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MS Amlin Underwriting Limited

Syndicate 3210

Report and Accounts

31 December 2017

Contents

Directors and Administration

Managing Agent

MS Amlin Underwriting Limited

Directors

S C W Beale	Non-Executive
G A M Bonvarlet	Independent Non-Executive
P J Calnan	Independent Non-Executive
D Thornton	Independent Non-Executive
T C Clementi	Chief Executive Officer
M R Clements	
J A Collinson	
P J Green	Chief Financial Officer
D G Peters	
M B Rodden	
M J Taff	

Run-Off Manager
J A Collinson

Company Secretary
Frances Moule

Managing Agent's registered office
The Leadenhall Building,
122 Leadenhall Street
London EC3V 4AG

Managing Agent's registered number
2323018

Report of the Directors of the Managing Agent

The directors of the managing agent, MS Amlin Underwriting Limited ("the Company"), present their annual report for Syndicate 3210 ("the Syndicate") for the year ended 31 December 2017.

The Syndicate is, through intermediate holding companies, a wholly aligned Syndicate of MS Amlin plc. The ultimate parent is MS&AD Insurance Group Holdings, Inc. ("MSI").

The Syndicate ceased to write new business at 31 December 2016 and has entered run-off. For the 2017 year of account the business previously underwritten by the Syndicate has been renewed by Syndicate 2001.

1. Strategic Report

Principal activity and review of the business
The principal activity of Syndicate 3210 remained the transaction of general insurance and reinsurance business in the United Kingdom. From 31 December 2016 the Syndicate is no longer underwriting new business and is now in run-off.
The total premium income capacity of the Syndicate for each of the years of account open during 2017 is as follows.

	£m
2015 year of account	340
2016 year of account	340

The result for calendar year 2017 is a loss of £45.3 million (2016: loss of £27.6 million).

Underwriting contributed a loss of £53.6 million (balance on the technical account less allocated investment return) (2016: £38.1 million loss) with the overall combined ratio increasing to 126.4% (2016: 110.3%).

Net earned premiums decreased by £139.3m to £203.4 million (2016: £342.7 million).

The Non-technical account includes a foreign exchange loss of £0.1million in 2017 (2016: £1.1 million gain) arising from the translation of foreign currency net positions at closing rates of exchange.

Underwriting performance

	2017 £m	2016 £m
Gross written premiums	10.0	378.2
Net written premiums	1.2	323.1
Net earned premiums	203.4	342.7
Claims ratio %	92.5	69.0
Expense ratio %	33.9	41.3
Combined ratio %	126.4	110.3

Gross written premiums decreased by £368.2 million (2016: £7.9 million) following the decision to transfer business to Syndicate 2001 and to run-off 2016 & prior business.

The combined ratio increased to 126.4% from 110.3% in the prior year. The Syndicate's claims ratio increased to 92.5% (2016: 69.0%), reflecting large loss experience during the year together with reserve strengthening and tough market conditions impacting the attritional claims experience.

In calculating the expense and combined ratios, personal expenses payable to the managing agency of £Nil (2016: £2.9 million) have been excluded.

Investment performance
The Syndicate produced an investment return of £8.3 million in the year (2016: £9.4 million). Syndicate underwriting assets, predominantly holdings in collective investment schemes and overseas deposits generated £6.9 million at a return of 1.4% (2016: £7.8 million and 1.4%). Corporate member capital contributed £1.4 million at a return of 1.1% (2016: £1.5 million and 1.4%).

Risk assets have performed strongly over the year, supported by an accelerating and synchronised global economic backdrop and expectations of a US fiscal stimulus. This has allowed policymakers to discuss ending quantitative easing policies or, as in the US, normalising monetary policy. All asset classes contributed positively to returns with equity allocations proving to be the best performer for the year.

During the year, the Company invested in funds in the Toro Prism Trust which is an open-ended investment unit trust authorised by the Central Bank of Ireland as a UCITS (Undertakings for Collective Investment in Transferable Securities) regulated by the European Union. The trust is controlled by MS Amlin group. The market value of the investments in funds in the Toro Prism Trust at 31st December 2017 is £376.8 million.

The growth outlook remains strong. Labour market tightness should ultimately lead to wage inflation, which in turn encourages higher bond yields. We retain our underweight duration stance.

The impact of foreign exchange is not material.

The principal risks and uncertainties of the business are addressed within note 2 to the financial statements on pages 18-31.

2. Directors' Report
Future developments

The Syndicate ceased to underwrite new business at 31 December 2016 and has entered run-off. The 2016 year of account is the final underwriting year. It is the stated intention of the Directors that the 2016 and prior years of account will reinsure to close into Syndicate 2001 as at 31 December 2018, when the year will naturally close under the Lloyd's 3 year accounting basis, but this decision is under constant review.

Report of the Directors of the Managing Agent (continued)

Future developments (continued)

The Syndicate has considerable financial resources to meet its financial needs and continues to manage its risks through an experienced team. The directors believe that the Syndicate is well positioned to manage its business risks successfully in the current economic environment during run-off.

Disclosure of information to auditor
Each director at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Syndicate's auditor is are unaware, and
- the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

The current directors of the managing agent are shown on page 2. Since 1 January 2017, the following changes to the Board of Directors have occurred:

Name	Date of Resignation
C D Forbes	31 January 2017
E Graham	22 March 2017
R Heppell	8 November 2017
D G Turner	7 March 2017
	Date of Appointment
J A Collinson	24 February 2017
PJ Green	14 December 2017

As the final year of account will close at the end of 2018, the Director's do not believe that it is appropriate to prepare these financial statements on a going concern basis, as explained in Note 1 to these financial statements.

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

On behalf of the Board

T. Clement

T C Clementi
Chief Executive Officer
16 March 2018

Statement of Managing Agent's Responsibilities

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

The Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 requires the directors of the managing agent to prepare their Syndicates financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these financial statements, the directors of the managing agent are required to:

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

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

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

On behalf of the Board

T C Clementi
Chief Executive Officer
16 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 3210

Opinion

We have audited the financial statements of Syndicate 3210 for the year ended 31 December 2017 which comprise the Statement of Profit or Loss: Technical account – General business, Statement of Profit or Loss: non-technical account, Balance Sheet – Assets, Balance Sheet – Liabilities, Statement of Changes in Members' Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

Basis for opinion

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

Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Report of the directors of the Managing Agent

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Responsibilities of the directors of the Managing Agent

As explained more fully in their statement set out on page 5, the directors of the Managing Agent are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, assessing the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so

Auditor's responsibilities

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

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

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

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

Timothy Butchart (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square London,
E14 5GL
16 March 2018

Statement of Profit or Loss: Technical Account – General Business
For the year ended 31 December 2017

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Earned premiums, net of reinsurance					
Gross premiums written	3	10,004		378,235	
Outward reinsurance premiums		(8,836)		(55,104)	
			1,168		323,131
Change in the provision for unearned premiums					
Gross amount	12	218,094		18,200	
Reinsurers' share	12	(15,828)		1,362	
			202,266		19,562
Earned premiums, net of reinsurance			203,434		342,693
Allocated investment return transferred from the non-technical account	7		6,846		7,826
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(242,655)		(228,995)	
Reinsurers' share		34,480		12,068	
			(208,175)		(216,927)
Change in the provision for claims					
Gross amount	12	20,789		(73,481)	
Reinsurers' share	12	(834)		53,822	
			19,955		(19,659)
Claims incurred, net of reinsurance			(188,220)		(236,586)
Net operating expenses	4		(68,822)		(144,205)
Balance on the technical account – general business			**(46,762)**		(30,272)

All the amounts above are in respect of continuing operations.

The notes on pages 14 to 42 form part of these financial statements

Statement of Profit or Loss: Non-Technical Account
For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Balance on the technical account – general business		(46,762)	(30,272)
Investment income	7	6,779	6,138
Unrealised gains/(losses) on investments	7	234	2,695
Investment expenses and charges	7	(167)	(1,007)
Allocated investment return transferred to general business technical account	7	(6,846)	(7,826)
(Loss)/Gain on foreign exchange		(63)	1,101
Investment return on Funds in Syndicate	7	1,493	1,538
(Loss) for the financial year		**(45,332)**	**(27,633)**

There were no recognised gains and losses in the year other than those reported in the Statement of Profit or Loss and hence no Statement of Other Comprehensive Income has been presented.

All the amounts above are in respect of continuing operations.

The notes on pages 14 to 42 form part of these financial statements.

