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AmTrust Syndicates Limited: Syndicate 44

Syndicate Financial Statements

31 December 2017

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: 44

Directors

B Jansli	Non-Executive Chairman	Resigned 31/12/2017
N C T Pawson	Non-Executive Director	
J P Fox	Non-Executive Director	
B J Jackson	Non-Executive Director	
J E Cadle	Non-Executive Deputy Chairman	
M G Caviet	Non-Executive Director	
P Dewey		
J A H G Cartwright		Appointed 18/12/2017
S Lacy		Appointed 08/05/2017
D J L Barrett		Resigned 30/11/2017; Re-appointed 07/02/2018
S J Helson		Resigned 31/12/2017
J M Hamilton		Resigned 31/12/2017
B Gilman		Resigned 05/09/2017
M A Sibthorpe		Resigned 08/12/2017
G Sweatman		Resigned 20/02/2017

Company secretary

D J L Barrett	Resigned 30/11/2017
P A Cockburn	Appointed 30/11/2017

Active Underwriter
M R Herrick

Bankers
Barclays Bank PLC
Citibank N.A.

Statutory Auditors
KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

Report of the Directors of the Managing Agent

The directors of the Managing Agent, AmTrust Syndicates Limited ('ASL'), present their report, which incorporates the strategic review, for the year ended 31 December 2017. 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).

Principal activity

The Syndicate's principal activity continues to be the transaction of term life insurance and reinsurance business. The Syndicate capacity for the 2017 year of account was £17.5m. The capacity has increased to £20.0m for the 2018 year of account.

AmTrust

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). AmTrust is 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 XV rating from A. M. Best, AmTrust has built a reputation as an innovative, technology-driven insurance company with a commitment to excellence.

AFSI has entered into a definitive agreement with Evergreen Parent, L.P., an entity formed by private equity funds managed by Stone Point Capital LLC, together with Barry D. Zyskind, Chairman and CEO of AFSI, George Karfunkel and Leah Karfunkel (collectively, the "Karfunkel-Zyskind Family"), in which Evergreen Parent will acquire the approximately 45% of the Company's issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties do not presently own or control. The proposed merger is anticipated to close in the second half of 2018, subject to satisfaction or waiver of the closing conditions, including approval by regulatory authorities and the Company's independent shareholders.

AmTrust at Lloyd's

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

During 2017 ASL managed Lloyd's Syndicates 1861, 1206, 5820, 2526, 44 and 779 writing a globally diversified risk portfolio with twelve diverse 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 are identified as core to ASL:

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

Report of the Directors of the Managing Agent *(continued)*

Significant events

On 3 March 2017, the management of the Syndicate was novated to AmTrust Syndicates Limited ("ASL") formerly ANV Syndicates Limited from AmTrust at Lloyd's Limited as part of AmTrust's strategy to have one agency to manage its Lloyd's operations following the acquisition of ANV Holdings BV on 7th November 2016.

During the fourth quarter, ASL's Chairman Bjorn Jansli retired from the Board. Nicholas Pawson has been appointed as Chairman of the Board pending regulatory approval.

During the fourth quarter, ASL's Chief Underwriting Officer, M A Sibthorpe, resigned with Chris Jarvis, Active Underwriter for Syndicates 1861 and 1206 being appointed as Director of Underwriting.

Business review and key performance indicators

For 2017, the Syndicate continued to concentrate its activities on writing group life and life schemes with a modest increase in individual business.

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

	2017	2016
	£000	£000
Gross premiums written	**17,728**	13,801
Earned premiums, net of reinsurance	**16,485**	12,956
Claims incurred, net of reinsurance	**(7,571)**	(7,277)
Net operating expenses	**(6,641)**	(5,798)
Profit for the period	**255**	351
Claims ratio (net)	**58.0%**	53.7%
Acquisition ratio (net)	**20.9%**	24.6%
Expense Ratio (net)	**19.4%**	20.2%
Combined ratio	**98.3%**	98.4%
Stamp capacity	**£17.5m**	£15.0m

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

The Syndicate generated a GAAP profit of £255k for the calendar year, a decrease from the prior year of £96k. Net written and earned premiums increased by £3.5m driven by additional new business written following the contraction of the Life market within Lloyd's during 2017. A significant proportion of this growth remains unearned at the current year end – the net long term business provision has increased by £2.0m accordingly. Partially offsetting the favourable premium variance in the period was an increase in incurred claims particularly on the 2015 year of account, primarily due to an increase in the average claim amount.

