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AmTrust Syndicates Limited: Syndicate 2526

Syndicate Underwriting Year Accounts for the 2013, 2014 and 2015 Run-off Years of Account

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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: 2526

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

Run-off Management
G Ross
D J L Barrett

Bankers
Barclays Bank PLC
Citibank N.A.
Royal Bank of Canada

Investment Managers
AII Insurance Management Limited

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

Actuaries
Lane Clark & Peacock (LCP)

Run-off Manager's Report for the 2013, 2014 and 2015 Run-off Years of Account

For the period ended 31 December 2017

Syndicate Overview

Since cessation the Syndicate has been operating under a run-off plan with a dedicated run-off team working closely with the Syndicate's external consulting actuaries and overseen by Lloyd's Open Year Management team. The process of reviewing all open claim files in 2017 has continued along with the active management of the major facilities which have historically driven the account, reducing the uncertainty of claims reserves. Where appropriate the Syndicate sought to close files through proactive mediation and alternative dispute resolutions which has driven positive development against expectation during the course of 2017 that has been recognised in the reserving process.

2013 Year of Account

The 2013 year of account shows a cumulative loss of £50.4m at 60 months (at 31 December 2016 - £63.5m) before members' agent fees, which equates to 84.4% of the capacity (2016 – 106.3%). The year of account has not closed at 31 December 2017 and continues to be in run-off.

2013 Year of Account in 2017

Key performance indicators:

	At 31 December 2017	At 31 December 2016
Allocated capacity	£59.7m	£59.7m
GEP (after deduction of brokerage)	£38.3m	£38.5m
Gross incurred loss ratio at 60[1] (48) months	250%	294%
Net incurred loss ratio at 60[1] (48) months	230%	281%

[1]Gross and net incurred loss ratios represent the earned loss ratios to date for the 2013 year of account and include the earned premium and claims movements on the 2012 & Prior years of account since reinsurance to close at 31 December 2014.

The 2013 and prior underwriting years produced a positive in year movement of £13.2m and a cumulative loss after investment return of £50.4m. This loss compares to a forecast loss of £62.9m at 31 December 2016. The net ultimate loss ratio ('ULR') for the 2013 pure year of account decreased by 9.3% in the period. In addition there was a positive movement of £7.0m in forecast ultimate result for the prior years of account.

The positive in year movement for 2013 and prior follows a significant decrease in projected ultimate claims of £16.2m gross and £14.3m net as a consequence of favourable experience over the year.

Of the reduction in ultimate gross claims of £16.2m, there was a £22.9m reduction to the primary professional indemnity account which was historically the Syndicate's largest portfolio. This was partially offset by a £10.7m increase in the excess layers following the claims review.

2014 Year of Account

The 2014 year of account shows a cumulative loss of £9.7m at 48 months (at 31 December 2016 loss of £12.0m) before members' agent fees, which equates to 15.1% of the capacity (2016 – 18.7%). The year of account has not closed at 31 December 2017 and continues to be in run-off.

Key performance indicators:

	At 31 December 2017	At 31 December 2016
Allocated capacity	£64.1m	£64.1m
GEP (after deduction of brokerage)	£33.9m	£34.0m
Gross incurred loss ratio at 48 (36) months	116%	126%
Net incurred loss ratio at 48 (36) months	121%	129%

Run-off Manager's Report for the 2013, 2014 and 2015 Run-off Years of Account (continued)

2014 Year of Account in 2017

The net ULR decreased by 6.0% in the period. There has been a reduction in the projected gross ultimate claims of £3.5m, driven by the reduction in ultimate claims on the Professional Indemnity ('PI') primary book of £5.0m and partially offset by a strengthening of the excess account of £2.2m. The net ultimate claims has reduced by £2.6m.

2015 Year of Account

The 2015 year of account has a cumulative loss to date of £2.3m. The forecast result for this year is a loss of £2.1m or 3.3% of stamp capacity representing an improvement of £3.2m from the 24 month ultimate forecast result.

Key performance indicators:

	At 31 December 2017
Allocated capacity	£64.1m
GEP (after deduction of brokerage)	£23.3m
Gross incurred loss ratio at 36 (24) months	87%
Net incurred loss ratio at 36 (24) months	94%

The net ULR decreased by 12% during 2017 following a reduction in ultimate claims of £6.1m gross and £3.4m net. This follows releases on all accounts particularly PI primary (£2.2m), excess accounts (£2.1m) and Med Mal primary (£1.8m).

Key uncertainties preventing the closure of the 2013, 2014 and 2015 years of account

When AmTrust at Lloyd's Limited was appointed as the new Managing Agent on 1 April 2015 it instigated a review of all open claims as at quarter 3 2015, assisted by an independent claims consulting firm. As a result, the claims reserves were strengthened materially, in particular on the 2013 and prior years. This was primarily due to a significant increase in the incurred claims position on the professional indemnity, Directors and Officers and medical malpractice classes of business, which represented the vast majority of the Syndicate's business and reserves. After the completion of this review the Syndicate's independent actuarial consultants, LCP advised that the ultimate level of claims reserves required, (both gross and net of reinsurance) were subject to significant uncertainty across all years of account. Given this uncertainty and the change in capital providers between the 2013, 2014 and 2015 years of account, the Board decided to leave the 2013, 2014 and 2015 years of account open. The Syndicate ceased writing new business at the end of 2016.

The Novation Agreement allows for an independent actuarial review and for a third party RITC quote on closure and these provisions have been triggered by members' agents. We intend to begin the process based on the Q2 2018 reserving position.

Gary Ross
Run off Manager

20 March 2018

Managing Agent's Report for the 2013 2014 and 2015 Run-off Years of Account

For the period ended 31 December 2017

The directors of the Managing Agent, AmTrust Syndicates Limited ('ASL'), present their report at 31 December 2017 for the 2013, 2014 and 2015 run-off years of account.

This report is prepared in accordance with the Lloyd's Syndicate Bylaw (No 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008).

Principal activity

The Syndicate's principal activity continues to be the transaction of general insurance and reinsurance business as the Syndicate runs off its business following the decision to cease underwriting with effect from 1 January 2017.

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

Managing Agent's Report for the 2013, 2014 and 2015 Run-off Years of Account (continued)

Closure of syndicate

The decision was made to cease accepting new or renewal business for the 2017 Year of Account (YoA) following the historic poor performance of the Syndicate and the quality of the resulting renewal portfolio.

The 2013 and 2014 years of account remain unnaturally open and the directors determined not to close the 2015 year of account at 36 months. In consulation with capital providers, the decision has been taken to seek to close all years at the end of 2018. The Novation Agreement, agreed with the capital providers, allows for an independent actuarial review and for a third party RITC quote on closure and these provisions have been triggered by members' agents. We intend to begin the process based on the 2018 Q2 reserving position.

Significant events

On 23 June 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

A summary of the 2013, 2014 and 2015 years of account performance is given in the accompanying Run-off Manager's Report on pages 3 to 4.

The gross and net earned reserves in respect of business on run-off years of account, as at 31 December 2017 are set out below

	2013 & Prior Years of Account £'000	2014 Year of Account £'000	2015 Year of Account £'000
Gross Reserves[1]	112,612	23,517	16,704
Reinsurance Recoveries thereon	(38,691)	(3,313)	(1,262)
Net reserves	73,921	20,204	15,442

[1]Gross reserves represent amounts retained to meet all known and unknown outstanding liabilities net of deferred acquisition costs.

Underwriting year result 2013

As set out below, the cumulative loss of £53.0m is the combination of a loss of £22.4m on the 2013 pure year of account and a deterioration in the 2012 & Prior years of account of £30.6m primarily in relation to the Professional Indemnity account.