Balance Sheet – Assets
As at 31 December 2017

	Notes	2017 £'000	2016 £'000
ASSETS			
Investments			
Other financial investments	8	500,118	612,291
Reinsurers' share of technical provisions			
Provision for unearned premiums	12	29	16,207
Claims outstanding	12	118,747	127,141
		118,776	143,348
Debtors			
Arising out of direct insurance operations	9	9,392	119,760
Arising out of reinsurance operations	9	11,940	42,423
Other debtors	10	6,652	5,153
		27,984	167,336
Other assets			
Cash at bank and in hand	14	6,442	5,573
Prepayments and accrued income			
Deferred acquisition costs	12	6,885	59,150
Other prepayments and accrued income		337	26
		7,222	59,176
Total assets		**660,542**	**987,724**

The notes on pages 14 to 42 form part of these financial statements

Balance Sheet – Liabilities
As at 31 December 2017

	Notes	2017 £'000	2016 £'000
LIABILITIES			
Capital and reserves			
Member's balance		(29,169)	24,901
Technical provisions			
Provision for unearned premiums	12	24,469	246,000
Claims outstanding	12-13	624,515	665,759
		648,984	911,759
Creditors			
Arising out of direct insurance operations	9	2,028	2,694
Arising out of reinsurance operations	9	18,678	30,484
Other creditors including taxation and social security	11	20,021	17,799
Accruals and deferred income		-	87
		40,727	51,064
Total liabilities and equity		**660,542**	**987,724**

The financial statements on pages 8 to 13 were approved and authorised for issue by the Board of Directors of MS Amlin Underwriting Limited and signed on its behalf by:

P J Green
Chief Financial Officer
16 March 2018

The notes on pages 14 to 42 form part of these financial statements.

Statement of Changes in Member's Balances
For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Member's balances brought forward at 1 January		24,901	72,534
(Loss) for the financial year		(45,332)	(27,633)
Payment of profit to member		(8,738)	(20,000)
Member's balance carried forward at 31 December		**(29,169)**	**24,901**

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

The notes on pages 14 to 42 form part of these financial statements.

Statement of Cash Flows

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
(Loss)/Profit for the year		(45,332)	(27,633)
Decrease/(Increase) in reinsurers share of technical provisions		24,571	(66,337)
Decrease/(Increase) in deferred acquisition costs		52,275	(10,030)
Decrease/(Increase) in debtors and prepayments		139,030	(4,630)
(Decrease)/Increase in gross technical provisions		(262,774)	155,856
(Decrease)/Increase in creditors		(10,335)	30,714
(Decrease) in accruals and deferred income		(47,406)	(458)
Investment return		(8,340)	(9,365)
Foreign exchange		4,401	-
Net cash (outflow)/inflow from operating activities		**(153,910)**	**68,117**
Cash flows from investing activities			
Acquisition of other financial instruments		(1,010,385)	(1,079,458)
Proceeds from sale of other financial instruments		1,161,766	1,015,902
Investment income received		4,296	7,287
Other		3,902	(1,685)
Net cash inflow/(outflow) from investing activities		**159,579**	**(57,954)**
Cash flows from financing activities			
Cash Call		118,000	-
FIS released to member		(118,000)	-
Transfer to member in respect of underwriting participation		(8,738)	(20,000)
Net cash (outflow) from financing activities		**(8,738)**	**(20,000)**
Net (decrease)/increase in cash and cash equivalents		**(3,069)**	**(9,837)**
Cash and cash equivalents at 1 January	14	9,451	18,821
Effect of exchange rate changes on cash and cash equivalents		60	467
Cash and cash equivalents at 31 December	14	**6,442**	**9,451**

The notes on pages 14 to 42 form part of these Financial Statements.

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

These financial statements have been prepared on the basis that the Syndicate ceased to write new business from 1 January 2017 and will reinsure to close its 2016 and prior years of account into Syndicate 2001 on 31 December 2018. The assets and liabilities at the balance sheet date have been recognised under the historical cost convention except for certain financial assets which are measured at fair value, using the annual basis of accounting in accordance with Regulation 5 the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts Regulations 2008) ("the Regulations"), and in compliance with United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard Applicable in the UK and the Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103"). There are no other assets or liabilities recognisable as a consequence of not preparing these financial statements on a going concern basis. Therefore, no adjustments are necessary to the amounts at which the net assets are included in these financial statements. FRS 102 and FRS 103 have been consistently applied to all years presented.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Syndicate's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below. The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Insurance contract liabilities

The most significant estimate made in the financial statements relates to unpaid insurance claim reserves and related loss adjustment expenses of the Syndicate. The methods, assumptions and estimates used by the Syndicate to estimate the insurance contract liabilities are described in note 12.

Unpaid claims reserves are estimated on an undiscounted basis. Provisions are subject to a detailed quarterly review where forecast future cash flows and existing amounts provided are reviewed and reassessed. Any changes to the amounts held are adjusted through the statement of profit or loss

Details of the Syndicate's outstanding claims reserves and claims development are given in note 12 and note 13.

Insurance contract premium

The Accounting policy note Insurance contracts premium details how the Syndicate accounts for insurance premiums including the estimates made by the Syndicate

Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract.

Contracts entered into by the Syndicate with reinsurers under which the Syndicate is compensated for losses on contracts issued by the Syndicate and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts underwritten by the Syndicate under which the contract holder is another insurer (inwards reinsurance) are included within insurance contracts.

Based on the current assessment, all of the products underwritten by the Syndicate are insurance contracts within the scope of FRS 103.

Financial assets and financial liabilities

The Syndicate uses pricing vendor sources in determining the fair value of financial assets and financial liabilities. Depending on the methods and assumptions used (for example, in the fair valuation of Level 2 financial assets), the fair valuation of financial assets and financial liabilities can be subject to estimation uncertainty. Details of these methods and assumptions are described in note 2c.

Notes to the Financial Statements (continued)

Significant accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the current and prior years.

Insurance contracts premiums

Gross premiums written comprise contracts commencing in the financial year, together with any differences between booked premiums for the prior years and those previously accrued, and estimates of premiums due but not yet receivable or notified to the Syndicate. All premiums are shown gross of commission payable to intermediaries and exclude any taxes or duties based on premiums.

Premiums are disclosed before the deduction of brokerage and taxes or duties levied on them when these are payable by the Syndicate. Estimates are included for premiums receivable after the period end but not yet notified. Outward reinsurance premium is accounted for in the same accounting period as the related insurance or inward reinsurance business

Premium is recognised as earned based on the policy contract period. The earned element is calculated on a basis where the premium is apportioned over the period of risk. For premium written under facilities, the earned element is calculated based on the estimated inception date and coverage period of the underlying contracts.

The proportion of premiums written, gross of commission payable, attributable to periods after the balance sheet date is deferred as a provision for unearned premiums. The change in this provision is taken to the income statement in order that revenue is recognised over the period of the risk. Under FRS 103, unearned premiums are monetary liabilities. These are therefore valued at closing exchange rate at the reporting period end and any foreign currency gains or losses are recognised in the statement of profit or loss.

Acquisition costs

Acquisition costs comprise brokerage and commissions incurred on insurance contracts written during the financial year. They are incurred on the same basis as the earned proportions of the premiums they relate to. Deferred acquisition costs are amortised over the period in which the related revenues are earned. Deferred acquisition costs are reviewed at the end of each reporting period and are impaired where they are no longer considered to be recoverable out of future margins in the related revenues. Under FRS 103, deferred acquisition costs are monetary assets. These are therefore valued at closing exchange rate at the reporting period end and any foreign currency gains or losses are recognised in the statement of profit or loss.

Reinsurance premium ceded

Reinsurance premium ceded comprise premium on reinsurance arrangements bought which incept during the financial year, together with adjustments to premium ceded in previous accounting years. The proportion of reinsurance premium ceded attributable to periods after the reporting date is deferred as reinsurers' share of unearned premium. Reinsurance premium ceded is earned over the policy contract period in accordance with the terms of the reinsurance contract.

Unearned premiums

The provision for unearned premiums comprises the amounts representing that part of gross premiums written and outwards reinsurance premiums that relate to unexpired terms of policies in force at the balance sheet date. The provision is calculated using a time apportionment method.

Insurance contracts liabilities: claims

Claims paid are defined as those claims transactions settled up to the balance sheet date including the internal and external claims settlement expenses allocated to those transactions.

The reinsurers' share represents recoveries received from reinsurance protections in the period plus recoveries receivable against claims paid that have not been received at the balance sheet date, net of any provision for bad debt. Where applicable, deductions are made for salvage and other recoveries.

Claims reserves are estimated on an undiscounted basis. Provisions are subject to a detailed quarterly review where forecast future cash flows and existing amounts provided are reviewed and reassessed.

Any changes to the amounts held are adjusted through the income statement. Provisions are established above an actuarial best estimate as an additional degree of caution.

Unpaid claim reserves are made for known or anticipated liabilities under insurance contracts which have not been settled up to the reporting date. Included within the provision is an allowance for the future costs of settling those claims. This is estimated based on past experience and current expectations of future cost levels.

Notes to the Financial Statements (continued)

The unpaid claims reserves also include, where necessary, a reserve for unexpired risks where, at the reporting date, the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premiums provision. In determining the need for an unexpired risk provision the underwriting divisions within the Syndicate have been regarded as groups of business that are managed together.

Some insurance contracts permit the Syndicate to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Syndicate may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries and subrogation reimbursements are included as allowances in the measurement of the insurance liability for unpaid claims, and recognised in insurance and reinsurance receivables when the liability is settled.

Although the claims provision is considered to be reasonable, having regard to previous claims experience (including the use of certain statistically based projections) and case by case reviews of notified losses, on the basis of information available at the date of determining the provision, the ultimate liabilities will vary as a result of subsequent information and events. These adjustments are reflected in the financial statements for the period in which the related adjustments are made.