Net operating expenses, which include acquisition costs, increased by £843k during the period following the increase in earned premiums and additional headcount as the business grows. Overall, the expense ratio is favourable to the prior year by 0.8% whilst the acquisition ratio is favourable by 3.7% as result of changes in the business mix.

A foreign exchange loss of £33k was realised in the period (2016: £142k gain).

The combined ratio is marginally favourable to 2016 at 98.3% being the combination of favourable acquisition and expense ratios and unfavourable movements in the claims ratio.

Closing Year of Account Review

The directors approved the closure of the 2015 Year of Account by reinsurance to close into the 2016 year of account of the Syndicate. The year closed at a loss of £64k following a calendar year profit of £864k and a brought-forward retained loss after 24 months of £928k. The result at 36 months follows the increase in incurred claims primarily due to an increase in the average claim amount.

The closing result will be called in April 2018.

Report of the Directors of the Managing Agent *(continued)*

Member's balances
Member's balances represent a retained loss of £2.0m at 31 December 2017, the result of the brought forward retained loss of £1.0m, the distribution of the closing profit on the 2014 year of account of £1.3m and the calendar year profit of £0.3m.

Although the Syndicate does not hold capital on its own balance sheet, Funds at Lloyd's were deposited by the capital provider on behalf of the Syndicate in line with the 2018 Coming into Line Process as at 1 December 2017. These funds are deposited to support the solvency position of the Syndicate and for the Syndicate's 2018 business plan.

Principal risks and uncertainties
ASL has a formal risk management framework to identify, assess and manage risks significant to the achievement of the business plans and objectives. It is an on-going process providing for the systematic analysis, handling and reporting of risks and their comparisons with risk appetites, effectiveness of controls, risk events and near misses as well as emerging risks. This process also includes setting and monitoring actions to mitigate risk and to return metrics to within appetite.

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

- Insurance risk
- Investment risk
- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Regulatory (including Conduct) risk

Corporate governance
The ASL Board Chair is supported by a combination of Executive Directors and Non-Executive Directors.

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.

Future development
The novation of the management of the Syndicate to ASL in March 2017 represented a significant step in delivering on AmTrust's strategy. The Syndicate's capacity for 2018 has been increased to £20.0 million. The main focus of the Syndicate will continue to be underwriting Group and Scheme business with a concentration towards short term business.

Vote to leave the European Union
In the short-term the UK continues to be a full member of the EU with access to the single market and operating under the current passporting regime. Whilst Lloyd's is developing solutions to allow continued trading with the single market with regards to non-Life business, there remains uncertainty in relation to the transaction of Life business. Management is closely monitoring developments of the ongoing negotiations and their implications on the transaction of Life premiums and claims. However, the vote is not believed to represent a material threat to delivering on the Syndicate strategy which is materially based on the UK market.

Staff matters
ASL considers its staff to be a key resource and the retention of staff fundamental to the success of the business. The strategy adopted by ASL is designed to ensure that the terms and conditions offered to employees, as part of their overall remuneration package, remain competitive with the rest of the London Market insurance industry.

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.

Report of the Directors of the Managing Agent *(continued)*

Going concern
After making enquiries, the directors have a reasonable expectation that continued capital support will be in place such that the Syndicate is able to continue to write new business in future underwriting years of account. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

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

Disclosure of information to the auditors
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 Agent and of 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
Pursuant to Section 14 (2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate accounts) Regulation 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Syndicate's Annual General Meeting
ASL does not propose to hold an annual general meeting of the member of the Syndicate to reappoint KPMG LLP as the Syndicate auditors.

By Order of the Board.

Peter Dewey
Chief Executive Officer
AmTrust Syndicates Limited

16 March 2018

Statement of Managing Agent's Directors' Responsibilities

The directors of the Managing Agent are responsible for preparing the Syndicate financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires the directors of the Managing Agent to prepare their Syndicate's financial statements for each financial year. Under that law they have elected to prepare the financial Statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 *The Financial Reporting Standard Applicable in the UK and the Republic of Ireland*.