The forecast result for the underwriting year is a loss of £53.5m before accounting for investment income of £2.9m.

Managing Agent's Report for the 2013, 2014 and 2015 Run-off Years of Account (continued)

The result for the calendar year and cumulative to date is set out below:

	Calendar year 2017			Cumulative to date		
	2013	2012 & Prior	Total	2013	2012 & Prior	Total
	£000	£000	£000	£000	£000	£000
Accident & health	163	(59)	104	(3,883)	(59)	(3,942)
Third party liability	4,232	11,231	15,463	4,072	(25,490)	(21,418)
Pecuniary loss	(197)	(77)	(274)	(159)	(489)	(648)
Casualty	(2)	(28)	(30)	(725)	(179)	(904)
Underwriting result	**4,196**	**11,067**	**15,263**	**(695)**	**(26,217)**	**(26,912)**
Net operating expenses	(395)	(1,041)	(1,436)	(18,446)	(2,750)	(21,196)
Loss on foreign exchange	(489)	(1,289)	(1,778)	(3,261)	(1,585)	(4,846)
Profit/ (loss) before investment income	**3,312**	**8,737**	**12,049**	**(22,402)**	**(30,552)**	**(52,954)**

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

Underwriting year result 2014

The forecast result for the underwrting year, as set out below by line of business, is a loss of £10.7m before accounting for investment income of £0.8m.

The result for the calendar year and cumulative to date is set out below

	Calendar year	Cumulative to date
	£000	£000
Accident & health	85	(1,909)
Third party liability	895	2,988
Pecuniary loss	(979)	(1,420)
Casualty	2,113	3,953
Underwriting result	**2,114**	**3,612**
Net operating expenses	(306)	(15,768)
Profit on foreign exchange	145	1,821
Profit/ (loss) before investment income	**1,953**	**(10,335)**

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

Underwriting year result 2015

The forecast result for the underwrting year, as set out below by line of business, is a loss of £2.5m before accounting for investment income of £0.4m.

The result for the calendar year and cumulative to date is set out below:

	Calendar year	Cumulative to date
	£000	£000
Accident & health	-	-
Third party liability	2,846	3,253
Pecuniary loss	50	(7)
Casualty	353	3,876
Underwriting result	**3,249**	**7,122**
Net operating expenses	(626)	(11,968)
Profit on foreign exchange	168	2,243
Profit / (loss) before investment income	**2,791**	**(2,603)**

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

Managing Agent's Report for the 2013, 2014 and 2015 Run-off Years of Account (continued)

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.

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

- Insurance risk
- Finance 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.

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.

Directors and directors' interests

The names of persons who were members of the Board of directors of the Managing Agent during 2017 are given on page 2. None of the directors had any direct interest in the Syndicate during the period.

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.

Managing Agent's Report for the 2013, 2014 and 2015 Run-off Years of Account (continued)

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.

By order of the Board

Peter Dewey
Chief Execitive Officer

20 March 2018

Statement of Managing Agent's Directors' Responsibilities

The directors of the Managing Agent are responsible for preparing the Syndicate underwriting year accounts in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw. They have elected to prepare the accounts in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and 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 underwriting year accounts unless they are satisfied that they give a true and fair view of the result of the underwriting year as at 31 December 2017. In preparing these accounts, the directors of the Managing Agent are required to:

- Select suitable accounting policies and then apply them consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the Syndicate affected is used;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- 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. As explained in note 1 the directors of the Managing Agent do not believe that it is appropriate to prepare the underwriting year accounts on a going concern basis.

The directors of the Managing Agent are responsible for keeping adequate and proper 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 underwriting year accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of accounts 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.

On behalf of the board

Peter Dewey
Chief Executive Officer
AmTrust Syndicates Limited

20 March 2018

Independent Auditor's Report to the Members of Syndicate 2526

2013, 2014 and 2015 run-off years of account

We have audited the Syndicate run-off accounts for the 2013, 2014 and 2015 run-off years of account of Syndicate 2526 for the five year period ended 31 December 2017 for the 2013 year of account, the four year period ended 31 December 2017 for the 2014 year of account, and the three year period ended 31 December 2017 for the 2015 year of account, which comprise the Income Statement: Technical Account – 2013 Run-off Year of Account, the Income Statement: Non-Technical Account: 2013 Run-off Year of Account, the Income Statement: Technical Account – 2014 Run-off Year of Account, the Income Statement: Non-Technical Account: 2014 Run-off Year of Account, the Income Statement: Technical Account – 2015 Run-off Year of Account, the Income statement: Non-Technical Account: 2015 Run-off Year of Account, the Statement of Financial Position - 2013 Run-off Year of Account, the Statement of Changes in Members' Balances – 2013 Run-off Year of Account, the Statement of Financial Position - 2014 Run-off Year of Account, the Statement of Changes in Members' Balances – 2014 Run-off Year of Account, the Statement of Financial Position - 2015 Run-off Year of Account, the Statement of Changes in Members' Balances – 2015 Run-off Year of Account, the Statement of cash flows – 2013 Year of Account, the Statement of Cash Flows – 2014 Year of Account, the Statement of Cash Flows – 2015 Year of Account, and related notes, including the accounting policies in note 3. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland,* as modified by the Lloyd's Syndicate Accounting Byelaw.

This report is made solely to the Syndicate's members, as a body, in accordance with the Lloyd's Syndicate Accounting Byelaw. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Syndicate and the Syndicate's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors of the managing agent and auditor

As explained more fully in the statement of the directors of the managing agent's responsibilities set out on page 10, the directors of the Managing Agent are responsible for the preparation of the run-off accounts in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw. Our responsibility is to audit, and express and opinion on, the run-off accounts in accordance with the 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 run-off accounts

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

Opinion on run-off accounts

In our opinion the run-off accounts have been properly prepared in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw.

Emphasis of matter – Claims reserves

We draw attention to the disclosure made in note 7 to the run-off underwriting relating to the uncertainties regarding the ultimate cost of gross and net claims on business underwritten up to 31 December 2016, when the Syndicate ceased underwriting and accordingly the level of gross and net provisions for outstanding claims relating to this business which should be established as at 31 December 2017. Due to the significant volatility seen in claims for professional indemnity, Directors and Officers and medical malpractice classes of business over this and prior periods, a high degree of uncertainty continues to exist over the outcome of many claims and therefore, wide variability on the possible outcomes, due to the relative stages of development of the claims, many involving complex litigation over a long period. In addition, the incorporation of reserves advised by independent claims consultants and internal case reserve increases in prior periods have led to some distortion on the development patterns resulting in further variability in the range of possible future outcomes. Although the uncertainty has been reduced during the current period as the claims have developed, there remains significant uncertainty over the financial development of the Syndicate's reserves and the ultimate cost of these amounts may differ materially from the estimate that is currently provided in the financial statements. This uncertainty has resulted in the Board deciding not to close the 2013, 2014 and 2015 years of account. Our opinion is not modified in respect of this matter.

Independent auditor's report to the members of Syndicate 2526 (continued)

Matters on which we are required to report by exception

Under the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the directors of the managing agent on behalf of the Syndicate; or
- the run-off accounts are not in agreement with the accounting records.

We have nothing to report in these respects.