Reinsurance recoveries

The benefits to which the Syndicate is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Where there is objective evidence that a reinsurance asset is impaired, the Syndicate reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of profit or loss.

Financial assets

The Syndicate's financial assets are classified at fair value through profit and loss (FVPL). This classification requires all fair value changes to be recognised immediately within the investment return line in the statement of profit or loss.
Within the FVPL category, holdings in collective investment schemes, fixed income securities, equity securities, property funds and certain derivatives are classified as 'trading' as the Syndicate buys with the intention to resell.

All other assets at FVPL are classified as 'other than trading' within the FVPL category as they are managed and their performance is evaluated on a FVPL basis.

Purchases and sales of investments are recognised on the trade date, which is the date the Syndicate commits to purchase or sell the assets. These are initially recognised at fair value, and are subsequently re-measured at fair value based on quoted bid prices. Transaction costs are recognised directly in the statement of profit or loss when incurred. Changes in the fair value of investments are included in the statement of profit or loss in the year in which they arise. The uncertainty around valuation is discussed further in note 2c.

Derivative financial instruments

Derivative financial instruments primarily include currency forwards. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into. They are subsequently measured at fair value, with their fair values obtained from quoted market prices or, where these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. Changes in the fair value of derivative instruments are recognised immediately in the statement of profit or loss.

Investment return

The investment return comprises investment income, investment gains less losses, and is net of investment expenses and charges

Realised gains or losses are calculated as the difference between the net sales proceeds and their purchase price in the financial year or their valuation at the commencement of the year. Unrealised gains and losses are calculated as the difference between the valuation of investments at the balance sheet date and their purchase price in the financial year or their valuation at the commencement of the year.

Notes to the Financial Statements (continued)

Investment return continued
All of the investment return arising in the year is reported initially in the non-technical account. A transfer is then made from the non-technical account to the technical account to reallocate investment return relating to underwriting assets.

Taxation
No provision has been made in respect of UK income tax on trading income It is the responsibility of the member to settle their tax liabilities. Overseas taxation comprises US Federal Income tax and Canadian Federal Income tax. The amounts charged to the member are collected centrally through Lloyd's Members' Services Unit as part of the member's distribution process.

The ultimate tax liability is the responsibility of the underwriting member. 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.

Foreign Currencies

(a) Functional and presentation currency
Items included in the financial statements of the Syndicate are measured using the currency of the primary economic environment in which the Syndicate operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Syndicate's functional currency.

(b) Transactions and balances
Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Monetary assets and liabilities are translated at the rates of exchange at the reporting date (Insurance balances are considered to be monetary assets). Non-monetary assets and liabilities are translated at the rate prevailing in the year in which the asset or liability first arose or, where such items are revalued, at the latest valuation date. Exchange differences are recognised within the 'non-technical account'.

Loans and receivables
Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of profit or loss when there is evidence that the asset is impaired. These are reversed when the triggering event that caused the impairment is reversed.

Other payables
Other payables are initially recognised at fair value and subsequently measured at amortised cost. They represent liabilities to pay for goods or services that have been received or supplied in the normal course of business, invoiced by the supplier before the year end, but for which payment has not yet been made.

Insurance debtors and creditors
In the normal course of business, for the majority of contracts, settlement is required to be made with Lloyd's Central Accounting, the market settlement bureau, on the basis of the net balance due to or from insurance brokers in total rather than the amounts due to or from the individual parties which they represent. The legal status of this practice of net settlement is uncertain and in the event of an insolvency it is generally abandoned.

Accordingly, insurance debtors and creditors, as presented, in respect of both Lloyd's Central Accounting settled business and business that is settled direct with brokers and service companies comprise respectively the totals of all the Syndicate's individual outstanding debit and credit transactions before any offset. The resultant totals give no indication of future net cash flows

Syndicate operating expenses
The managing agency is MS Amlin Underwriting Limited. Costs incurred by the managing agent exclusively for the Syndicate are charged to the Syndicate on an accruals basis.

Expenses incurred jointly by the managing agent and the Syndicate are charged to the Syndicate and reflect the costs of services provided and does not include any profit element.

Pension costs
All relevant staff are members of a defined contribution pension scheme operated by MS Amlin Corporate Services Limited Pension contributions relating to Syndicate staff are charged to the Syndicate as incurred and are included within net operating expenses.

Notes to the Financial Statements (continued)

2. Risk and capital management

The Board of Directors of the Managing Agent (the Board) recognises that the effective management of risk is essential for the Syndicate to achieve its objectives. The Syndicate's risk management framework provides the structure through which the Syndicate identifies, assesses, controls, monitors and reports the risks posed to the achievement of its corporate objectives. It facilitates the timely and efficient flow of risk information between business functions and senior management, allowing appropriate decisions to be made at all levels of the organisation, thereby enabling the effective management of risk.

The Board, with support from the Risk Committee, oversees the risk management framework and monitors the Syndicate's risk profile at risk category level (e.g. insurance risk). Oversight of specific risks (as detailed on the Syndicate's risk register) is delegated to the relevant Standing Committees. In order to discharge their duties, the Board and Standing Committees receive regular risk reports that summarise the Syndicate's risk profile.

A suite of policies articulate the risk management framework. These identify and analyse the risks faced by the Syndicate and set appropriate risk limits and controls.

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

2(a) Underwriting risk

The Syndicate accepts underwriting risk in a range of classes of business and there is a balance between long and short tail business.

In underwriting insurance or reinsurance policies the underwriters use their skill and knowledge to assess each risk. Exposure information and data on past claims experience is used to evaluate the likely claims cost and therefore the premiums that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and to produce an acceptable profit. However, due to the nature of insurance risk there is no guarantee that the premiums charged will be sufficient to cover claims costs. This shortfall may originate either from insufficient premiums being calculated and charged or result from an unexpected, or unprecedented, high level of claims.

A number of controls were deployed to limit the amount of insurance exposure underwritten For each year of account a business plan was prepared and agreed which was used to monitor the amount of premium income, and exposure, to be written in total and for each class of business Progress against this plan is monitored These can be exceeded in exceptional circumstances but only with the approval of senior management. For larger sum insured risks reinsurance coverage may be purchased. The managing agent used line guides that determine the maximum liability per policy that was written for each class (on a gross or net of facultative reinsurance basis) by each underwriter. The Syndicate is also exposed to catastrophe losses which may impact many risks in a single event Reinsurance is purchased to limit the impact of loss aggregation from such events. These reinsurance arrangements are described in section 2f. Insurance liabilities were written through individual risk acceptances or through facilities whereby the Syndicate was bound by other underwriting entities. Facility arrangements delegate underwriting authority to other underwriters, or to agents acting as coverholders, that used their judgement to write risks on the Syndicate's behalf under clear authority levels.

The insurance liabilities underwritten by the Syndicate are reviewed on an individual risk, or contract, basis and through review of portfolio performance. All claims arising are reserved upon notification. Each quarter the entire portfolio of business is subject to a reserving process whereby levels of paid and outstanding (advised but not paid) claims are reviewed. Potential future claims are assessed with a provision for incurred but not reported (IBNR) claims being made. Whilst a detailed and disciplined exercise is carried out to provide for claims notified, it is possible that known claims could develop and exceed the reserves carried.

Furthermore, there is increased uncertainty in establishing an accurate provision for IBNR claims and there is a possibility that claims may arise which, in aggregate, exceed the reserve provision established. This is partly mitigated by the reserving policy adopted by the Syndicate which is to carry reserves in excess of the mean actuarial best estimate.

Notes to the Financial Statements (continued)

2(a) Underwriting risk (continued)

The Syndicate is exposed to the impact of large catastrophe events such as windstorms, earthquakes or terrorist incidents Exposure to such events is controlled and measured through loss modelling. It is possible that a catastrophe event could exceed the maximum expected event loss. This is particularly the case for the direct property proportion of the loss exposure, where models are used to calculate a damage factor representing the amount of damage expected to exposed aggregate insured values from a particular scenario Errors, or incorrect assumptions in the damage factor calculation, can result in incurred catastrophe event claims higher, or lower, than predicted due to unforeseen circumstances, inadequacies in data, or shortcomings in the models used.

Notes to the Financial Statements (continued)

2(b) Insurance risk

Concentration of insurance risk

The table below details the Syndicate's risk exposures by geographical region and class of business.

2017	Gross Premiums Written £'000	Outward RI Premiums £'000	Net Premiums Written £'000
United Kingdom	2,292	(2,025)	267
Other EU countries	779	(688)	91
USA	(241)	213	(28)
Other	7,174	(6,336)	838
	10,004	**(8,836)**	**1,168**

2016	Gross Premiums Written £'000	Outward RI Premiums £'000	Net Premiums Written £'000
United Kingdom	68,703	(10,009)	58,694
Other EU countries	16,983	(2,474)	14,509
USA	4,605	(671)	3,934
Other	287,944	(41,950)	245,994
	378,235	**(55,104)**	**323,131**

2017	Gross Premiums Written £'000	Outward RI Premiums £'000	Net Premiums Written £'000	Net Technical Provisions £'000
Fire and other damage to property	2,834	(4,560)	(1,726)	92,979
Third party liability	4,760	(964)	3,796	181,788
Motor - other	-	(24)	(24)	-
Marine, aviation and transport	541	(3,106)	(2,565)	144,785
Reinsurance accepted	1,869	(182)	1,687	103,771
	10,004	**(8,836)**	**1,168**	**523,323**

2016	Gross Premiums Written £'000	Outward RI Premiums £'000	Net Premiums Written £'000	Net Technical Provisions £'000
Fire and other damage to property	78,491	(18,447)	60,044	97,967
Third party liability	120,439	(11,247)	109,192	271,519
Motor - other	-	-	-	2,810
Marine, aviation and transport	93,043	(10,610)	82,433	158,299
Reinsurance accepted	86,262	(14,800)	71,462	178,666
	378,235	**(55,104)**	**323,131**	**709,261**

Net technical provisions include deferred acquisition costs.