Under Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the Managing Agent must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period.

In preparing these financial statements, the directors of the Managing Agent are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent;
- State whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Assess the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

The directors of the Managing Agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the financial statements comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

On behalf of the board

Peter Dewey
Chief Executive Officer
AmTrust Syndicates Limited

16 March 2018

Independent auditor's report to the member of Syndicate 44

We have audited the financial statements of Syndicate 44 for the year ended 31 December 2017 which comprise the Income Statement: Technical Account, Income Statement: Non-technical Account, Statement of Financial Position, Statement of Changes in Member's Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Syndicate in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the annual accounts. We have nothing to report in these respects.

Report of the directors of the Managing Agent

The directors are responsible for the Report of the directors of the Managing Agent. Our opinion on the financial statements does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the directors of the Managing Agent and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in that report.

In our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Responsibilities of the directors of the Managing Agent

As explained more fully in their statement set out on page 6, the directors of the Managing Agent are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

Independent auditor's report to the member of Syndicate 44 *(continued)*

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Syndicate's member, 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 member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Syndicate's member, as a body, for our audit work, for this report, or for the opinions we have formed.

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

16 March 2018

Income Statement: Technical Account – Long Term Business

For the year ended 31 December 2017

	Notes	Year Ended 31 December 2017 £000	Year Ended 31 December 2017 £000	Year Ended 31 December 2016 £000	Year Ended 31 December 2016 £000
Earned premiums, net of reinsurance					
Gross premiums written	5		**17,728**		13,801
Outward reinsurance premiums			**(1,243)**		(845)
			16,485		12,956
Investment return			**1**		3
Total technical income			**16,486**		12,959
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		**(6,829)**		(7,787)	
Reinsurers' share		**350**		276	
Net claims paid		**(6,479)**		(7,511)	
Change in the provision for reported claims					
Gross amount		**(1,490)**		234	
Reinsurers' share		**398**		-	
Change in the net provision for reported claims	14	**(1,092)**		234	
Claims incurred, net of reinsurance			**(7,571)**		(7,277)
Changes in other technical provisions, net of reinsurance					
Long term business provision					
Gross amount		**(2,219)**		326	
Reinsurers' share		**233**		(1)	
	14		**(1,986)**		325
Net operating expenses	7		**(6,641)**		(5,798)
Total technical charges			**(16,198)**		(12,750)
Balance on the technical account for long term business			**288**		209

All operations relate to continuing activities.

The notes on pages 15 to 32 form part of these financial statements.

Income Statement: Non-technical Account
For the year ended 31 December 2017

	Year Ended 31 December 2017	Year Ended 31 December 2016
	£000	£000
Balance on the long term business technical account	**288**	209
(Loss) / profit on foreign exchange	**(33)**	142
Profit for the financial year	**255**	351

All operations relate to continuing activities.

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

The notes on pages 15 to 32 form part of these financial statements.

Statement of Financial Position – Assets
As at 31 December 2017

		2017		2016	
	Notes	**£000**	**£000**	£000	£000
Investments					
Participation in investment pools	10		**754**		636
Reinsurers' share of technical provisions					
Long term business provision		**645**		411	
Claims outstanding		**398**		-	
	14		**1,043**		411
Debtors					
Debtors arising out of direct insurance operations	11	**5,873**		3,405	
Debtors arising out of reinsurance operations	12	**50**		10	
Other debtors	13	**9**		-	
Total debtors			**5,932**		3,415
Other assets					
Cash at bank and in hand	19		**1,624**		1,581
Overseas deposits	19		**63**		-
Total assets			**9,416**		6,043

The notes on pages 15 to 32 form part of these financial statements.

Statement of Financial Position – Liabilities
As at 31 December 2017

	Notes	2017 £000	2017 £000	2016 £000	2016 £000
Capital and reserves					
Member's balances			**(1,984)**		(972)
Technical provisions					
Claims outstanding		**2,395**		906	
Long term business provision		**7,765**		5,550	
	14		**10,160**		6,456
Creditors					
Creditors arising out of direct insurance operations	16	**376**		16	
Creditors arising out of reinsurance operations	17	**741**		368	
Accruals and deferred income	18	**60**		-	
Other creditors	18	**63**		175	
Total creditors			**1,240**		559
Total liabilities			**9,416**		6,043

These Syndicate financial statements were approved by the Board of ASL on 16 March 2018 and were signed on its behalf by:

J A H G Cartwright
Director

16 March 2018

The notes on pages 15 to 32 form part of these financial statements.

