

Important information about Syndicate Reports and Accounts

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AmTrust at Lloyd's Limited: Syndicate 44

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Syndicate Annual Accounts

31 December 2014

AmTrust at Lloyd's Limited: Syndicate 44

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AmTrust at Lloyd's Limited: Syndicate 44

Directors and advisers

Managing Agent

Managing Agent AmTrust at Lloyd's Limited

Directors Donal Barrett (appointed 15 August 2014)
Jeremy Cadle (appointed 14 May 2014)
Max Caviet (appointed 2 September 2014)
Histasp Contractor
Peter Dewey (appointed 14 July 2014)
Joanne Fox (appointed 30 September 2014)
Brian Jackson (appointed 1 December 2014)
Bjorn Jansli
Gary Ross
Michael Sibthorpe (appointed 1 October 2014)
George Sweatman
Elisabetta Tenenti
Geoffrey Halpin (resigned 16 January 2014)
Andreas Loucaides (appointed 21 July 2014, resigned 31 December 2014)
John Mantz (resigned 7 April 2014)
Duncan Reed (resigned 14 May 2014)

Secretary Donal Barrett (appointed 15 May 2014)
Duncan Reed (resigned 14 May 2014)

Registered Office 1 Great Tower Street
London
EC3R 5AA

Registered Number 3043923

Syndicate:

Active Underwriter Martin Herrick

Bankers Citibank N.A
Barclays Bank PLC

Independent Auditors BDO LLP

AmTrust at Lloyd's Limited: Syndicate 44

Report of the directors of the managing agent

The directors of the managing agent present their report for the year ended 31 December 2014.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 3219 of 2004 and the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations").

Managing Agent

The Managing Agent of the syndicate, together with its capital provider AmTrust Corporate Member Two Limited are wholly owned by AmTrust International Limited (previously IGI Group Limited), a subsidiary of AmTrust Financial Services Inc. The change of control of the Agency took place on 23 December 2013 and 2014 has been a year of transition and consolidation for the Agency.

In January, the Chief Executive Officer Geoff Halpin (former CEO) resigned from the Board and left the business. Peter Dewey took over as Chief Executive officer and was appointed to the board in July 2014.

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

Members' balances

The members' balances on the balance sheet show a deficit of £1,361k (2013: deficit £2,915k). The Syndicate does not hold sufficient capital to cover the members' balances net liability position and the solvency adjustment required for regulatory purposes in accordance with the PRA handbook. However, the sole corporate member, AmTrust Corporate Member Two Limited holds funds at Lloyd's of £8,591k on behalf of the Syndicate, which in accordance with GENPRU 2.3.34 R can be used to support the solvency position of the Syndicate. The ability of the Syndicate to meet its obligations as they fall due is underpinned by the support provided by the Lloyd's solvency process and its chain of security for any members who are unable to meet their underwriting liabilities. Funds at Lloyd's are further explained in Note 20.

Business review

Principal Activities

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

For 2014, the Syndicate continued to concentrate its activities on writing group life and life schemes with a minimal emphasis on writing individual business.

The total capacity for the 2014 underwriting year was £10 million (2013 - £7million). Following the encouraging signs witnessed during 2014 with new business shown to the Syndicate, the capacity for 2015 has been increased to £12.5 million.

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

Results

	2014	2013
	£000	£000
Gross premiums written	15,267	8,664
Earned premiums, net of reinsurance	14,669	8,057
Claims incurred, net of reinsurance	(4,140)	(2,107)
Changes in Technical Provisions	(1,527)	(1,130)
Net operating expenses	(6,894)	(5,174)
Other non technical income	-	65
Profit for the period	2,108	(289)

Report of the directors of the managing agent (*continued*)

The result for the calendar year 2014 is a profit of £2,108k (2013 – Loss £289k).