Notes to the Financial Statements (continued)

2(b) Insurance risk (continued)

Sensitivity to insurance risk – Claims reserving and IBNR

Insurance liabilities and reinsurance assets: Calculation of incurred but not reported (IBNR) and claims development

The Syndicate adopts a rigorous process in the calculation of an adequate provision for insurance claim liabilities. The overriding aim is to establish reserves which are expected to be at least adequate and that there is consistency from year to year. Therefore, the reserves are set at a level above the mean actuarial "best estimate" position. However, there is a risk that, due to unforeseen circumstances, the reserves carried are not sufficient to meet insurance claim liabilities reported in future years on policy periods which have expired.

Process and methodology

The reserving process commences with the proper recording and reporting of claims information which consists of paid and notified or outstanding claims. For the London market business information is received through the London market bureau. Claims records are maintained for each policy and class. For notified or outstanding claims, a case reserve is established based on the views of underwriting management and claims managers, using external legal or expert advice where appropriate. This reserve is expected to be sufficient to meet the claim payment when it is finally determined. For some classes of business, particularly liability business, settlement may be several years after the initial notification of the claim, as it may be subject to complexities or court action. For claims received from the London Market Bureau, the market reserve is generally set by the lead underwriter, but there are circumstances on larger claims where the Syndicate will post higher reserves than those notified.

To assist with the process of determining the reserves, triangulation statistics for each class are produced which show the historical development of premium, as well as paid and incurred losses, for each underwriting year. In all cases, the different potential development of each class of business is fully recognised. The development period varies by class, by method of acceptance and is also determined by the deductible of each policy written. For casualty business, the policy form will determine whether claims can be made on a claims made (as advised) or on a losses occurring (determined by date of loss) basis. This has a significant impact on the reporting period in which claims can be notified.

IBNR

To establish a provision for IBNR claims, the actuarial team uses their experience and knowledge of the classes of business to estimate the potential future development of the incurred claims for each class for each underwriting year. This is known as the 'best estimate'. In setting the IBNR provision, estimates are made for the ultimate premium and ultimate gross claims value for each underwriting year. Allowance is then made for anticipated reinsurance recoveries to reach a net claim position. Reinsurance recoveries are calculated for outstanding and IBNR claims, sometimes through the use of historical recovery rates or statistical projections, and provisions are made as appropriate for bad debt or possible disputes. The component of ultimate IBNR provision estimates and reinsurance recoveries that relates to future events occurring to the existing portfolio is removed in order to reflect generally accepted accounting practice. Meetings are initially held for each business unit in which underwriters and actuaries discuss the initial proposed estimates and revise them if it is felt necessary. At the next round of meetings, management discuss reserving issues with the actuaries and underwriters and challenge the proposed estimates. At this meeting, management propose the 'margin' for risk to be added to the best estimate, assisted by diagnostics produced from the internal model. The margin is proposed on a net of reinsurance basis only. Further meetings are then held at which further review and challenge is provided by central teams, led by the Risk function.

Areas of uncertainty

The reserves established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR claims. The impact on profit of a 5% improvement/deterioration in the net incurred claims ratio would be £10.2 million gain/loss (2016: £17.1 million), as shown below:

Notes to the Financial Statements (continued)

2(b) Insurance risk (continued)

Sensitivity to insurance risk (continued)

Net Incurred Claims (NIC)	Fire and other damage to property	Third party liability	Marine aviation & transport	Re-insurance accepted	Total
	£'000	£'000	£'000	£'000	£'000
2017					
5% increase in NIC %	(1,797)	(3,566)	(2,805)	(2,004)	**(10,172)**
5% decrease in NIC %	1,797	3,566	2,805	2,004	**10,172**
2016					
5% increase in NIC %	(3,331)	(4,832)	(4,726)	(4,246)	**(17,135)**
5% decrease in NIC %	3,331	4,832	4,726	4,246	**17,135**

Large loss case reserves are determined through careful analysis of the individual claim, often with the advice of lawyers

Property catastrophe claims, such as earthquake or hurricane losses can take several months or years, to develop as adjusters visit damaged property and agree claim valuations. Until all the claims are settled it requires an analysis of the area damaged, contracts exposed and the use of models to simulate the loss against the portfolio of exposure in order to arrive at an estimate of ultimate loss to the Syndicate. There is uncertainty over the adequacy of information and modelling of major losses for a period that can range from several months to a number of years after a catastrophe loss. Account should also be taken of factors which may influence the size of claims such as increased repair cost inflation or a change in law.

The long tail liability classes represent the most difficult classes to project because often claims are notified and settled several years after the expiry of the policy concerned. This is particularly the case for liability business written on a losses occurring basis.

The use of historical development data is fundamental to reserving these classes. It is used in conjunction with the advice of lawyers and third party claims adjusters on material single claims. Known changes to wordings or the claims environment are also considered.

2(c) Financial risk management

The following section describes the Syndicate's investment risk management from a quantitative and qualitative perspective.

The Syndicate has two main categories of assets:

- Underwriting assets – premium received and held to meet future insurance claims.
- Capital assets – capital required by Lloyd's to support the underwriting business. These represent funds deposited by MSI Corporate Capital Limited as Funds in Syndicate (FIS).

Investment Governance

The managing agent manages the Syndicate's investments in accordance with the investment governance framework that is set by the Board of the managing agent. This framework determines investment governance and the investment risk tolerance. It is reviewed on a regular basis to ensure that the Board's fiduciary and regulatory responsibilities are being met. Day-to-day management of the investments is delegated to the Investment Oversight Committee (IOC) or members of the executive, who are advised by MS Amlin Investment Management.

Notes to the Financial Statements (continued)

2(c) Financial risk management (continued)

The IOC comprises the Chief Risk Officer, Chief Investment Officer and members of the managing agent's executive The IOC meets quarterly and supports the Risk & Solvency Committee in carrying out its delegated investment risk-related responsibilities. Day-to-day responsibility for investments is further delegated to the MS Amlin Investment Management team, led by the Chief Investment Officer The IOC is kept updated on relevant issues. MS Amlin Investment Management is responsible for tactical asset allocation and the appointment of external investment managers and custodians.

Risk Tolerance

Investment risk tolerances are set by the Risk & Solvency Committee. The investment process is driven from the risk tolerance which is determined by reference to factors such as the underwriting cycle and the requirements of the capital providers In a hard underwriting market, capital preservation is paramount in order to support the insurance business and, therefore, the risk tolerance for the capital assets will be low. Conversely, the risk tolerance for the underwriting assets under these circumstances will be relatively high due to the strong cash flow. In a soft underwriting market the opposite applies.

Investment risk is monitored by MS Amlin Investment Management using a market-recognised third-party risk model Risk reporting is generated by MS Amlin Investment Management and an independent review conducted by the Risk function. These reports are then circulated to the IOC and the Risk & Solvency Committee.

Strategic asset allocation

The managing agent has determined the Syndicate's strategic asset allocation which is set according to its risk tolerance and liabilities.

The strategic asset allocations for capital assets are set by using a Value at Risk (VaR) model to determine the optimum asset allocation for the current risk tolerance, which ensures that appropriate solvency levels are maintained.

The expected timescale for future cash flows in each currency is calculated by the Actuarial team; the average of these form the basis of our asset liability duration management

Tactical ranges around these strategic asset allocations provide flexibility to ensure that an appropriate risk/reward balance is maintained in changing investment markets.

The IOC reviews the strategic asset allocation and tactical asset allocation ranges for appropriateness to optimise investment returns within the risk tolerances.

Investment management

Investments are run on a multi-asset, multi-manager basis. Exposure to the asset classes is achieved using physical holdings of the asset class or derivative instruments and may be managed by the Investment Team or by outsourced managers, on a segregated, pooled or commingled basis. Manager selection is based on a range of criteria that leads to the expectation that they will add value to the funds over the medium to long-term. The managers have discretion to manage the funds on a day-to-day basis within investment guidelines or prospectuses applicable to their funds that ensure that they comply with the investment frameworks The managers' performance, compliance and risk are monitored on an ongoing basis

Credit risk

Credit risk is the risk that the Syndicate becomes exposed to loss if a specific counterparty fails to perform its contractual obligations in a timely manner impacting the Syndicate's ability to meet its claims as they fall due Credit risk can also arise from underlying causes that have an impact upon the creditworthiness of all counterparties of a particular description or geographical location The Syndicate is exposed to credit risk in its investment portfolio and with its premium and reinsurance debtors.