Statement of Changes in Member's Balances

As at 31 December 2017

	2017 £000	2016 £000
Member's balances brought forward at 1 January	**(972)**	(216)
Profit for the financial year	**255**	351
Payments of profit to member's personal reserve funds	**(1,267)**	(1,107)
Member's balances carried forward at 31 December	**(1,984)**	(972)

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

The notes on pages 15 to 32 form part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Cash flows from operating activities:			
Profit for the financial year		**255**	351
Adjustments:			
Investment return		**(1)**	(3)
Movements in operating assets and liabilities:			
Increase/(decrease) in gross technical provisions		**3,704**	(404)
Increase in reinsurers' share of technical provisions		**(632)**	(14)
Decrease/(increase) in debtors		**(2,517)**	1,062
Increase/(decrease) in creditors		**681**	(347)
Investment income received		**1**	3
Net cash flow from operating activities		**1,491**	648
Net cash flow from financing activities:			
Transfer to members in respect of underwriting participations		**(1,267)**	(1,107)
Net decrease in cash and cash equivalents		**224**	(459)
Cash and cash equivalents at 1 January		**2,217**	2,676
Cash and cash equivalents at 31 December	19	**2,441**	2,217

The notes on pages 15 to 32 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2017

1. Basis of preparation

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

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

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

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

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

2. Judgements and estimates

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

Estimates of future premium

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

Insurance contract technical provisions

The Syndicate's principal estimates are for claims provisions and related recoveries. These are included within the long-term business provision and involve judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

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

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

In arriving at the level of claims provisions a margin may be applied over and above the actuarial best estimate in line with the Syndicate's Reserving Policy to address the risk of un-modelled claims development.

Notes to the financial statements

For the year ended 31 December 2017 *(continued)*

3. Accounting policies

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

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

a) Basis of accounting

Premiums written and earned

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

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

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

Acquisition costs

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

Claims

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

Reinsurance contracts

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

Long term business provision

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

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

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

Long term insurance provisions, together with related reinsurance recoveries, are established on the basis of current information. Such provisions are subject to subsequent reassessment as changes to underlying factors such as mortality occur. These factors are discussed in more detail in Note 14.

Notes to the financial statements

For the year ended 31 December 2017 *(continued)*

3. Accounting policies *(continued)*

b) Foreign currencies

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

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

Under FRS 103, insurance assets and insurance liabilities are deemed monetary items.

c) Financial assets and liabilities

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

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

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

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

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

d) Investment return

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

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

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

Notes to the financial statements

For the year ended 31 December 2017 *(continued)*

3. Accounting policies *(continued)*

e) Taxation

Under Schedule 19 of the Finance Act 1993, managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from Syndicate investment income is recoverable by the Managing Agent and consequently the distribution made to the member 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 overseas tax payable by the member on underwriting results.

f) Pension costs

AmTrust group service companies, comprising AmTrust Central Bureau of Service Limited (CBS), AmTrust Syndicate Holdings Limited (ASH) and AmTrust Management Services Limited (AMSL), employ all individuals working on the Syndicate. These companies operate defined contribution retirement benefit scheme for all qualifying employees. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

4. Risk and capital management

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:

a) 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.

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.

The Syndicate makes use of excess of loss reinsurance to mitigate the risk of incurring significant losses linked to one event.

Concentration of insurance risk

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

	2017	2016
	£000	£000
UK	**14,100**	12,851
Other EU Countries	**1,355**	784
Other Worldwide	**2,273**	166
	17,728	13,801

Notes to the financial statements
For the year ended 31 December 2017 *(continued)*