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

20 March 2018

Income Statement: Technical Account – 2013 Run-off Year of Account
for the 60 months ended 31 December 2017

	Note	Calendar Year 2017		Cumulative Balance to 31 December 2017	
		£000	£000	£000	£000
Earned premium, net of reinsurance					
Gross premiums written	*5*	**(117)**		**50,584**	
Outward reinsurance premiums		**81**		**(8,466)**	
Net premiums written			**(36)**		**42,118**
Reinsurance to close premiums received, net of reinsurance	*6*		**-**		**70,581**
Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance, brought forward			**111,471**		**-**
Allocated investment return transferred from the non-technical account	*11*		**1,103**		**2,580**
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		**(28,475)**		**(85,542)**	
Reinsurers' share		**6,224**		**19,852**	
		(22,251)		**(65,690)**	
Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance, carried forward	*7*	**(73,921)**		**(73,921)**	
			(96,172)		**(139,611)**
Net operating expenses	*5/10*		**(1,436)**		**(21,196)**
Balance on the technical account - general business			**14,930**		**(45,528)**

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 notes on pages 28 to 50 form part of these financial statements.

Income Statement: Non-Technical Account: 2013 Run-off Year of Account
for the 60 months ended 31 December 2017

	Note	Calendar Year 2017	Cumulative Balance to 31 December 2017
		£000	£000
Balance on the technical account – general business		**14,930**	**(45,528)**
Investment income (including realised gains)	*11*	**1,668**	**5,004**
Unrealised gains on investments	*11*	**50**	**394**
Investment expenses and charges			
Investment management expenses	*11*	**(4)**	**(33)**
Realised losses on investments	*11*	**(317)**	**(1,301)**
Unrealised losses on investments	*11*	**(294)**	**(1,484)**
Allocated investment return transferred to the technical account – general business		**(1,103)**	**(2,580)**
Foreign exchange		**(1,778)**	**(4,846)**
Profit/(loss) at the end of 60 months for the 2013 year of account		**13,152**	**(50,374)**

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

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 28 to 50 form part of these financial statements.

Income Statement: Technical Account 2014 Run-off Year of Account
for the 48 months ended 31 December 2017

	Note	Calendar Year 2017		Cumulative Balance to 31 December 2017	
		£000	£000	£000	£000
Earned premium, net of reinsurance					
Gross premiums written	5	(171)		42,926	
Outward reinsurance premiums		(324)		(8,033)	
			(495)		34,893
Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance, brought forward			29,862		
Allocated investment return transferred from the non-technical account	*11*		360		614
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(11,932)		(15,959)	
Reinsurers' share		4,873		4,873	
		(7,059)		(11,086)	
Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance, carried forward	*7*	(20,195)		(20,195)	
			(27,254)		(31,281)
Net operating expenses	*5/10*		(306)		(15,768)
Balance on the technical account - general business			2,167		(11,542)

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 notes on pages 28 to 50 form part of these financial statements..

Income Statement: Non-Technical Account: 2014 Run-off Year of Account
for the 48 months ended 31 December 2017

	Note	Calendar Year 2017	Cumulative Balance to 31 December 2017
			£000
Balance on the technical account – general business		**2,167**	**(11,542)**
Investment income (including realised gains)	*11*	**547**	**1,330**
Unrealised gains on investments	*11*	**21**	**120**
Investment expenses and charges			
Investment management expenses	*11*	**(1)**	**(6)**
Realised losses on investments	*11*	**(124)**	**(335)**
Unrealised losses on investments	*11*	**(84)**	**(495)**
Allocated investment return transferred to the technical account – general business		**(359)**	**(614)**
Profit on foreign exchange		**145**	**1,821**
Proft/(loss) at the end of 48 months for the 2014 year of account		**2,312**	**(9,721)**

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

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 28 to 50 form part of these financial statements

Income Statement: Technical Account 2015 Run-off Year of Account
for the 36 months ended 31 December 2017

	Note	Cumulative Balance to 31 December 2017 £000	£000
Earned premium, net of reinsurance			
Gross premiums written	*5*	**29,087**	
Outward reinsurance premiums		**(3,342)**	
			25,745
Allocated investment return transferred from the non-technical account	*11*		**263**
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		**(3,555)**	
Reinsurers' share		**266**	
		(3,289)	
Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance, carried forward	*7*	**(15,334)**	
			(18,623)
Net operating expenses	*5/10*		**(11,968)**
Balance on the technical account - general business			**(4,583)**

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 notes on pages 28 to 50 form part of these financial statements.

Income Statement: Non-Technical Account: 2015 Run-off Year of Account
for the 36 months ended 31 December 2017

	Note	**Cumulative Balance to 31 December 2017**
		£000
Balance on the technical account – general business		**(4,583)**
Investment income (including realised gains)	*11*	**733**
Unrealised gains on investments	*11*	**93**
Investment expenses and charges		
Investment management expenses	*11*	**(47)**
Realised losses on investments	*11*	**(153)**
Unrealised losses on investments	*11*	**(363)**
Allocated investment return transferred to the technical account – general business		**(263)**
Profit on foreign exchange		**2,243**
Loss at the end of 36 months for the 2015 year of account		**(2,340)**

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

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 28 to 50 form part of these financial statements

Statement of Financial Position - 2013 Run-off Year of Account
as at 31 December 2017

Assets	Note	2017 £000	£000
Investments			
Other financial investments	*12*		**46,150**
Debtors			
Debtors arising out of direct insurance operations	*13*	**-**	
Debtors arising out of reinsurance operations	*13*	**3,537**	
Other debtors	*14*	**2**	
			3,539
Reinsurance recoveries anticipated on gross amounts retained to meet all known and unknown outstanding liabilities	*7*		**38,691**
Other assets			
Cash at bank and in hand			**1,585**
Overseas deposits	*15*		**9,191**
Prepayments and accrued income			
Other prepayments and accrued income			**515**
Total assets			**99,671**
Liabilities			
Amounts due from members			**(15,977)**
Amounts retained to meet all known and unknown outstanding liabilities - gross amount	*7*		**112,612**
Creditors			
Creditors arising out of direct insurance operations		**522**	
Creditors arising out of reinsurance operations		**2,175**	
Other creditors		**339**	
	16		**3,036**
Total liabilities			**99,671**

These Syndicate accounts were approved by the Board of AmTrust Syndicates Limited on 20 March 2018 and were signed on its behalf by:

J A H G Cartwright
Director

The notes on pages 28 to 50 form part of these financial statements.

Statement of Changes in Members' Balances – 2013 Run-off Year of Account
For the 60 months ended 31 December 2017

	60 months ended 31 December 2017
	£000
Members' balances brought forward at 1 January 2013	-
Loss for the run-off year of account at 48 months ending 31 December 2016	(63,526)
Members' agents' fees	(238)
Members' balances at 31 December 2016	(63,764)
Cash Call received	34,635
Profit in calendar year	13,152
Members' balances due at 31 December 2017	**(15,977)**

The notes on pages 28 to 50 form part of these financial statements.

Statement of Financial Position - 2014 run-off year of account
as at 31 December 2017

	Note	2017 £000	£000
Assets			
Investments			
Other financial investments	*12*		**13,358**
Debtors			
Debtors arising out of direct insurance operations	*13*	**360**	
Debtors arising out of reinsurance operations	*13*	**2,680**	
Other debtors	*14*	**15**	
			3,055
Reinsurance recoveries anticipated on gross amounts retained to meet all known and unknown outstanding liabilities	*7*		**3,313**
Other assets			
Cash at bank and in hand			**155**
Overseas deposits	*15*		**1,280**
Prepayments and accrued income			
Other prepayments and accrued income			**145**
Total assets			**21,306**
Liabilities			
Amounts due from members			**(3,118)**
Amounts retained to meet all known and unknown outstanding liabilities - gross amount	*7*		**23,508**
Creditors			
Creditors arising out of direct insurance operations		**24**	
Creditors arising out of reinsurance operations		**781**	
Other creditors		**111**	
	16		**916**
Total liabilities			**21,306**

These Syndicate accounts were approved by the Board of AmTrust Syndicates Limited on 20 March 2018 and were signed on its behalf by:

J A H G Cartwright
Director

The notes on pages 28 to 50 form part of these financial statements.

