Jubilee Managing Agency Limited was Jubilee Group Holdings Limited (JGHL). On 23 September 2011, JGHL was acquired by Ryan Specialty Group, LLC (RSG). Following a change in control, JGHL became the immediate parent of the Managing Agency and Ryan Specialty Group, LLC became the ultimate parent company.

As part of the sale of JMAL to the ANV Group in 2013, RSG acquired a shareholding of 20% in ASML, the immediate parent company of ASL.

Following the acquisition of JMAL by RSG in 2011, Ryan Specialty Group Risk, LLC, another entity with commonality of ownership with RSG, through its wholly owned subsidiary, Jubilee Corporate Member LLP, provided 32% of the Underwriting Capacity of the Syndicate for the 2014 underwriting year.

Transactions with Group Entities
Lloyd's market regulations require that a Managing Agent be responsible for engaging underwriting staff and managing the affairs of each syndicate at Lloyd's on behalf of the syndicate members. The Managing Agent of Syndicate 779 is AmTrust Syndicates Limited (formerly ANV Syndicates Ltd – ASL).

AmTrust Entities
Following a transfer of all employment and other service contracts to ANV Central Bureau of Services Limited (CBS) at the end of 2014, intragroup service arrangements between ASL and CBS were updated to enable CBS to perform the recharge of all costs to the Syndicate from 1 January 2015. These recharges were performed by ASL during 2014. Included within the recharges are amounts relating to the remuneration of Directors of ASL. Profit-related remuneration for the Syndicate's Active Underwriters and ASL Directors is not charged to the Syndicate. These intragroup service agreements have been updated with effect from 7 November 2016 to take to include AmTrust services companies (AmTrust Lloyd's Holdings Ltd and AmTrust Management Services Ltd).

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 a calendar year basis.

For the 2014 underwriting year of account, ASL charged an average agent's fee of 0.575% of capacity. Within the financial statements, fees of £0.1m and profit commission of £nil have been charged. At 31 December 2016 there are no unpaid fees.

The Managing Agent or CBS incurred a large proportion of the expenses incurred in operating the Syndicate and recharged them to the Syndicate on a basis that reflected the Syndicate's usage of resources. The recharges are included within amounts disclosed as net operating expenses, acquisition costs and claims incurred.

The total amount recharged by the Managing Agent or CBS to the 2014 year of account was £3.3m including amounts relating to the remuneration of Directors of ASL, but excluding agent fees and profit commission. As at 31 December 2016, an amount of £nil was due from the Managing Agent and ANV CBS in relation to expenses.

Other Entities
A proportion of the business written by the Syndicate is either sourced from or involves the provision of insurance services by Ryan Direct Group Limited and its subsidiaries which are part of RSG. These subsidiaries include:

- Jubilee Service Solutions Limited – UK based provision of insurance services;
- Jubilee Europe BV – Netherlands coverholder providing underwriting and claims services; and
- Lutine Assurance Services Limited – UK coverholder providing underwriting services.

Lutine Assurance Services Limited (Lutine), a 100% RSG subsidiary, underwrites, accepts and manages individual and Group life risks received from IFAs on behalf of the Syndicate. Lutine continues to retain the profits which it makes from acting as a marketing and service company for the Syndicate. Business generated by Lutine and underwritten by the Syndicate is under a Lloyd's binding authority.

The gross commission payable to Lutine by the Syndicate for the 2014 year of account was £nil.

A proportion of the business written by the Syndicate involves the provision of insurance services by Jubilee Service Solutions Limited (JSSL) (formerly Cassidy Davis Insurance Services Limited). JSSL is a wholly owned subsidiary of RSG. JSSL provides a range of administrative services to the Syndicate.

JSSL received fee income of £nil in respect of services provided to the 2014 year of account of Syndicate 779. The balance outstanding at the yearend was £nil.

Jubilee Europe B.V (JE) (formerly Cassidy Davis Europe B.V) incorporated in the Netherlands, a wholly owned subsidiary of RSG, provides marketing services, held a limited binding authority to accept business, and handle claims on behalf of the Syndicate. In 2015, RSG began the process of winding up JE and transferred the services performed for the Syndicate to Intrust BV, an unrelated company.

The profit commission payable to JE by the Syndicate in respect of the 2014 year of account was £nil.

The Directors of ASL consider the commissions and fees charged to the Syndicate by these companies by Ryan Direct Group Limited and its subsidiaries to be consistent with those payable to a third party for similar services.