4. Risk and capital management *(continued)*

Sensitivity to insurance risk

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

	2017		2016	
	5% Increase £000	**5% Decrease £000**	5% Increase £000	5% Decrease £000
Gross claims	**(508)**	**508**	(323)	323
Reinsurer’s share	**52**	**(52)**	21	(21)
Net impact on member’s balances	**(456)**	**456**	(302)	302

b) Investment risk

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

c) Credit risk

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

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

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

Notes to the financial statements

For the year ended 31 December 2017 *(continued)*

4. Risk and capital management *(continued)*

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

31 December 2017	**AAA £000**	**AA £000**	**A £000**	**BBB £000**	**Not rated £000**	**Total £000**
Participation in investment pools	**-**	**-**	**754**	**-**	**-**	**754**
Overseas deposits	**-**	**-**	**-**	**-**	**63**	**63**
Cash at bank and in hand	**-**	**-**	**1,624**	**-**	**-**	**1,624**
Insurance debtors	**-**	**-**	**-**	**-**	**5,873**	**5,873**
Reinsurers' share of insurance liabilities	**-**	**-**	**1,043**	**-**	**-**	**1,043**
Reinsurance debtors	**-**	**-**	**50**	**-**	**-**	**50**
Other debtors	**-**	**-**	**-**	**-**	**9**	**9**
Total	-	-	**3,471**	**-**	**5,945**	**9,416**

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

d) Market risk

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

Interest rate risk arises primarily from the Syndicate's financial investments, 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 table below.

Interest rate risk	**2017 £000**	2016 £000
Impact of 50 basis point increase on result	**5**	8
Impact of 50 basis point decrease on result	**(5)**	(8)
Impact of 50 basis point increase on net assets	**1**	3
Impact of 50 basis point decrease on net assets	**(1)**	(3)

Notes to the financial statements

For the year ended 31 December 2017 *(continued)*

4. Risk and capital management *(continued)*

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 Finance Director (FD), together with the Risk Committee, reviews currency matching quarterly.

31 December 2017	**GBP £000**	**USD £000**	**EUR £000**	**OTH £000**	**Total £000**
Participation in investment pools	**-**	**754**	**-**	**-**	**754**
Overseas deposits	**60**	**-**	**-**	**3**	**63**
Reinsurers' share of technical provisions	**910**	**27**	**98**	**8**	**1,043**
Insurance and reinsurance receivables	**5,398**	**270**	**191**	**64**	**5,923**
Cash at bank and in hand	**659**	**161**	**697**	**107**	**1,624**
Other assets	**9**	**-**	**-**	**-**	**9**
Total assets	**7,036**	**1,212**	**986**	**182**	**9,416**
Technical provisions	**(9,095)**	**(275)**	**(705)**	**(85)**	**(10,160)**
Insurance and reinsurance payables	**(690)**	**(384)**	**(43)**	**-**	**(1,117)**
Other creditors	**(103)**	**(7)**	**(6)**	**(7)**	**(123)**
Total liabilities	**(9,888)**	**(666)**	**(754)**	**(92)**	**(11,400)**
Net assets / (liabilities)	**(2,852)**	**546**	**232**	**90**	**(1,984)**

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

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 member's balances would be £41k (2016: £43,000).

Notes to the financial statements

For the year ended 31 December 2017 *(continued)*

4. Risk and capital management *(continued)*

e) Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. The Syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts and its ongoing expenses. The nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

The Syndicate's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Syndicate's reputation. The Syndicate's approach to managing its liquidity risk is as follows:

- Forecasts are prepared and revised on a regular basis to predict cash outflows from insurance contracts and overheads over the short, medium and long term;
- The Syndicate purchases assets with durations not greater than its estimated insurance contract liabilities and expense outflows;
- Assets purchased by the Syndicate are required to satisfy specified marketability requirements;
- The Syndicate maintains cash and liquid assets to meet daily calls; and
- The Syndicate regularly updates its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

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.

31 December 2017	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	£000	£000	£000	'000	£000
Participation in investment pools	754	-	-	-	754
Reinsurers' share of technical provisions	672	371	-	-	1,043
Insurance and reinsurance receivables	5,923	-	-	-	5,923
Other debtors	9	-	-	-	9
Cash at bank and in hand	1,624	-	-	-	1,624
Overseas deposits	63	-	-	-	63
Total assets	9,045	371	-	-	9,416
Gross technical provisions	(7,747)	(2,413)	-	-	(10,160)
Insurance and reinsurance payables	(1,117)	-	-	-	(1,117)
Other creditors	(123)	-	-	-	(123)
Total liabilities	(8,987)	(2,413)	-	-	(11,400)
Net assets	58	(2,042)	-	-	(1,984)