Statement of Changes in Members' Balances – 2014 Run-off Year of Account
For the 48 months ended 31 December 2017

	48 months ended 31 December 2017
	£000
Members' balances brought forward at 1 January 2014	-
Loss for the run-off year of account at 36 months ending 31 December 2016	(12,033)
Members' agents' fees	(111)
Members' balances at 31 December 2016	(12,144)
Cash Call received	6,714
Profit in calendar year	2,312
Members' balances due at 31 December 2017	**(3,118)**

The notes on pages 28 to 50 form part of these financial statements..

Statement of Financial Position - 2015 Run-off Year of Account
as at 31 December 2017

	Note	2017 £000	£000
Assets			
Investments			
Other financial investments	*12*		**10,085**
Debtors			
Debtors arising out of direct insurance operations	*13*	**381**	
Other debtors	*14*	**83**	
			464
Reinsurance recoveries anticipated on gross amounts retained to meet all known and unknown outstanding liabilities	*7*		**1,262**
Other assets			
Cash at bank and in hand			**1,290**
Overseas deposits	*15*		**1,458**
Prepayments and accrued income			
Other prepayments and accrued income			**104**
Total assets			**14,663**
Liabilities			
Amounts due from members			**(2,343)**
Amounts retained to meet all known and unknown outstanding liabilities - gross amount	*7*		**16,596**
Creditors			
Creditors arising out of direct insurance operations		**-**	
Creditors arising out of reinsurance operations		**311**	
Other creditors		**99**	
	16		**410**
Total liabilities			**14,663**

These Syndicate accounts were approved by the Board of AmTrust Syndicates Limited on 20 March 2018 and were signed on its behalf by:

J A H G Cartwright
Director

The notes on pages 28 to 50 form part of these financial statements.

Statement of Changes in Members' Balances – 2015 Run-off Year of Account
For the 36 months ended 31 December 2017

	36 months ended 31 December 2017
	£000
Members' balances brought forward at 1 January 2015	-
Loss for the run-off year of account at 36 months ending 31 December 2017	(2,340)
Members' agents' fees	(3)
Members' balances due at 31 December 2017	**(2,343)**

The notes on pages 28 to 50 form part of these financial statements.

Statement of Cash Flows – 2013 Year of Account
For the 60 months ended 31 December 2017

	Note	60 months ended 31 December 2017 £000
Cash flows from operating activities		
Loss for the year of account		(50,374)
Adjustments for:		
Non cash consideration received as part of reinsurance to close premium received	*6*	(38,709)
Movements in relation to foreign exchange		(4,017)
Provisions held to meet all known and unknown liabilities net of reinsurance		73,921
Net operating cash outflow before movement in working capital		(19,179)
Increase in debtors		(1,583)
Decrease in creditors		(790)
Increase in other assets/ liabilities		(211)
Investment return		(2,580)
Movements in relation to foreign exchange		60
Net cash outflow from operating activities		(5,104)
Net cash flow from investing activities:		
Net purchase of other financial instruments		(17,080)
Investment income received		3,670
Movements in overseas deposits		924
Movements in relation to foreign exchange		3,957
Net cash outflow from investing activities		(8,529)
Net cash flow from financing activities:		
Cash calls received		34,635
Members' agents' fees paid on behalf of members		(238)
Net cash inflow from financing activities		34,397
Net increase in cash and cash equivalents		1,585
Cash and cash equivalents at 31 December 2013		-
Effects of exchange rate on cash and cash equivalents		-
Cash and cash equivalents at 31 December 2017		1,585

The notes on pages 28 to 50 form part of these financial statements.

Statement of Cash Flows – 2014 Year of Account
For the 48 months ended 31 December 2017

	48 months ended 31 December 2017
	£000
Cash flows from operating activities	
Loss for the year of account	(9,721)
Adjustments for:	
Net unrealised losses on other financial assets	374
Foreign exchange differences	
Movements in operating assets and liabilities:	
Net acquisitions of other financial assets	(13,732)
Increase in net technical provisions	20,203
Net increase in overseas deposits	(1,280)
Increase in debtors	(3,208)
Increase in creditors	916
Net cash outflow from operating activities	(6,448)
Net cash flow from financing activities	
2014 cash call from members	6,714
Increase in amounts due from members	(111)
Net cash outflow from financing activities	6,603
Net increase in cash and cash equivalents	155
Cash and cash equivalents at 31 December 2017	155

The notes on pages 28 to 50 form part of these financial statements.

Statement of Cash Flows – 2015 Year of Account
For the 36 months ended 31 December 2017

	36 months ended 31 December 2017
	£000
Cash flows from operating activities	
Loss for the year of account	(2,340)
Adjustments for:	
Net unrealised losses on other financial assets	270
Foreign exchange differences	
Movements in operating assets and liabilities:	
Net acquisitions of other financial assets	(10,355)
Increase in net technical provisions	15,442
Net increase in overseas deposits	(1,458)
Increase in debtors	(675)
Increase in creditors	409
Net cash inflow from operating activities	1,293
Net cash flow from financing activities	
Increase in amounts due from members	(3)
Net cash inflow from financing activities	(3)
Net increase in cash and cash equivalents	1,290
Cash and cash equivalents at 31 December 2017	1,290

The notes on pages 28 to 50 form part of these financial statements.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months, 48 months and 60 months ended 31 December 2017

1 Basis of preparation

The Syndicate run-off underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Lloyd's Regulations") and in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom including Financial Reporting Standard 102 ("FRS 102"), and Financial Reporting Standard 103 Insurance Contracts ("FRS 103").

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 2013 and prior, 2014 and 2015 run-off years of account which have been left open at 31 December 2017. Consequently, the statement of financial position represents the assets and liabilities of the 2013 and prior, 2014 and 2015 years of account at that date and the technical accounts reflect the transactions for those years of account during the 60 months, 48 months and 36 months period to 31 December 2017, respectively.

These syndicate run-off underwriting year accounts cover the period from the date of inception of the 2013, 2014 and 2015 years of account to the current year end date. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

Whilst the directors of the Managing Agent have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future, these financial statements represent the participation of members in the 2015, 2014 and 2013 years of account, which are expected to conduct a Reinsurance to close into another Lloyd's syndicate on 31 December 2018. Therefore the run-off accounts have not been prepared on a going concern basis as it is anticipated that Syndicate 2526 is in its final year of run-off. This has no impact on the carrying values of the assets and liabilities presented in the run-off accounts other than the inclusion of a run off provision.

Syndicate in Run-Off

Following the decision to cease underwriting the Syndicate for the 2017 year of account, and consent to cease the Syndicate from the Lloyd's Capacity Transfer Panel, the Syndicate is now in run-off. The Managing Agent has taken the decision to keep the 2013, 2014 and 2015 years of account open at 60, 48 and 36 months after consideration of the uncertainty in the reserves and the fact that the capital participation on the 2013, 2014 and 2015 years of account is not fully consistent between these years.

An unexpired risk provision has been included within the claims technical provisions of the Syndicate representing the future expected net losses on unearned business. In addition, a provision has been made based on management's best estimate assessment of the running-off of all the costs of the Syndicate's liabilities.

The ultimate costs to finalise the Syndicate's liabilities may vary significantly from those recorded within the Syndicate's technical provisions.

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. Revisions to estimates are recognised in the period in which they are identified.

The Syndicate's principal estimates are for claims provisions and related recoveries, estimates of gross premiums written and earned, outwards reinsurance premium ceded and earned, acquisition costs and the valuation of investments. Management regularly reviews and revises these estimates as appropriate based on current information. Any adjustments made to these estimates are reflected in the period in which the estimates are revised.