Notes to the Financial Statements (continued)

2(c) Financial risk management (continued)

2017	AAA £'000	AA £'000	A £'000	<A £'000	Not rated £'000	Total £'000
Other financial investments:						
Holdings in collective investment schemes	-	-	-	-	376,768	**376,768**
Participation in investment pools	37,947	3,738	7,956	2,867	18,649	**71,157**
Regulatory deposits	30,697	8,088	5,012	5,308	3,088	**52,193**
Deposits with credit institutions	-	-	-	-	-	-
Derivative Financial Assets	-	-	-	-	-	-
Reinsurers' share of outstanding claims including IBNR	-	30,763	84,803	1,449	1,732	**118,747**
Debtors arising out of direct insurance operations	-	-	-	-	9,392	**9,392**
Debtors arising out of reinsurance operations	-	-	1,037	-	10,903	**11,940**
Cash at bank and in hand	-	-	6,442	-	-	**6,442**
Other debtors	-	-	-	-	6,652	**6,652**
	68,644	**42,589**	**105,250**	**9,624**	**427,184**	**653,291**

2016	AAA £'000	AA £'000	A £'000	<A £'000	Not rated £'000	Total £'000
Other financial investments:						
Debt securities and other fixed income	30,490	9,619	5,053	5,104	-	**50,266**
Hedge funds	-	-	-	-	4,718	**4,718**
Holdings in collective investment schemes	332,717	61,805	73,584	27,662	-	**495,768**
Participation in investment pools	38,029	5,122	4,384	1,955	-	**49,490**
Regulatory deposits	-	-	-	-	4,788	**4,788**
Deposits with credit institutions	-	-	7,036	-	-	**7,036**
Derivative financial assets	-	-	-	225	-	**225**
Reinsurers' share of outstanding claims including IBNR	-	39,726	83,644	3,771	-	**127,141**
Debtors arising out of direct insurance operations	-	-	-	-	119,760	**119,760**
Debtors arising out of reinsurance operations	-	-	-	-	42,423	**42,423**
Cash at bank and in hand	-	129	-	5,444	-	**5,573**
Other debtors	-	-	-	-	5,153	**5,153**
	401,236	**116,401**	**173,701**	**44,161**	**176,842**	**912,341**

Notes to the Financial Statements (continued)

2(c) Financial risk management (continued)

Insurance and reinsurance

Credit risk in respect of premium debt is overseen by the Group Credit Risk Team and managed through a number of controls that include broker financial review, internal rating of brokers and regular chasing and monitoring of premium settlement performance. This includes the escalation of material issues to underwriters and management as appropriate.

Also included are reinsurance receivables, which represent the amounts due at 31 December 2017, as well as amounts, expected to be recovered on unpaid outstanding claims (including IBNR) in respect of earned risks. These are stated net of provisions for impairment. The credit risk in respect of reinsurance receivables, including reinsurers' share of outstanding claims, is primarily managed by review and approval of reinsurance security by the Reinsurance Security Committee prior to the purchase of the reinsurance contract. Guidelines are set, and monitored, that restrict the purchase of reinsurance security based on the internal ratings for each reinsurer and Standard & Poor's ratings. The Syndicate holds collateral from certain reinsurers including those that are non-rated as security against potential default. Provisions are made against the amounts due from certain reinsurers, depending on the age of the debt and the current rating assigned to the reinsurer. The impact on profit before tax of a 1% variation in the collectability of reinsurance debt would be +/- £1.2 million (2016: £1.3 million).

Investments

As well as actual failure of a counterparty to perform its contractual obligations, the price of corporate bond holdings will be affected by investors' perception of a borrower's credit worthiness. Credit risk within the investment funds is managed through the credit research carried out by the investment managers. The investment guidelines are designed to mitigate credit risk by ensuring diversification of the holdings. For each portfolio there are limits to the exposure to single issuers and to the total amount that can be held in each credit quality rating category, as determined by reference to credit rating agencies.

At 31 December 2017, investments amounted to £500.1 million (2016: £612.3 million). The credit ratings on debt securities are based on Standard & Poor's, Moody's and Fitch.

Notes to the Financial Statements (continued)

2(c) Financial risk management (continued)

2017	**Debtors arising out of direct insurance operations £'000**	**Debtors arising out of reinsurance operations £'000**
Overdue but not impaired financial assets:		
Overdue by:		
0 to 3 months	351	9,925
3 to 6 months	-	689
6 to 12 months	3,688	233
12 to 18 months	5,353	56
Overdue but not impaired financial assets	**9,392**	**10,903**
Impaired financial assets	5,838	-
Gross value of overdue and impaired financial assets	**15,230**	**10,903**
Less individually assessed impairment allowances	(5,838)	-
Net carrying value of past due and impaired financial assets	**9,392**	**10,903**
Neither overdue nor impaired financial assets	-	1,037
Net carrying value	**9,392**	**11,940**

2016	**Debtors arising out of direct insurance operations £'000**	**Debtors arising out of reinsurance operations £'000**
Overdue but not impaired financial assets:		
Overdue by:		
0 to 3 months	12,949	-
3 to 6 months	4,514	49
6 to 12 months	2,446	21
12 to 18 months	2,230	-
Overdue but not impaired financial assets	**22,139**	**70**
Impaired financial assets	-	8
Gross value of overdue and impaired financial assets	**22,139**	**78**
Less individually assessed impairment allowances	-	-
Net carrying value of past due and impaired financial assets	**22,139**	**78**
Neither overdue nor impaired financial assets	97,621	42,345
Net carrying value	**119,760**	**42,423**

Impaired assets are carried at nil value.

All other financial assets are neither overdue nor impaired.

Notes to the Financial Statements (continued)

2(c) Financial risk (continued)

Liquidity risk

It is important to ensure that claims are paid as they fall due. Levels of cash are therefore managed on a daily basis and buffers of liquid assets are also held in excess of the immediate requirements. This is to reduce the risk of being forced sellers of any of the Syndicate's assets, which may result in realising prices below fair value, especially in periods of below normal investment market activity. The policy of limiting the extent of duration divergence between the policyholders' assets and the liabilities helps to reduce the risk of a cash flow mismatch.

The following table indicates the contractual timing of cash flows arising from assets and liabilities for management of insurance contracts at 31 December 2017:

2017			**Undiscounted net cash flows**			
	Carrying amount £'000	**Total cash flows £'000**	**Up to 1 year* £'000**	**1 -3 years £'000**	**3-5 years £'000**	**Over 5 years £'000**
Assets						
Other financial investments						
Holdings in collective investment schemes	**376,768**	**376,768**	376,768	-	-	-
Participation in investment pools	**71,157**	**71,157**	71,157	-	-	-
Regulatory deposits	**52,193**	**52,193**	-	-	-	52,193
Insurance and reinsurance receivables	**21,332**	**21,332**	21,332	-	-	-
Cash at bank and in hand	**6,442**	**6,442**	6,442	-	-	-
Reinsurance Recoveries	**118,747**	**118,747**	37,516	59,067	11,151	11,013
	646,639	**646,639**	513,215	59,067	11,151	63,206
Liabilities						
Technical provisions	**624,515**	**624,515**	197,306	310,645	58,644	57,920
Insurance and reinsurance creditors	**20,706**	**20,706**	20,706	-	-	
	645,221	**645,221**	**218,012**	**310,645**	**58,644**	**57,920**

* Includes financial assets with no stated maturity, such as holdings in collective investment schemes and participation in investment pools.

Notes to the Financial Statements (continued)

2(c) Financial risk (continued)

Liquidity risk (continued)

2016			Undiscounted net cash flows			
	Carrying amount £'000	Total cash flows £'000	Up to 1 year £'000	1 -3 years £'000	3-5 years £'000	Over 5 years £'000
Assets						
Other financial investments						
Debt securities and other fixed income	50,266	60,929	1,655	28,827	21,948	8,499
Hedge funds	4,718	4,718	4,718	-	-	-
Holdings in collective investment schemes	495,768	495,768	495,768	-	-	-
Participation in investment pools	49,490	52,710	752	41,183	8,858	1,917
Regulatory deposits	4,788	4,788	-	-	-	4,788
Deposits with credit institutions	7,036	7,036	7,036	-	-	-
Derivatives	225	225	225	-	-	-
Insurance and reinsurance receivables	162,183	162,183	161,939	244	-	-
Cash at bank and in hand	5,573	5,573	5,573	-	-	-
Technical provisions	127,141	127,141	55,994	35,627	19,329	16,191
	907,188	921,071	733,660	105,881	50,135	31,395
Liabilities						
Technical provisions	665,759	665,759	266,187	215,956	99,379	84,237
Insurance and reinsurance creditors	33,178	33,178	33,178	-	-	-
	698,937	698,937	299,365	215,956	99,379	84,237

Market risk

Market risk concerns the risks associated with valuation, interest rates, liquidity and counterparty credit. Foreign exchange risk is described on page 29.