Notes to the financial statements
For the year ended 31 December 2017 *(continued)*

4. Risk and capital management *(continued)*

31 December 2016	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	£000	£000	£000	£000	£000
Participation in investment pools	636	-	-	-	636
Reinsurers' share of technical provisions	227	184	-	-	411
Insurance and reinsurance receivables	3,415	-	-	-	3,415
Cash at bank and in hand	1,581	-	-	-	1,581
Overseas deposits	-	-	-	-	-
Total assets	5,859	184	-	-	6,043
Gross technical provisions	(5,034)	(1,422)	-	-	(6,456)
Insurance and reinsurance payables	(384)	-	-	-	(384)
Other creditors	(175)	-	-	-	(175)
Total liabilities	(5,593)	(1,422)	-	-	(7,015)
Net assets	266	(1,238)	-	-	(972)

f) 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 and systems by internal audit. The internal audit process is designed to provide management and the Board, through its Audit Committee, with reasonable assurance that the controls and procedures are able to contain the risks within acceptable limits.

g) Regulatory (including Conduct) 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, 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.

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. 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.

h) 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:

Notes to the financial statements

For the year ended 31 December 2017 *(continued)*

4. Risk and capital management *(continued)*

- 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 the Syndicate 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.

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 member's balances on each syndicate on which it participates. Accordingly, all of the assets less liabilities of the Syndicate, as represented in the member's balances reported on the Statement of Financial Position on pages 11 and 12, represent resources available to meet member's 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.

Notes to the financial statements

For the year ended 31 December 2017 *(continued)*

5. Segmental analysis

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

a) Business split

	2017 £000	2016 £000
New business written	**4,042**	297
Renewal business written	**13,686**	13,504
Total	**17,728**	13,801

b) Gross business type split

	2017 £000	2016 £000
Binder business written	**13,009**	11,287
Scheme business written	**2,326**	983
Group life business written	**2,278**	1,508
Individual life business written	**115**	23
Total	**17,728**	13,801

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

c) Reinsurance balance

The reinsurance balance amounted to a charge to the long term business technical account at 31 December 2017 of £262k (2016 – charge of £570k).

6. Currency rates of exchange

The rates of exchange to GBP applied in these accounts are:

	31 December 2017 Closing Rate	31 December 2017 Average Rate	31 December 2016 Closing Rate	31 December 2016 Average Rate
US Dollar	**1.3513**	**1.2889**	1.2325	1.3557
Euro	**1.1260**	**1.1416**	1.1717	1.2246
Norwegian Krone	**11.0753**	**10.6488**	10.6508	11.3897

Notes to the financial statements

For the year ended 31 December 2017 *(continued)*

7. Net operating expenses

	2017 £000	2016 £000
Acquisition costs	**3,447**	3,181
Administration expenses	**3,194**	2,617
	6,641	5,798

	2017 £000	2016 £000
Auditors' remuneration		
Audit services		
Audit services-fees payable to the Syndicate's auditor, for the audit of the Syndicate accounts - KPMG LLP	**49**	55
Fees payable to KPMG LLP for other services:		
Other services pursuant to legislation, including the audit of the regulatory return - KPMG LLP	**36**	35
	85	90

8. Staff numbers and costs

All staff (including directors) are employed by an AmTrust group service company , either AmTrust Central Bureau of Service Limited (CBS), AmTrust Syndicate Holdings Limited (ASH) or AmTrust Management Services Limited (AMSL). The following amounts were recharged to the Syndicate in respect of staff costs:

	2017 £000	2016 £000
Wages and salaries	**1,457**	1,010
Social security costs	**155**	129
Other pension costs	**107**	81
	1,719	1,220

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

	2017 Number	2016 Number
Administration and finance	**4**	6
Underwriting	**7**	7
Technical support	**5**	12
	16	25

Notes to the financial statements
For the year ended 31 December 2017 *(continued)*

9. Emoluments of the directors of AmTrust Syndicates Limited and the active underwriter

Recharges of £248k (2016 - £302k) were made to the Syndicate in respect of emoluments and pension costs paid to its directors. Recharges of £201k (2016 - £225k) were made to the Syndicate in respect of emoluments and pension costs of the active underwriter.