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the statement of financial position 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.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

2 Judgements and estimates (*continued*)

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate Managing Agent's in-house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to estimate the likely ultimate claims to be experienced and for more recent underwriting years, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a higher degree of uncertainty arises from projections, 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.

3 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. The 2013, 2014 and 2015 years of account remain open as a result of the material uncertainty in determining the liabilities arising on those years of account and all years of account reinsured therein.

The accounting policies disclosed within the notes to the Syndicate Annual Accounts have been applied consistently on an annual basis from 1 January 2013 in dealing with items which are considered material in relation to the Underwriting Year Accounts.

Premiums written

Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Premiums written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Estimates are made for pipeline premiums, representing premiums written but not reported to the Syndicate by the reporting date.

Reinsurance premium ceded

Outwards reinsurance premiums on policies purchased on a "risks attaching during" basis are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Outwards reinsurance premiums on policies purchased on a "losses occurring during" basis are accounted over the period of the contract.

Gross paid claims

Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

Reinsurance to close premium

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims, unearned premiums, net of deferred acquisition costs and unexpired risks) relating to the closed year and to all previous closed years reinsured therein. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year (and previous closed years reinsured therein) to the members of the successor year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

Amounts retained to meet all known and unknown outstanding liabilities

Where substantial uncertainties affect the assessment of outstanding liabilities, a year of account might not be closed. In such cases an amount to meet all known and unknown liabilities is retained at each year end until the year of account is finally closed.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

3 Accounting policies (*continued*)

The net amount 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 collectible reinsurance recoveries, relating to the run-off year of account and previous years of account reinsured therein.

The provision for claims comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR).

Gross claims incurred comprise claims and settlement expenses (both internal and external) paid in the period and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the reporting date but not reported until after the year end. Claims outstanding are reduced by anticipated salvage and other recoveries.

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

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims 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 period and the current security rating of the reinsurance companies involved. The Syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly, the two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. The methods used, and the estimates made, are reviewed regularly.

a) Segmental reporting

The segmental analysis provided in Note 5 to the financial statements is produced on the basis of the class of business as required by Lloyd's.

b) Foreign currencies

The functional currency is Sterling. Income and expenditure in US dollars, Canadian dollars, Australian dollars and Euros are translated at 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 reporting date unless contracts to sell currency for Sterling have been entered into prior to the year end, in which case the contracted rates have been used. Foreign exchange gains and losses are recognised in the non-technical account.

c) 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.

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

3 Accounting policies *(continued)*

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 finance 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 profit or loss.

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:

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

3 Accounting policies *(continued)*

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 income statement immediately.

d) 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.

The assets of the Syndicate are managed and maintained within centralised premium trust funds. These assets are allocated to individual years of account within the statement of financial position. This allocation can result in a negative amount within cash and cash equivalents for individual years of account.

e) 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 fair value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the reporting date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business.

f) Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the statement of financial position under the heading 'Members' balances'.

It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence. No provision has been made for any other overseas tax payable by members on underwriting results.

g) Expenses

Costs incurred by the Managing Agent in respect of the Syndicate are charged to the Syndicate and included within the relevant technical account heading. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

h) Retirement benefit scheme costs

ANV Central Bureau of Services Limited (CBS), a group service company, or other group companies employ all individuals working on the Syndicate. CBS operates a 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.

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.

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

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.

Concentration of insurance risk

The Syndicate's exposure to insurance risk is diversified by class of business. All of the Syndicate's insurance is written within the UK and the split by class of business is shown in Note 5.

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 results of the years of account.

	2013 year of account		2014 Year of account		2015 Year of account	
	5% Increase £000	5% Decrease £000	5% Increase £000	5% Decrease £000	5% Increase £000	5% Decrease £000
Gross claims	(5,632)	5,632	(1,164)	1,164	(800)	800
Reinsurer's share	1,995	(1,995)	171	(171)	65	(65)
Net impact on members' balances	(3,637)	3,637	(993)	993	(735)	735

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

4 Risk and capital management *(continued)*

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:

- 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.

The credit rating of financial assets that are neither past due nor impaired is as follows:

31 December 2017	AAA	AA	A	BBB	Not rated	Total
2013 year of account	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	-	-	3,263	427	-	3,690
Debt securities and other fixed income securities	-	17,454	20,765	4,241	-	42,460
Overseas deposits	6,862	-	-	2,196	133	9,191
Cash at bank and in hand	-	-	1,585	-	-	1,585
Reinsurers' share of insurance liabilities	-	-	38,691	-	-	38,691
Debtors arising out of insurance and reinsurance operations	-	-	3,537	-	-	3,537
Other debtors	-	-	-	-	517	517
Total credit risk	6,862	17,454	67,841	6,864	650	99,671

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

4 Risk and capital management *(continued)*

31 December 2017	**AAA**	**AA**	**A**	**BBB**	**Not rated**	**Total**
2014 year of account	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	6,625	5,123	1,610	-	13,358
Overseas deposits	955	-	-	306	19	1,280
Cash at bank and in hand	-	-	155	-	-	155
Reinsurers' share of insurance liabilities	-	-	3,313	-	-	3,313
Debtors arising out of insurance and reinsurance operations	-	-	3,040	-	-	3,040
Other debtors	-	-	-	-	160	160
Total credit risk	955	6,625	11,631	1,916	179	21,306

31 December 2017	**AAA**	**AA**	**A**	**BBB**	**Not rated**	**Total**
2015 year of account	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	4,351	4,677	1,057	-	10,085
Overseas deposits	1,089	-	-	348	21	1,458
Cash at bank and in hand	-	-	1,290	-	-	1,290
Reinsurers' share of insurance liabilities	-	-	1,262	-	-	1,262
Debtors arising out of insurance and reinsurance operations	-	-	381	-	-	381
Other debtors	-	-	-	-	187	187
Total credit risk	1,089	4,351	7,610	1,405	208	14,663

The Syndicate does not have any debtors arising from direct insurance operations that are past due but not impaired at the reporting date.

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

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
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.

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months, 48 month and 60 months ended 31 December 2017 *(continued)*

4 Risk and capital management *(continued)*

31 December 2017	**2015 year of account**	**2014 year of account**	**2013 Year of Account £000**
Impact of 50 basis point increase on result	**(166)**	(192)	(738)
Impact of 50 basis point decrease on result	**171**	198	761
Impact of 50 basis point increase on net assets	**(166)**	(192)	(738)
Impact of 50 basis point decrease on net assets	**171**	198	761

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

31 December 2017 **2013 Year Of account**	**GBP** **£000**	**USD** **£000**	**EUR** **£000**	**CAD** **£000**	**AUD** **£000**	**Total** **£000**
Financial investments	-	9,058	20,795	12,487	3,810	46,150
Overseas deposits	47	3	-	1,319	7,822	9,191
Reinsurers' share of technical provisions	33,293	-	292	46	5,060	38,691
Insurance and reinsurance receivables	3,332	(8)	192	21	-	3,537
Cash and cash equivalents	241	2,683	(2,904)	(1,016)	2,581	1,585
Other assets	2	52	336	73	54	517
Total assets	36,915	11,788	18,711	12,930	19,327	99,671
Technical provisions	(67,312)	(4,588)	(24,906)	(3,503)	(12,303)	(112,612)
Insurance and reinsurance payables	(2,099)	(59)	(539)	-	-	(2,697)
Other creditors	(276)	(63)	-	-	-	(339)
Total liabilities	(69,687)	(4,710)	(25,445)	(3,503)	(12,303)	(115,648)
Net assets / (liabilities)	(32,772)	7,078	(6,734)	9,427	7,024	(15,977)

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months, 48 month and 60 months ended 31 December 2017 *(continued)*