Valuation risk

The Syndicate's earnings are directly affected by changes in the valuations of the investments held in the portfolios. These valuations vary according to the movements in the underlying markets. The Syndicate's assets are marked to market at bid price. Prices are supplied by the custodians, whose pricing processes are covered by their published annual audits. In accordance with their pricing policies, prices are sourced from market recognised pricing vendor sources. These pricing sources use closing trades, or where more appropriate in illiquid markets, pricing models.

The managing agent operates an established control framework with respect to fair value measurement which ensures the valuation of financial assets and financial liabilities meets the requirements of FRS 102. As part of this process, the managing agent reviews the valuation policies of the Syndicate's custodians along with the evidence provided by the custodians to support fair value measurement. The prices are also reconciled to the fund managers' records to check for reasonableness.

As an additional level of governance over pricing, the managing agent validates the prices provided by pricing vendor sources against information obtained from Bloomberg where available. Further details of the fair value measurement of financial assets and financial liabilities are included in note 8.

Notes to the Financial Statements (continued)

2(c) Financial risk (continued)

Foreign exchange risk

The Syndicate's functional and presentation currency is Sterling. The Syndicate holds asset and liability balances in major base currencies of Sterling, Euros, US dollars, Australian dollars and Canadian dollars, which represent the majority of the Syndicate's liabilities by currency

It is the Syndicate's policy to match assets and liabilities in the currencies it is exposed to on a monthly basis in order to minimise foreign currency risk. The table below details the Syndicate's assets and liabilities, in converted Sterling, by currency at 31 December 2017.

2017	**GBP**	**EUR**	**USD**	**CAD**	**AUD**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Assets	233,556	112,391	210,980	49,225	47,767	6,623	660,542
Liabilities	(271,024)	(88,207)	(238,463)	(34,587)	(57,436)	6	(689,711)
Net assets	**(37,468)**	**24,184**	**(27,483)**	**14,638**	**(9,669)**	**6,629**	**(29,169)**

2016	**GBP**	**EUR**	**USD**	**CAD**	**AUD**	**Other**	**Total**
	£'000	£'000	£'000	£'000	**£'000**	£'000	£'000
Assets	367,894	114,664	385,180	39,892	61,226	18,868	987,724
Liabilities	(333,531)	(127,627)	(376,368)	(37,807)	(61,945)	(25,545)	(962,823)
Net assets	34,363	(12,963)	8,812	2,085	(719)	(6,677)	24,901

The table below shows the impact on the Syndicate's net assets of a 5% appreciation or depreciation in each currency relative to Sterling, as at 31 December 2017:

2017	**GBP**	**EUR**	**USD**	**CAD**	**AUD**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
5% appreciation	-	1,209	(1,374)	732	(483)	331	415
5% depreciation	-	(1,209)	1,374	(732)	483	(331)	(415)

2016	**GBP**	**EUR**	**USD**	**CAD**	**AUD**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
5% appreciation	-	(648)	441	104	(36)	(334)	(473)
5% depreciation	-	648	(441)	(104)	36	334	473

Interest rate market risk

The Syndicate holds investments in its balance sheet that are sensitive to movements in interest rates. The sensitivity of the Syndicate's investment portfolio to movements in interest rates is monitored by management.

The impact on the Syndicate as a result of a 50 basis point increase and decrease in interest rate is £0.8m increase (2016: £1.2m decrease) and £0.9m decrease (2016: £1.6m increase) in investment returns and net assets

Notes to the Financial Statements (continued)

2(d) Operational risk

Operational risk is the risk that failure of people, systems or processes leads to losses to the Syndicate. These risks are managed through internal compliance monitoring and the use of detailed procedure manuals In addition, the MS Amlin Group has both a Risk Management function and an Internal Audit function which assist MS Amlin Underwriting Limited to meet the strategic and operational objectives for the Syndicate through the provision of independent appraisal of the adequacy and effectiveness of internal controls in operation and to provide reasonable assurance as to the adequacy of systems and procedures to enable compliance with all relevant regulatory and legal requirements.

2(e) Regulatory and compliance risk

Regulatory risk is the risk that the Syndicate fails to meet the regulatory requirements of the Financial Conduct Authority, Prudential Regulation Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. MS Amlin Underwriting Limited, the managing agency, has a Compliance Officer who monitors regulatory developments and assesses the impact on agency policy.

2(f) Reinsurance and other risk mitigation arrangements

The Syndicate purchases a number of excess of loss reinsurances to protect itself from severe frequency or size of losses. The structure of the programme and type of protection bought will vary from year to year depending on the availability and price of cover.

2(g) Realistic Disaster Scenario (RDS) analysis

Syndicate 3210 as part of its annual business plan sets maxima for each Lloyd's defined event, which determines the maximum Gross and Net loss that the Syndicate intends to limit its exposure to, for those catastrophe event scenarios.

The risk tolerance policy recognises that there may be circumstances in which the net event limit could be exceeded. Such circumstances include changes in rates of exchange, non-renewal or delay in renewal of reinsurance protection, reinsurance security failure, or regulatory and legal requirements

A detailed analysis of catastrophe exposures is carried out every quarter and measured against the event risk tolerance The following assumptions and procedures are used in the process:

- The data used reflects the information supplied to the Syndicate by insureds and ceding companies. This may prove to be incomplete, inaccurate or could develop during the policy period.
- The exposures are modelled using a mixture of stochastic models and underwriter input to arrive at damage factors – these factors are then applied to the assumed aggregate exposure to produce gross loss estimates The damage factors may prove to be inadequate.
- The reinsurance programme as purchased is applied – a provision for reinsurer counterparty failure is analysed but may prove to be inadequate.
- Reinstatement premiums payable are included together with uplifts for any uncaptured or unmodelled exposure.

There is no guarantee that the assumptions and techniques deployed in calculating these event loss estimate figures are accurate. Furthermore, there could also be a loss which exceeds these figures. The likelihood of such a catastrophe is considered to be remote but the most severe scenarios modelled are simulated events and these simulations could prove to be unreliable

2(h) Capital management

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000.

Notes to the Financial Statements (continued)

Capital framework at Lloyd's (continued)

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly the capital requirement in respect of Syndicate 3210 is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group. A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's set for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate 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 a SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR to ultimate. As the Syndicate entered run-off on 1st January 2017, there was no requirement to set an SCR for 2017, or apply the uplift.

Provision of capital by the member

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), held within and managed within a syndicate (Funds in Syndicate (FIS)) or as the member's share of the members' balances on each syndicate on which it participates.

The Funds at Lloyd's (FAL) provided by MSI Corporate Capital Limited at 31 December 2017 consist of letters of credit guaranteed by Mitsui Sumitomo Insurance Company, Ltd of £165,000k (2016 £165,000k) and Japanese bonds provided by Mitsui Sumitomo Insurance Company, Ltd with a market value of ¥23.7 billion (2016: ¥24.2 billion). 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 Members' FAL to meet liquidity requirements or to settle losses.

All of the assets less liabilities of the Syndicate, as represented in the member's balances reported on the balance sheet on page 11, represent resources available to meet MSI Corporate Capital Limited's and Lloyd's capital requirements.

From 1 January 2017, Syndicate 3210's business was renewed into Syndicate 2001 and Syndicate 3210's 2016 and prior years of account are in run-off. As a result of this, on-going underwriting was consolidated into one member, MS ACM (the continuing member), from 1 January 2017. Therefore, in December 2016, the Funds at Lloyd's (FAL) were made inter-available between MSICC and MS ACM in order to allow the existing capital arrangements to continue supporting the open years of account for S3210 in run-off and the 2017 year of account onwards for S2001. This is because renewals for S3210 are underwritten by S2001 and therefore typically it would be expected that S2001 would hold more capital going forward.

Notes to the Financial Statements (continued)

3. Analysis of underwriting result

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

	Fire and other damage to property	Third party liability	Motor - other	Marine aviation & transport	Re-insurance accepted	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2017						
Gross premiums written	2,834	4,760	-	541	1,869	**10,004**
Gross premiums earned	45,347	78,384	-	62,267	42,100	**228,098**
Gross claims incurred	(13,018)	(101,650)	(279)	(56,333)	(50,586)	**(221,866)**
Gross operating expenses	(13,304)	(41,963)	(35)	(6,955)	(6,565)	**(68,822)**
Gross technical result	19,025	(65,229)	(314)	(1,021)	(15,051)	**(62,590)**
Re-insurance balance	(19,820)	12,678	37	(689)	16,776	**8,982**
Underwriting result	**(795)**	**(52,551)**	**(277)**	**(1,710)**	**1,725**	**(53,608)**
Net technical provisions	92,979	181,788	-	144,785	103,771	**523,323**
2016						
Gross premiums written	78,491	120,439	-	93,043	86,262	**378,235**
Gross premiums earned	83,351	107,333	-	106,337	99,414	**396,435**
Gross claims incurred	(58,785)	(88,992)	1,372	(68,522)	(87,549)	**(302,476)**
Gross operating expenses	(31,724)	(41,290)	-	(35,827)	(35,364)	**(144,205)**
Gross technical result	(7,158)	(22,949)	1,372	1,988	(23,499)	**(50,246)**
Re-insurance balance	(3,084)	3,828	(550)	2,202	9,752	**12,148**
Underwriting result	**(10,242)**	**(19,121)**	**822**	**4,190**	**(13,747)**	**(38,098)**
Net technical provisions	97,967	271,519	2,810	158,299	178,666	**709,261**

All premiums are written in the UK.