10. Other financial investments

	Market Value 2017 £000	**Cost 2017 £000**	Market Value 2016 £000	Cost 2016 £000
Participation in investment pools	**754**	**754**	636	636
	754	**754**	636	636

The participation in investment pools comprises the Lloyd's American Trust Fund (LATF). All investments are Level 2 category, financial assets that are measured by reference to published quotes in an active market where quoted prices are readily available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis.

11. Debtors arising out of direct insurance operations

	2017 £000	2016 £000
Due within one year		
Intermediaries	**5,873**	3,405
	5,873	3,405

12. Debtors arising out of reinsurance operations

	2017 £000	2016 £000
Due within one year		
Intermediaries	**50**	10
	50	10

13. Other Debtors

	2017 £000	2016 £000
Due within one year		
Due from capital provider	**9**	-
	9	-

Notes to the financial statements

For the year ended 31 December 2017 *(continued)*

14. Long term business provision

Technical provisions

	2017		2016	
	LTBP Gross Reserves and O/S Claims £000	**LTBP Reinsurers' Share £000**	LTBP Gross Reserves and O/S Claims £000	LTBP Reinsurers' Share £000
Balance at 1 January	**6,456**	**411**	6,860	397
Exchange adjustments	**(5)**	**1**	155	14
	6,451	**412**	7,015	411
Movement in provision	**3,709**	**631**	(559)	-
Balance at 31 December	**10,160**	**1,043**	6,456	411

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

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

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

	2017	**2016**
Mortality table	TMN00/TFN00 for non-smokers, TMS00/TFS00 for smokers, TMC00/TFC00 where status unknown 5 year select.	TMN00/TFN00 for non-smokers, TMS00/TFS00 for smokers, TMC00/TFC00 where status unknown 5 year select.
Mortality rating	125% for Italian binder, 140% for Think Money.	125% for Italian binder, 140% for Think Money.
Discount rate	Nil	Nil

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

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

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

The level of expenses included in the valuation is based on a prudent assessment of the cost of running off the Syndicate's existing business. The estimate is based on the Syndicate's assumption of the proportion of policies in force at 31 December 2017 that will still be in force at each future year end.

Notes to the financial statements

For the year ended 31 December 2017 *(continued)*

15. Claims development

Claims development is shown in the tables below on an underwriting year basis both gross and net of reinsurance ceded. Balances have been translated at 31 December 2017 rates of exchange.

Underwriting year - gross	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Estimate of gross incurred claims								
At the end of underwriting year	**2,317**	**2,291**	**3,274**	**3,553**	**4,475**	**4,179**	**7,668**	
One year later	**3,197**	**3,247**	**5,138**	**6,877**	**8,523**	**7,274**		
Two years later	**2,198**	**3,321**	**4,324**	**5,857**	**8,335**			
Three years later	**2,065**	**2,914**	**4,207**	**5,724**				
Four years later	**2,060**	**3,013**	**4,207**					
Five years later	**2,060**	**3,013**						
Six years later	**2,060**							
Less gross claims paid	**2,060**	**3,013**	**4,207**	**5,724**	**8,012**	**4,331**	**774**	
Gross claims reserve	**-**	**-**	**-**	**-**	**323**	**2,943**	**6,894**	**10,160**

Underwriting year - net	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Estimate of net incurred claims								
At the end of underwriting year	**1,328**	**1,787**	**2,644**	**3,192**	**4,079**	**3,783**	**6,942**	
One year later	**2,652**	**3,162**	**5,110**	**6,859**	**8,231**	**6,740**		
Two years later	**1,750**	**3,280**	**4,323**	**5,857**	**7,926**			
Three years later	**1,619**	**2,873**	**4,207**	**5,724**				
Four years later	**1,614**	**2,972**	**4,207**					
Five years later	**1,614**	**2,972**						
Six years later	**1,614**							
Less net claims paid	**1,614**	**2,972**	**4,207**	**5,724**	**7,603**	**4,164**	**724**	
Net claims reserve	**-**	**-**	**-**	**-**	**323**	**2,576**	**6,218**	**9,117**

Notes to the financial statements

For the year ended 31 December 2017 *(continued)*

16. Creditors arising out of direct insurance operations

	2017 £000	2016 £000
Direct business - intermediaries	**376**	16
	376	16

17. Creditors arising out of reinsurance operations

	2017 £000	2016 £000
Reinsurance ceded	**741**	368
	741	368

18. Other Creditors

	2017 £000	2016 £000
Accruals and deferred income	**60**	-
Intercompany creditor	**63**	175
	123	175

Other creditors in 2016 and 2017 are intercompany balances relating to expenses incurred on behalf of the Syndicate. The accrual is in respect of earned renewal commission payable to Syndicate 779.

19. Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	**1,624**	1,581
Participation in investment pools	**754**	636
Overseas deposit	**63**	-
	2,441	2,217

20. Related Parties

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 Syndicate's Managing Agent was AmTrust at Lloyd's Limited ('ATL') until novation on 3 March 2017 to AmTrust Syndicates Limited ('ASL').

ATL was the Managing Agent of Syndicate 1206 and Syndicate 2526 until novation to ASL on 3 March 2017 and 23 June 2017 respectively. ASL was the Managing Agent of Syndicates 1861, 5820 and 779 throughout the period.

AmTrust entities

In 2017 and 2016 a large proportion of the expenses incurred in operating the Syndicate were incurred by group service companies and were then recharged under intragroup service agreements with ASL and ATL on a basis that reflected the Syndicate's usage of resources. Group recharges are charged on a cost basis and

Notes to the financial statements
For the year ended 31 December 2017 *(continued)*

predominantly represent recharges of staff costs for employees working on syndicate business as well as other associated administrative expenses including accommodation, professional fees and information technology.

These recharges, included within amounts disclosed as net operating expenses were as follows:

	2017 £'000	2016 £'000
AmTrust Central Bureau of Services Limited (formerly ANV Central Bureau of Services Limited – both 'CBS')	1,883	-
AmTrust Syndicate Holdings Limited ('ASH')	858	2,580
Total amount recharged	2,741	2,580

Amounts charged by ASH were paid on the Syndicate's behalf by ATL.

The following amounts were outstanding at 31 December 2017 and 31 December 2016:

	2017 £'000	2016 £'000
ASH	59.7	-
ATL	-	164.5
Total amount outstanding in relation to group recharges	59.7	164.5

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 charged to the Syndicate.

The following directors of ASL during the period were also directors of CBS during the period: P Dewey, J E Cadle, M G Caviet and J M Hamilton (resigned from ASL Board 31 December 2017).

The following directors of ASL during the period were also directors of ASH during the period: P Dewey, J E Cadle and M G Caviet.

Member's expenses, being agent's fees and profit commission payable to the Managing Agent, and subscriptions and central fund contributions payable to Lloyd's, are charged on an underwriting year of account, rather than a calendar year basis. For the 2017 underwriting year of account, ASL charged an agent's fee of 1.0% of stamp capacity (2016: 1.0%). Within the financial statements, fees of £175.0k (2016 £150.0k) have been charged. At 31 December 2017 there are no unpaid fees (2016: £nil).

Following the cessation of Syndicate 779, another syndicate managed by ASL, Syndicate 44 has written a proportion of the business formerly written by Syndicate 779. In recognition of this opportunity, it was agreed that Syndicate 44 would pay a 'renewal commission' of 5% of the corresponding gross net written premium in year 1 and 2.5% in year 2. An amount of £64k has been charged to the Syndicate during the year in this regard.

Syndicate capital
Syndicate 44's entire capital is provided by AmTrust Corporate Member Two Limited, a subsidiary of AmTrust Lloyd's Holdings Limited, an intermediate parent company ATL.

The following directors of ASL during the period were also directors of AmTrust Corporate Member Two Ltd during the period: P Dewey, J E Cadle and J M Hamilton (resigned from ASL Board 31 December 2017).

The following directors of ASL during the period were also directors of AmTrust Lloyd's Holdings Limited during the period: P Dewey and J E Cadle.

Directors' interests
Neither the directors nor the active underwriter participate on the Syndicate.

Notes to the financial statements
For the year ended 31 December 2017 *(continued)*

21. Post Balance Sheet Events

(Collection) / Distribution

The 2017 amount is proposed to be recovered as part of the normal distribution process.

	2017	2016
	£000	£000
2015 Year of account (2014 Year of account)	**(64)**	1,267

22. Ultimate parent company

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