4 Risk and capital management *(continued)*

31 December 2017 **2014 Year Of account**	**GBP** **£000**	**USD** **£000**	**EUR** **£000**	**CAD** **£000**	**AUD** **£000**	**Total** **£000**
Financial investments	-	2,590	8,144	2,624	-	13,358
Overseas deposits	2	9	-	640	629	1,280
Reinsurers' share of technical provisions	2,876	3	-	353	81	3,313
Insurance and reinsurance receivables	233	48	(9)	74	2,694	3,040
Cash and cash equivalents	4,196	(1,732)	285	(43)	(2,551)	155
Other assets	15	17	82	32	14	160
Total assets	7,322	935	8,502	3,680	867	21,306
Technical provisions	(12,061)	(1,222)	(3,846)	(4,265)	(2,114)	(23,508)
Insurance and reinsurance payables	(858)	78	(229)	-	204	(805)
Other liabilities – technical overdraft	(173)	62	-	-	-	(111)
Total liabilities	(13,092)	(1,082)	(4,075)	(4,265)	(1,910)	(24,424)
Net assets / (liabilities)	(5,770)	(147)	4,427	(585)	(1,043)	(3,118)

31 December 2017 **2015 Year Of account**	**GBP** **£000**	**USD** **£000**	**EUR** **£000**	**CAD** **£000**	**AUD** **£000**	**Total** **£000**
Financial investments	-	2,081	5,953	2,051	-	10,085
Overseas deposits	1	63	-	599	795	1,458
Reinsurers' share of technical provisions	1,246	14	1	-	1	1,262
Insurance and reinsurance receivables	85	188	104	2	2	381
Cash and cash equivalents	(545)	(860)	2,349	(96)	442	1,290
Other assets	83	11	67	17	9	187
Total assets	870	1,497	8,474	2,573	1,249	14,663
Technical provisions	(6,711)	(1,948)	(4,437)	(2,421)	(1,079)	(16,596)
Insurance and reinsurance payables	(77)	(56)	(178)	-	-	(311)
Other liabilities – technical overdraft	(99)	-	-	-	-	(99)
Total liabilities	(6,887)	(2,004)	(4,615)	(2,421)	(1,079)	(17,006)
Net assets / (liabilities)	(6,017)	(507)	3,859	152	170	(2,343)

The assets of the Syndicate are managed and maintained within centralised premium trust funds. These assets are allocated to individual years of account within the statement of financial position. This allocation can result in a technical overdraft for individual years of account.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months, 48 month and 60 months 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.

31 December 2017 **2013 Year of Account**	**Less than 1 year**	**1 - 3 years**	**3-5 years**	**More than 5 years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	3,690	-	-	-	3,690
Debt securities and other fixed income securities	2,607	6,355	13,737	19,761	42,460
Overseas deposits	9,191	-	-	-	9,191
Reinsurers share of technical provisions	11,194	13,999	7,442	6,056	38,691
Debtors and accrued interest	4,054	-	-	-	4,054
Cash at bank and in hand	1,585	-	-	-	1,585
Total Assets	32,321	20,354	21,179	25,817	99,671
Claims outstanding	(36,316)	(41,340)	(20,487)	(14,469)	(112,612)
Other creditors	(3,036)	-	-	-	(3,036)
Total liabilities	(39,352)	(41,340)	(20,487)	(14,469)	(115,648)
Net assets / (liabilities)	(7,031)	(20,986)	692	11,348	(15,977)

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

4 Risk and capital management *(continued)*

31 December 2017 **2014 Year of Account**	**Less than 1 year**	**1 - 3 years**	**3-5 years**	**More than 5 years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-
Debt securities and other fixed income securities	820	1,999	4,322	6,217	13,358
Overseas deposits	1,280	-	-	-	1,280
Reinsurers share of technical provisions	959	1,199	637	518	3,313
Debtors and accrued interest	3,200	-	-	-	3,200
Cash at bank and in hand	155	-	-	-	155
Total Assets	6,414	3,198	4,959	6,735	21,306
Claims outstanding	(5,935)	(8,622)	(4,554)	(4,397)	(23,508)
Other creditors	(916)	-	-	-	(916)
Total liabilities	(6,851)	(8,622)	(4,554)	(4,397)	(24,424)
Net assets / (liabilities)	(437)	(5,424)	405	2,338	(3,118)

31 December 2017 **2015 Year of Account**	**Less than 1 year**	**1 - 3 years**	**3-5 years**	**More than 5 years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-
Debt securities and other fixed income securities	619	1,509	3,263	4,694	10,085
Overseas deposits	1,458	-	-	-	1,458
Reinsurers share of technical provisions	365	457	243	197	1,262
Debtors and accrued interest	568	-	-	-	568
Cash at bank and in hand	1,290	-	-	-	1,290
Total Assets	4,300	1,966	3,506	4,891	14,663
Claims outstanding	(3,773)	(5,776)	(3,469)	(3,578)	(16,596)
Other creditors	(410)	-	-	-	(410)
Total liabilities	(4,183)	(5,776)	(3,469)	(3,578)	(17,006)
Net assets / (liabilities)	117	(3,810)	37	1,313	(2,343)

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

4 Risk and capital management *(continued)*

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.

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*

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 the Syndicate is not disclosed in these financial statements.

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

4 Risk and capital management *(continued)*

Lloyd's capital setting process

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicates on which it participates though not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR is therefore determined by the sum of the member's shares of the Syndicates' SCR to ultimate. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss to ultimate for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, 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 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 19, 21 and 23, 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.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

5 Segmental analysis

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

2013 Year of Account	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Reinsurance balance £000	Net operating expenses £000	Total £000
Direct insurance:						
Accident and health	3,579	3,579	(7,711)	190	(2,231)	(6,173)
Third party liability	41,022	41,022	(173,632)	111,193	(16,704)	(38,121)
Pecuniary loss	209	209	(1,076)	219	(144)	(792)
Reinsurance acceptances	5,774	5,774	(15,733)	9,054	(2,117)	(3,022)
Total	50,584	50,584	(198,152)	120,656	(21,196)	(48,108)

2014 Year of Account	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Reinsurance balance £000	Net operating expenses £000	Total £000
Direct insurance:						
Accident and health	1,185	1,185	(2,454)	(640)	(498)	(2,407)
Third party liability	33,840	33,840	(29,754)	(1,098)	(12,623)	(9,635)
Pecuniary loss	830	830	(2,415)	165	(266)	(1,686)
Reinsurance acceptances	7,071	7,071	(4,845)	1,727	(2,381)	1,572
Total	42,926	42,926	(39,468)	154	(15,768)	(12,156)

2015 Year of Account	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Reinsurance balance £000	Net operating expenses £000	Total £000
Direct insurance:						
Accident and health	-	-	-	-	-	-
Third party liability	18,758	18,758	(13,727)	(1,778)	(9,125)	(5,872)
Pecuniary loss	450	450	(437)	(20)	(171)	(178)
Reinsurance acceptances	9,879	9,879	(5,987)	(16)	(2,672)	1,204
Total	29,087	29,087	(20,151)	(1,814)	(11,968)	(4,846)

Reinsurance acceptances are Casualty business. All business is written in the United Kingdom.