Notes to the Financial Statements (continued)

4. Net operating expenses

	2017 £'000	2016 £'000
Acquisition costs:	499	106,260
Reinsurance commission	(64)	(77)
Change in deferred costs	50,674	(1,271)
Administrative expenses	17,713	36,331
Member's standard personal expenses	-	2,962
	68,822	144,205

Total written commissions for direct insurance business for the year amounted to £800k (2016: £68,741k).

Net operating expenses include:

Auditor's remuneration excluding VAT.

	2017 £'000	2016 £'000
Audit of financial statements	208	256
All other services	125	88
	333	344

5. Staff numbers and costs

All staff are employed by MS Amlin Corporate Services Limited. (2016: All staff were employed by Mitsui Sumitomo Insurance (London Management) Limited (the immediate parent company of Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited and MSI Corporate Capital Limited) until novation on 3 May 2016 and MS Amlin Corporate Services Limited post novation). The following amounts were recharged to the Syndicate in respect of salary costs:

	2017 £'000	2016 £'000
Wages and salaries	2,576	26,287
Social security costs	348	3,164
Pension costs	348	2,396
Other	-	1,352
	3,272	33,199

All relevant staff are members of a defined contribution pension scheme operated by MS Amlin Corporate Services Limited (2016. Prior to 3 May 2016 a number of members of staff whose costs were recharged to the Syndicate were members of Mitsui Sumitomo Insurance (London) Management Limited defined contribution pension scheme. On 3 May 2016 all relevant staff were novated to become members of a defined contribution pension scheme operated by MS Amlin Corporate Services Limited). The assets of the schemes operated by both Mitsui Sumitomo Insurance (London) Management Limited and MS Amlin Corporate Services Limited are held separately from those of the Syndicate in independently administered funds.

Notes to the Financial Statements (continued)

5. Staff numbers and costs (continued)

The average number of employees employed by MS Amlin Corporate Services Limited (2016: Mitsui Sumitomo Insurance (London Management) Limited until novation on 3 May 2016 and MS Amlin Corporate Services Limited post novation) but recharged to the Syndicate during the year was as follows:

	2017 no.	2016 no.
Finance	3	23
Administration	7	62
Claims	18	23
Underwriting	18	121
	46	**229**

6. Directors Emoluments

Directors are also directors or employees of other companies within the MS Amlin Group. It is not practicable to allocate total emoluments between services as directors or employees of individual MS Amlin Group companies. The Directors received the following total emoluments during the year:

	2017 £'000	2016 £'000
Directors emoluments	5,968	3,378
Compensation for loss of office	-	1,045
Contributions to money purchase pension schemes	295	53
	6,263	**4,476**

The aggregated emoluments of the highest paid Director were £1,649k (2016: £1,654k), including pension contributions of £52k (2016: £6.7k). The contributions to the money purchase pension schemes above accrued to five Directors (2016:6).

There were no active underwriters of the Syndicate in 2017, (the active underwriters who served during 2016 received £865,814 in remuneration).

No advances or credits granted by the Managing Agent to any of its Directors existed during the year

Notes to the Financial Statements (continued)

7. Investment return

	2017 £'000	2016 £'000
Investment income:		
Income from investments	2,613	9,179
Gains on the realisation of investments	6,240	7,747
Losses on the realisation of investments	(2,074)	(10,788)
	6,779	6,138
Unrealised gains/(losses) on investments:		
Unrealised gains on investments	2,796	11,319
Unrealised losses on investments	(2,562)	(8,624)
	234	2,695
Investment expenses and charges:		
Investment management expenses, including interest	(167)	(1,007)
Allocated investment return transferred to general business technical account	**6,846**	**7,826**
Investment returns on Funds in Syndicate	1,493	1,538
Total Investment Return	**8,339**	**9,364**

The average amount of Syndicate funds available for investment and the investment return and yield for the calendar year were as follows:

	2017 £'000	2016 £'000
Average funds	535,565	596,228
Investment return, including unrealised gains	8,339	9,364
Calendar year investment yield	1.56%	1.57%
Average funds available for investment by currency		
Sterling	192,767	240,455
United States Dollars	180,006	197,937
Euros	72,628	76,257
Canadian Dollars	42,408	20,057
Australian Dollars	40,653	43,764
Other	7,103	17,758
Analysis of calendar year investment yield by currency		
Sterling	0.75%	1.19%
United States Dollars	2.15%	1.35%
Euros	0.62%	1.40%
Canadian Dollars	0.59%	1.16%
Australian Dollars	1.73%	2.59%
Other	3.01%	1.99%

Average funds means the average of bank balances and investments held at the end of each month during the calendar year. For this purpose, investments are revalued at month end market prices, which include accrued income where appropriate.

Notes to the Financial Statements (continued)

8. Other financial investments

	Market Value 2017 £'000	Cost 2017 £'000	Market Value 2016 £'000	Cost 2016 £'000
Debt securities and other fixed income				
Government and supranational securities	-	-	27,989	27,989
Government agency and regional government	-	-	7,108	7,108
Mortgage backed instruments	-	-	777	777
Corporate bonds	-	-	14,392	14,392
Hedge funds	-	-	4,718	4,236
Holdings in collective investment schemes	376,768	375,202	495,768	495,768
Participation in investment pools	71,157	71,157	49,490	49,490
Regulatory deposits	52,193	52,193	4,788	4,788
Deposits with credit institutions	-	-	7,036	7,036
Derivatives	-	-	225	-
	500,118	**498,552**	**612,291**	**611,584**

Debt securities and other fixed income consist of listed investments.

Fair value estimation

For financial instruments carried at fair value the Syndicate has categorised the measurement basis into a fair value hierarchy as follows:

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable (ie 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.
There were no changes to the valuation techniques during the year.

Debt and other fixed income securities
The fair value is based upon quotes from pricing services where available. These pricing services derive prices based on an average of quotes provided by brokers. Where multiple quotes are not available, the fair value is based upon evaluated pricing services, which typically use proprietary cash flow models and incorporate observable market inputs, such as credit spreads, benchmark quotes and other trade data. If such services do not provide coverage of the asset, then fair value is determined manually using indicative broker quotes, which are corroborated by recent market transactions in similar or identical assets.

Where there is an active market for these assets and their fair value is the unadjusted quoted market price, these are classified as Level 1.This is typically the case for government and supranational securities. Where market is inactive or the price is adjusted, but significant market observable inputs having been used by the pricing sources, then these are considered to be Level 2. This is typically the case for government agency and regional government, mortgage and asset-backed instruments and corporate bonds. Certain assets, for which prices or other market inputs are unobservable, are classified as Level 3.

Notes to the Financial Statements (continued)

8. Other financial investments (continued)

Holdings in collective investment schemes

These represent investments in open-ended investment unit trusts The fair value of the investment in unlisted open-ended investments is determined using an unadjusted net asset value, which results in a Level 2 valuation. The unadjusted net asset value is used as the units are redeemable at the reportable net asset value at the measurement date

Participation in investment pools

These represent money market funds classified as level 1, and blended investment funds classified as level 2. The blended investment funds are not in an active market, but are valued using unadjusted and executable prices provided by Lloyd's.

Regulatory deposits

These represent overseas deposits invested with Lloyd's Cash funds are included in Level 1 whilst those funds with underlying bonds are classified in Level 2.

	2017			
Investments	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Holdings in collective investment schemes	-	376,768	-	376,768
Participation in investment pools	17,403	53,584	170	71,157
Regulatory deposits	3,283	48,910		52,193
	20,686	**479,262**	**170**	**500,118**

There are no other financial investments.

	2016			
Investments	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Debt securities and other fixed income				
Government and supranational securities	22,942	5,047	-	27,989
Government agency and regional government	-	7,108	-	7,108
Mortgage and asset backed instruments	-	777	-	777
Corporate bonds	-	14,392	-	14,392
Hedge funds	-	-	4,718	4 718
Holdings in collective investment schemes	268,966	226,802	-	495 768
Participation in investment pools	20,083	29,407	-	49,490
Regulatory deposits	-	4,788	-	4 788
Deposits with credit institutions	7,036	-	-	7,036
Derivatives	-	225	-	225
	319,027	**288,546**	**4,718**	**612,291**

9. Debtors and creditors arising out of direct insurance and reinsurance operations

All amounts due to or receivable from the Syndicate in respect of direct insurance and reinsurance operations are in relation to intermediaries

Of the debtors arising out of direct insurance and reinsurance operations, £Nil (2016: £0.2 million) are due after more than one year.

Notes to the Financial Statements (continued)

10. Other debtors

	2017 £'000	2016 £'000
Claims funds	5,869	4,791
Other debtors	31	5
Salvage and subrogation	752	357
	6,652	**5,153**

All balances are due within one year.

11. Other creditors including taxation and social security

	2017 £'000	2016 £'000
Other creditors	19,809	17,313
Tax creditors	212	486
	20,021	**17,799**

All balances are due within one year.