Directors' interests
Members of the ASL Board are also directors of other ANV Group companies that transact with ASL and/or the Syndicate, as follows:

- Adam Barker (resigned from ASL 31 October 2016) was a director of ANV Corporate Name Limited (resigned 31 October 2016);
- Janice Hamilton is a director of ANV Corporate Name Limited and ANV Central Bureau of Services Limited (appointed 7 November 2016); and
- Lynsey Cross (resigned from ASL 7 November 2016) is a director of ANV Central Bureau of Services Limited.

Neither the directors nor the active underwriter participate on the Syndicate.

16. Post Balance Sheet Events

On 15 February 2017 the Board of the Managing Agent authorised a call of £1.9m from members' personal reserve funds, (£2.0m including members' agents' fees) in relation to the 2014 year of account which remains open at 31 December 2016.

17. Ultimate parent company

AmTrust Syndicate Limited's immediate parent is ANV Syndicate Management Limited ("ASML"), a company registered in England and Wales. The company's ultimate holding company is AmTrust Financial services, Inc. (AFS) a company incorporated in Delaware, USA and listed on the NASDAQ Stock Market. A copy of AFS's consolidated accounts can be obtained from that company's registered office, which is located at 59 Maiden Lane, 43rd Floor, New York, USA.

Seven Year Summary of Underwriting Results

As at 31 December 2016

	2008 Closed	2009 Closed	2010 Closed	2011 Closed	2012 Closed	2013 Closed	2014 Run-off
Syndicate allocated capacity (£'000)	30,000	30,000	27,000	27,000	27,000	22,281	22,281
Number of underwriting members	273	269	261	228	214	173	147
Aggregate net premiums (£'000)	11,963	11,713	11,004	11,685	11,282	7,436	5,557
Result for a Name with an illustrative share of £10,000							
	£	£	£	£	£	£	£
Gross premiums	6,169	6,586	6,523	6,722	6,711	5,752	4,262
Net premiums	3,987	3,904	4,076	4,328	4,179	3,337	2,494
Premium for reinsurance to close an earlier year of account earlier year of account	12,762	11,144	11,902	-	7,147	6,619	5,873
Net claims	(2,504)	(3,200)	(6,539)	(2,596)	(4,528)	(3,213)	(2,801)
Reinsurance to close the year of account/Amount retained	(11,144)	(10,712)	(6,666)	(481)	(5,462)	(5,873)	(5,191)
Syndicate operating expenses	(780)	(858)	(1,723)	(1,317)	(1,231)	(1,337)	(1,571)
Profit/(loss) on exchange	(374)	(144)	(74)	(86)	(309)	(280)	391
Balance on technical account	1,947	134	976	(152)	(204)	(747)	(805)
Investment return	493	362	452	37	77	79	26
Profit/(loss) before personal expenses	2,440	496	1,428	(115)	(127)	(668)	(779)
Illustrative profit commission	(395)	(165)	(226)	-	-	-	-
Illustrative personal expenses (note 2)	(182)	(122)	(198)	(189)	(168)	(175)	(90)
Other Income/ Charges	-	567	-	-	-	-	-
Profit / (loss) after illustrative expenses	£1,863	£776	£1,004	£(304)	£(295)	£(843)	£(869)
Capacity utilised (note 3)	61.7%	65.9%	65.2%	67.2%	67.1%	57.5%	42.6%
Net capacity utilised (note 4)	39.9%	39.0%	40.8%	43.3%	41.8%	33.4%	24.9%
Underwriting profit ratio (note 5)	31.6%	2%	15.0%	(2.3%)	(3.0%)	(13.0%)	(18.9%)
Result as a percentage of stamp capacity	18.6%	7.8%	10.1%	(3.0%)	(2.9%)	(8.4%)	(8.7%)

Notes to the Summary

1. The summary has been prepared from the audited accounts of the Syndicate.

2. Illustrative personal expenses comprise the Managing Agent's fee, contributions to the Central Fund and High Level Stop Loss Scheme in applicable years and the Lloyd's Annual Subscription incurred by a Name writing the illustrative share, irrespective of any minimum charge applicable to the Managing Agent's Fee.

3. Capacity utilised represents gross premium written expressed as a percentage of allocated capacity.

4. Net capacity utilised represents written premium net of reinsurance expressed as a percentage of allocated capacity.

5. The underwriting profit ratio represents the balance on technical account expressed as a percentage of gross premiums written.

6. For consistency across the seven year summary all premiums and operating expenses are stated exclusive of brokerage and commissions.