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

6 Reinsurance to close premium received – 2013 year of account

	Outstanding claims	**IBNR**	**2012 & Prior years of account**
	£000	**£000**	**£000**
Gross reinsurance to close premium received	53,507	40,420	93,927
Reinsurance recoveries anticipated	(18,961)	(12,348)	(31,309)
Reinsurance to close premium received net of reinsurance – 31 December 2014	34,546	28,072	62,618
Cumulative revaluation in exchange rates			7,963
Reinsurance to close premium received net of reinsurance – 31 December 2017			70,581

The reinsurance to close premium received for the 2012 and prior years of account comprised:

	£000
Portfolio investments	30,160
Overseas deposits	10,115
Debtors	1,956
Creditors	(3,826)
Other assets / (liabilities)	304
Non cash consideration received	38,709
Cash	2,894
Receivable from members on closure of the 2012 year of account	21,015
2012 year of account reinsurance to close premium payable	62,618
Foreign exchange difference	7,963
2012 year of account reinsurance to close premium received	70,581

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

7 Amount retained to meet all known and unknown outstanding liabilities

2013 & Prior years of account	Outstanding claims	IBNR	Unallocated loss adjustment expenses	Total
	£000	£000	£000	£000
Gross amount retained to meet all known and unknown outstanding liabilities	70,617	39,791	2,204	112,612
Reinsurance recoveries anticipated	(30,257)	(8,434)	-	(38,691)
Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance	40,360	31,357	2,204	73,921

2014 year of account	Outstanding claims	IBNR	Unallocated loss adjustment expenses	Total
	£000	£000	£000	£000
Gross amount retained to meet all known and unknown outstanding liabilities	11,432	11,622	454	23,508
Reinsurance recoveries anticipated	(998)	(2,315)	-	(3,313)
Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance	10,434	9,307	454	20,195

2015 year of account	Outstanding claims	IBNR	Unallocated loss adjustment expenses	Total
	£000	£000	£000	£000
Gross amount retained to meet all known and unknown outstanding liabilities	3,219	13,064	313	16,596
Reinsurance recoveries anticipated	-	(1,262)	-	(1,262)
Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance	3,219	11,802	313	15,334

Following the significant deterioration seen in the claims reserves during 2015, the Managing Agency decided to leave the 2013 year of account open given the uncertainty identified at 31 December 2015. Further significant deterioration occurred in the incurred claims position in the second quarter of 2016. The 2014 and 2015 years of account also experienced deterioration during the same period, as a result of which, following further review, the Managing Agency also decided to cease underwriting of the Syndicate from 1 January 2017 and so there is no ongoing business of the Syndicate.

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

7 Amount retained to meet all known and unknown outstanding liabilities *(continued)*

The Managing Agency appointed a run-off manager and uses independent actuarial consultants (Lane Clark & Peacock (LCP)) who have been the consulting actuaries to the Syndicate since inception, to advise on the ultimate level of claims reserves required. Due to the high degree of uncertainty over the outcome of many claims due to their relative stage of development, many of which involve complex litigation over a long period, there remains significant variability in the possible outcomes. The ultimate amounts of these claims (both gross and net of reinsurance) are subject to significant uncertainty. In addition, the incorporation of the reserves advised by the independent claims consultants in 2015 and the internal case reserve increases in 2016 led to some distortion in the development patterns resulting in further variability in the range of possible future outcomes.

As a result of the above, the ultimate estimate of any reinsurance to close is subject to significant uncertainty and may differ materially from the estimate that is currently included in the annual accounts. Given this uncertainty and the change in capital providers between the 2013, 2014 and 2015 years of account, the Board decided to leave the 2013, 2014 and 2015 years of account open as at 31 December 2017.

For the purposes of preparing these Syndicate run-off underwriting year accounts, the Managing Agent has adopted its external actuarial consultants' best estimate outcome.

In respect of business earned at 31 December 2017, the gross and net reserves for 2013 and prior years of account, excluding claims handling costs, totalled £112.6 million and £73.9 million respectively. During 2017 there was positive claims development, net of reinsurance of £14.7m of which £10.5m related to the 2012 and prior years and £4.2m related to the 2013 pure year.

The gross and net reserves for 2014 year of account, excluding claims handling costs, as at 31 December 2017 totalled £23.5m and £20.2m respectively. During 2017 there was positive claims development, net of reinsurance of £1.9m.

The gross and net reserves for 2015 year of account, excluding claims handling costs, as at 31 December 2017 totalled £16.6m and £15.3m respectively. During 2017 there was positive claims development, net of reinsurance of £2.7m .

8 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.

Pure underwriting year - gross	**2011**	**2012**	**2013**	**2013& Prior years**	**2014**	**2015**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Estimate of incurred claims						
At the end of underwriting year	15,071	16,671	17,430		15,548	14,714
One year later	28,427	30,094	34,419		35,533	24,650
Two years later	34,108	33,174	47,762		42,807	19,779
Three years later	51,909	45,893	58,333		39,354	
Four years later	64,909	57,090	54,307			
Five years later	67,786	61,208				
Six years later	60,939					
Less gross claims paid	37,952	23,883	22,487		15,917	3,581
Gross claims reserve	22,987	37,325	31,820	92,132	23,437	16,198
Gross claims reserve for 2010 and prior years	20,480			20,480		
Gross claims reserve	43,467	37,325	31,820	112,612	23,437	16,198

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

8 Claims development (*continued*)

Pure underwriting year - net	**2011**	**2012**	**2013**	**2013& Prior years**	**2014**	**2015**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Estimate of incurred claims						
At the end of underwriting year	12,434	13,885	14,834		12,631	11,818
One year later	23,197	24,122	29,405		30,443	20,571
Two years later	25,864	26,263	40,617		33,938	18,327
Three years later	36,069	36,474	49,813		31,321	
Four years later	43,440	39,518	45,945			
Five years later	47,327	40,123				
Six years later	42,142					
Less net claims paid	28,027	18,553	21,618		11,184	3,327
Net claims reserve	14,115	21,570	24,327	60,012	20,137	15,000
Net claims reserve for 2010 and prior years	13,909			13,909		
Net claims reserve	28,024	21,570	24,327	73,921	20,137	15,000

9 Analysis of run-off year result by year of account

	2012 & Prior years of account £000	**2013 Pure year of account £000**	**Total 2013 & prior years £000**	**2014 Pure year of account £000**	**2015 Pure year of account £000**
Technical account balance before allocated					
Investment return and net operating expenses	(27,042)	130	(26,912)	3,612	7,122
Brokerage and commission on gross premium	(1,793)	(10,446)	(12,239)	(9,035)	(5,835)
	(28,835)	(10,316)	(39,151)	(5,423)	1,287
Other acquisition costs	-	(1,000)	(1,000)	(1,322)	(1,052)
Administrative expenses	(206)	(7,751)	(7,957)	(5,411)	(5,081)
Investment income	74	2,506	2,580	614	263
Balance on technical account	(28,967)	(16,561)	(45,528)	(11,542)	(4,583)

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

10 Net operating expenses

Cumulative to 31 December 2017	2013 year of account	2014 year of account	2015 year of account
	£'000	£'000	£'000
Brokerage and commissions	12,239	9,035	5,835
Other acquisition costs	1,000	1,322	1,052
Administrative expenses	7,957	5,411	5,081
	21,196	15,768	11,968

Administrative expenses include:			
	£'000	£'000	£'000
Auditors' remuneration			
Fees payable to the Syndicate's auditor, KPMG LLP, for the audit of the Syndicate annual accounts and other services including the audit of the regulatory return	376	139	202
Members' standard personal expenses (Lloyd's subscriptions, New Central Fund contributions & Managing Agent's fees)	978	974	873

11 Investment income

Cumulative to 31 December 2017	2013 year of account £000	2014 year of account £000	2015 year of account £000
Investment income			
Interest and dividend income	4,314	1,154	600
Gains on the realisation of investments	690	176	133
	5,004	1,330	733
Investment expenses and charges			
Investment management expenses	(33)	(6)	(47)
Losses on realisation of investments	(1,301)	(335)	(153)
Unrealised gains on investments	394	120	93
Unrealised losses on investments	(1,484)	(495)	(363)
Net unrealised losses on investments	(1,090)	(375)	(270)
Total investment return	2,580	614	263