Notes to the Financial Statements (continued)

12. Technical Provisions

The table below shows a reconciliation of changes in insurance liabilities, reinsurance assets and related deferred acquisition costs for the year ended 31 December 2017

	As at 31 December 2016 £'000	Movement in provision £'000	Foreign exchange £'000	As at 31 December 2017 £'000
Technical provisions				
Provision for unearned premium	246,000	(218,094)	(3,437)	**24,469**
Claims outstanding	665,759	(20,789)	(20,455)	**624,515**
	911,759	(238,883)	(23,892)	**648,984**
Reinsurer's share of technical provisions				
Provision for unearned premium	16,207	(15,828)	(350)	**29**
Claims outstanding	127,141	(834)	(7,560)	**118,747**
	143,348	(16,662)	(7,910)	**118,776**
Deferred acquisition costs	59,150	(50,674)	(1,591)	**6,885**
Net technical provisions	709,261	(171,547)	(14,391)	**523,323**

	As at 31 December 2015 £'000	Movement in provision £'000	Foreign exchange £'000	As at 31 December 2016 £'000
Technical provisions				
Provision for unearned premium	231,733	(18,200)	32,467	246,000
Claims outstanding	524,170	73,481	68,108	665,759
	755,903	55,281	100,575	911,759
Reinsurer's share of technical provisions				
Provision for unearned premium	13,147	1,362	1,698	16,207
Claims outstanding	63,864	53,822	9,455	127,141
	77,011	55,184	11,153	143,348
Deferred acquisition costs	49,120	1,885	8,145	59,150
Net technical provisions	629,772	(1,788)	81,277	709,261

The table above includes strengthening of net claim reserves for prior years of £49.5 million (2016: £32 million).

Foreign exchange shows the effect of the movement in exchange rates during the year.

Notes to the Financial Statements (continued)

13. Claims development

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

2017

Pure underwriting year	**2011 £'000**	**2012 £'000**	**2013 £'000**	**2014 £'000**	**2015 £'000**	**2016 £'000**	**Total £'000**
Estimate of cumulative gross claims							
at end of underwriting year	72,460	83,315	121,889	113,191	118,743	122,922	
one year later	166,203	179,592	238,461	232,213	312,682	278,650	
two years later	144,667	165,816	217,926	248,236	338,438		
three years later	143,240	155,509	208,185	262,114			
four years later	136,825	150,865	210,434				
five years later	135,332	157,914					
six years later	138,048						
Less gross claims paid	125,699	130,916	152,337	165,737	174,144	79,337	
Gross claims reserve	12,349	26,998	58,097	96,377	164,294	199,313	**557,428**
Gross claims reserve for 2010 and prior years							**67,087**
Gross claims reserves							**624,515**

Pure underwriting year	**2011 £'000**	**2012 £'000**	**2013 £'000**	**2014 £'000**	**2015 £'000**	**2016 £'000**	**Total £'000**
Estimate of cumulative net claims							
at end of underwriting year	65,990	77,305	109,119	106,321	112,118	111,259	
one year later	15,772	164,048	201,443	218,249	254,461	256,214	
two years later	138,849	156,076	194,311	234,702	265,663		
three years later	137,725	146,378	187,494	244,732			
four years later	129,382	139,796	190,762				
five years later	128,072	145,694					
six years later	130,092						
Less net claims paid	118,223	122,117	148,197	156,249	148,377	78,179	
Net ultimate claims reserve	11,869	23,577	42,565	88,483	117,286	178,035	**461,815**
Net claims reserve for 2010 and prior years							**43,953**
Net claims reserves							**505,768**

Notes to the Financial Statements (continued)

14. Cash and cash equivalents

	2017 £'000	2016 £'000
Cash at bank and in hand	6,442	5,573
Deposits with credit institutions	-	3,878
	6,442	9,451

Deposits with credit institutions are included within Other financial investments in the balance sheet

15. Related parties

The smallest group of undertakings of which the Managing Agent is a member, and for which group financial statements are prepared have to date been that of MS Amlin plc, a company incorporated in Great Britain and registered in England and Wales. If, as anticipated, MS Amlin plc no longer produces consolidated financial statements, then the smallest group in which the results of the Company are included will be Mitsui Sumitomo Insurance Company, Limited, a company incorporated in Japan. The ultimate parent company and controlling party is MS & AD Insurance Group Holdings Inc, a company incorporated in Japan and is the largest group of undertakings in which the Managing Agent is a member and for which group financial statements are prepared. Consolidated financial statements for the smallest and largest group undertakings are available from the Registered Office of the Managing Agent's immediate parent company, MS Amlin Corporate Services Limited at The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AG.

MSI Corporate Capital Limited
MSI Corporate Capital Limited (MSICC) satisfies Lloyd's capital requirements with assets held in trust (Funds at Lloyd's) and assets held and managed within the Syndicate (Funds in Syndicate). Funds in Syndicate at 31 December 2017 were £11.1 million (2016: £127.6 million). The provision of capital and Funds at Lloyd's is addressed in note 2h.

Distributions of profit to MSICC of £8.7 million (2016: £20.0 million) were made during the year. Members personal expenses of £Nil (2016: £3.0 million) were incurred by the Syndicate on behalf of MSICC.

MSI Underwriting Limited
Managing agent's fees of £Nil (2016: £0.2 million to the date of novation) were paid by the Syndicate

MS Amlin Underwriting Limited
No managing agent's fees were paid by the Syndicate in 2017 (2016: £0.5 million from the date of novation).

There have been no transactions entered into or carried out during the year by either MSI Underwriting Limited or MS Amlin Underwriting Limited on behalf of the Syndicate in which it or any of its executives had directly or indirectly a material interest.

Mitsui Sumitomo Insurance (London Management) Limited
From the date of novation the managing agency was transferred from Mitsui Sumitomo Insurance (London Management) Limited (MSILM) to MS Amin Underwriting Limited and consequently there are no related party transactions with MSILM. (2016: £56 million and for expenses incurred directly and indirectly on behalf of the Syndicate)

Amlin UK Limited (AUK)
On 31 March 2017, AUK purchased the goodwill, intellectual property rights, renewal rights and all other such interests associated with MSI Insurance Management (Ireland) Limited. AUK will provide underwriting services under a coverholder agreement with Syndicate 3210. From 1 April 2017 gross written premium written on behalf of Syndicate 3210 was £0.1 million.

All transactions between AUK and the Syndicate are conducted on an arm's length basis.

Notes to the Financial Statements (continued)

15. Related parties (continued)

MSI Insurance Management Ireland

As described above the business of MSI Insurance Management (Ireland) Limited (MSIIMI) was acquired by AUK limited on 31 March 2017. For the period to 31 March 2017 gross written premiums of £0.2 million (year ended 31 December 2016:£17.2 million) were written by MSIIMI on behalf of the Syndicate under a coverholder agreement with the company.

All transactions between MSIIMI and the Syndicate are conducted on an arm's length basis.

MSIG Insurance Europe AG

One reinsurance contract is placed with the Syndicate for insurance written by MSIG Insurance Europe AG (MSIGAG). The gross premium written in relation to MSIGAG during 2017 was £Nil (2016. £0.2 million), of which, £Nil (2016: £0.1 million) was outstanding at 31 December 2017. The outstanding claims reserves at 31 December were £0.2 million (2016. £0.1 million)

Syndicate 2001

Syndicate 2001 provides reinsurance to Syndicate 3210.The reinsurance written premiums in relation to Syndicate 2001 were £0.2 million (2016: £0.9 million), and £0.9 million reinsurance recoverable on paid claims (2016: £0.4 million) was outstanding at 31 December 2017. The outstanding claims reserves at 31 December were £1.0 million (2016. £0.3 million)

Amlin Bermuda

Amlin Bermuda provides reinsurance to Syndicate 3210. During 2017 the reinsurance written premiums in relation to Amlin Bermuda were £nil (2016.£0.3 million), and reinsurance recoverables of £0.2 million were outstanding at 31 December 2017 (2016: £0.2 million). The outstanding claims reserves at 31 December 2017 were £0.3 million (2016: £nil).

Toro Prism Trust

During the year, the Syndicate invested in the Toro Prism Trust which is an open-ended investment unit trust authorised by the Central Bank of Ireland as a UCITS (Undertakings for Collective Investment in Transferable Securities) regulated by the European Union. The trust is controlled by MS Amlin group. The market value of the investments in Toro Prism Trust at December 2017 is £376.8 million, and accrued distribution from the Trust amounts to £0.3m.

16. Funds at Lloyd's (FAL)

Funds at Lloyd's (FAL) are provided by MSI Corporate Capital Limited consisting of letters of credit guaranteed by Mitsui Sumitomo Insurance Company Ltd. 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 Members' FAL to meet liquidity requirements or to settle losses. Further details are provided in note 2h.

Advisors

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London EC2Y 8HQ

Investment managers
Sub funds under management
Bluebay Asset Management LLP
Goldman Sachs Asset Management International
Insight Investment Management (Global) Ltd
PIMCO Global Advisers (Ireland) Ltd
Wellington Management International Ltd
H2O Asset Management LLP
Nomura Asset Management U.K. Limited

Umbrella structure
Toro Prism Trust

Bankers
Citibank
Lloyds TSB Bank plc
Royal Bank of Canada
BNP Paribas
U.S. Bank