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

12 Other financial Investments

	2013 year of account		2014 year of account		2015 year of account	
	Market Value £000	Cost £000	Market Value £000	Cost £000	Market Value £000	Cost £000
Shares and other variable yield securities and units in unit trusts	3,690	3,690	-	-	-	-
Debt securities and other fixed income securities	42,460	42,723	13,358	13,418	10,085	10,138
Financial assets measured at fair value through profit and loss	46,150	46,413	13,358	13,418	10,085	10,138

Shares and other variable yield securities and units in unit trusts and debt securities and other fixed income securities are analysed between the three levels in the fair value hierarchy as follows:

2013 and prior	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Shares and other variable yield securities and units in unit trusts	-	3,690	-	3,690
Listed debt securities and other fixed income securities	8,500	33,960	-	42,460
	8,500	37,650		46,150

2014	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Shares and other variable yield securities and units in unit trusts	-	-	-	-
Listed debt securities and other fixed income securities	2,674	10,684	-	13,358
	2,674	10,684	-	13,358

2015	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Shares and other variable yield securities and units in unit trusts	-	-	-	-
Listed debt securities and other fixed income securities	2,019	8,066	-	10,085
	2,019	8,066	-	10,085

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.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

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.

13 Debtors arising out of direct insurance and reinsurance operations

	2013 £000	2014 £000	2015 £000
Due within one year			
Debtors arising from direct insurance operations	-	360	381
Debtors arising from reinsurance operations	3,537	2,680	-
	3,537	3,040	381

14 Other debtors

	2013 £000	2014 £000	2015 £000
Other debtors including taxes	2	15	83
	2	15	83

15 Overseas deposits – Fair value hierarchy

Overseas deposits are lodged as a condition of conducting business in certain countries and are managed by Lloyd's centrally or by investment managers appointed on their behalf. The assets contained within the overseas deposits are as follows:

2013 year of account	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Overseas deposits	140	9,051	-	9,191

2014 year of account	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Overseas deposits	19	1,261	-	1,280

2015 year of account	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Overseas deposits	22	1,436	-	1,458

The investments and cash have not been included on the statement of financial position within Investments or Cash as they are not under the direct control of the Managing Agent.

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months, 48 months and 60 months ended 31 December 2017 *(continued)*

16 Creditors and other liabilities – due within one year

	2013 £000	2014 £000	2015 £000
Creditors arising out of direct insurance operations	522	24	-
Creditors arising out of reinsurance operations	2,175	781	311
Intercompany balance with ATL	339	111	99
Other creditors including tax	-	-	-
Total creditors	3,036	916	410

17 Related parties

Until 31 March 2015 Syndicate 2526 was managed by Asta Managing Agency Ltd ("Asta") which also provided administrative services and support to the Syndicate. During this period Asta was also the Managing Agent for Syndicates 1686, 1729, 1897, 1910, 2357, 2525, 4242 and 6117. During the period 1 January 2013 to 31 March 2015 Managing Agent's fees of £579,000 and service fees of £1,900,000 were paid to Asta by the Syndicate.

From 1 April 2015 onwards the Syndicate was managed by AmTrust at Lloyd's Limited ("ATL") until novation on 23 June 2017 to AmTrust Syndicates Limited ('ASL').

ATL was also the Managing Agent of Syndicate 1206 and Syndicate 44 until novation to ASL on 3 March 2017. ASL was the Managing Agent of Syndicates 1861, 5820 and 779 throughout the period.

AmTrust Corporate Capital Limited, a subsidiary of AmTrust International Limited (AIL), provides 16.0% of the 2013 and 60.8% of the 2014 year of account capacity. AmTrust Corporate Member Limited, a subsidiary of AmTrust Lloyd's Holdings Limited, itself an intermediate parent company of ATL and AmTrust Syndicate Holdings Limited (ASH), provides 99.5% of the 2015 year of account capacity.

The following directors of ASL are also directors of AmTrust Corporate Capital Limited: P Dewey, J E Cadle and J M Hamilton (resigned from ASL Board 31 December 2017).

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

From 1 April 2015, the employment of staff, provision of accommodation and related services was provided by AmTrust group service companies ASH and AmTrust Central Bureau of Services Limited (CBS). Recharges were made to the Syndicate on a non-profit basis. Amounts outstanding from the Syndicate to ASH and CBS at 31 December 2017 in respect of recharged expenses were as follows:

	2013 & Prior £'000	2014 £'000	2015 £'000
ASH	108	27	24
CBS	231	85	75

The following directors of ASL are also directors of ASH: P Dewey, J E Cadle, M G Caviet and D J L Barrett (resigned 1 January 2018).

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

Syndicate 2526 uses a service company, Dore Underwriting Services Limited, to receive premiums that are not processed through Lloyd's. The service company, which does not receive any commissions for this service, is also a subsidiary of AIL.

The following directors of ASL are also directors of Dore Underwriting Services Limited: P Dewey and D J L Barrett.

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.

Seven Year Summary of Results (unaudited)

	2009	2010	2011	2012	2013	2014	2015
	£000	£000	£000	£000	£000	£000	£000
Syndicate allocated capacity	31,815	31,792	50,000	55,188	59,651	64,138	64,138
Number of underwriting members	243	277	370	391	357	179	6
Aggregate net premiums	21,495	19,486	25,076	22,852	28,880	24,537	18,859
Results for an illustrative share of £10,000							
	£	£	£	£	£	£	£
Gross premiums	11,147	10,313	8,634	7,707	8,480	6,693	4,535
Net premiums	6,756	6,129	5,015	4,140	4,841	3,826	2,940
Reinsurance to close from an earlier account	10,184	12,777	7,908	8,135	11,832	-	-
Net claims	(4,548)	(5,162)	(3,905)	(3,927)	(11,012)	(1,728)	(513)
Reinsurance to close	(12,910)	(12,698)	(9,246)	(11,346)	-	-	-
Amounts retained to meet all known and unknown liabilities	-	-	-	-	(12,392)	(3,149)	(2,391)
Syndicate operating expenses	(279)	(514)	(798)	(841)	(1,170)	(692)	(656)
Balance on technical account	(797)	532	(1,026)	(3,839)	(7,901)	(1,743)	(619)
Investment return	289	282	159	158	433	96	41
(Loss)/profit on exchange	(11)	53	21	29	(812)	284	350
Profit/(loss) on ordinary activities	(519)	867	(846)	(3,652)	(8,281)	(1,363)	(229)
Illustrative personal expenses:							
Managing Agent's fee	75	75	75	108	100	100	100
Profit commission	-	3	-	-	-	-	-
Other personal expenses (excluding members' agents fees)	92	87	72	48	67	46	36
Total illustrative personal expenses	167	165	147	156	167	146	136
Profit/(loss) after illustrative personal expenses	(686)	702	(993)	(3,808)	(8,448)	(1,509)	(365)
Total of Syndicate operating expenses, Managing Agent's fee and profit commission	354	592	873	949	1,270	792	765
Capacity utilised	92.5%	84.8%	67.7%	60.1%	62.6%	50.8%	34.6%
Net capacity utilised	67.6%	61.3%	50.2%	41.4%	48.4%	38.3%	29.4%
Underwriting profit/(loss) ratio	(7.3%)	5.7%	(11.6%)	(49.4%)	(99.6%)	(22.5%)	(8.0%)

Notes
1. The summary of results has been prepared from the audited accounts of the Syndicate
2. Personal expenses have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the Syndicate irrespective of any minimum charge applicable. Corporate members may be charged at different rates. Foreign tax, which may be treated as a credit for personal tax purposes, has been excluded.