As stated in previous annual accounts, it was going to take time for the syndicate to build to a level that allowed it to manage its business and expense base to reflect the profitability it has shown on a Year of Account basis since 2010. The syndicate is still growing and therefore has to put up additional reserves year on year, which impacts on its annually accounted result. The annually accounted result for 2014 is higher than expected due to the following factors:

- The income grew significantly for the 2014 accounting year and reflected the growth in business in the underlying Years of Account.
- The increased income reduced the impact of the expenses which did not increase by nearly as much in percentage terms.
- The loss ratios on all Years of Account remain below those allowed for in the Syndicate Business Forecasts.
- The long term plan of moving scheme renewal dates to earlier in the year to avoid the majority of the business being 'written' in December was implemented, which means the increase in business written is recognised earlier on an annually accounted basis.
- Unlike the company life insurance market the Syndicate continues to hold its investments in cash and money market funds and therefore we derive our result from underwriting profit rather than investment income, which remains minimal.

Although this result is better than expected we do believe it is a turning point for us, demonstrates a new era for the Syndicate and will allow us to broaden our risk appetite in the future whilst still maintaining a combined loss ratio within plan, given the decreasing impact of the expense base as we continue to grow.

Development of underwriting years of account

The 2012 underwriting year closed with a profit after all expenses of £1,117k (2011 - a profit of £554k), being 15.95% of capacity. This result will be paid to the capital provider in June 2015.

Future development

The Syndicate's capacity for 2015 has been increased to £12.5 million. In order to minimise new business strain the intention is to continue focussing on Group and Scheme business which are more short term in nature and thereby reduce the reserve requirements. It should be recognised that opening up to new business, even with the majority of it being short term, will have capital and reserving implications in respect of the profitability of the Syndicate for the next 2 to 3 years. This is an inevitable consequence of the new business strain and is accepted by the capital provider and the Life Syndicate as part of its long term plans.

Principal risks and uncertainties

AmTrust at Lloyd's Limited has a formal risk management programme to analyse its risk profile and adopt risk mitigation strategies. Risk identification, assessments and control reviews are updated and refreshed regularly to ensure that risk management adapts to changing conditions and that risk mitigation is continuously strengthened.

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

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

During 2014, the implementation of Solvency II has been progressed in line with the regulatory timetables and guidelines.

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

Report of the directors of the managing agent (*continued*)

Insurance risk

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

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

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

Investment risk

The key aspect of investment risk is the risk of our investments not meeting their anticipated returns. All investments are managed under the direction of the Investment Committee of the Board of directors. The broad investment strategy adopted is focussed on capital preservation and in that context on maximising return while maintaining a low risk portfolio. All investments are presently in cash and money market funds.

Credit risk

The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers. This risk is managed by the Executive Committee which establishes standards applicable to all reinsurers and the reinsurance department monitors the financial status of reinsurance debtors. The Board's policy is that the Syndicate will only reinsure with businesses rated A- or higher unless securitised by means of a Letter of Credit. All of the current reinsurances are placed with security rated A- or higher.

Market risk

The key aspect of market risk is that the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Agency's Chief Financial Officer reviews currency matching quarterly. Where there is a significant mismatch, the Agency considers whether the risk should be mitigated through forward foreign currency contracts.

Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. The Chief Financial Officer monitors cash flows and manages liquid assets to ensure that cash is available to meet obligations and operational liquidity needs.

Operational risk

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

Regulatory risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the PRA and Lloyd's. Lloyd's requirements include those imposed on the regulatory Lloyd's market by overseas regulators, particularly in respect of US Situs business. The Agency has a compliance officer who monitors regulatory developments and assesses the impact on Agency policy.

Directors

The names of persons who were members of the Board of directors at any time during the period are given on page 1. None of the directors had any direct interest in the Syndicate during the year. Previously, the executive directors indirectly participated in the Syndicate through their shareholdings in AmTrust Lloyd's Holdings Limited the parent company of AmTrust Corporate Member Two Limited, the capital provider. All directors' and employee shareholdings in AmTrust Lloyd's Holdings Limited were reduced to nil before the acquisition by AmTrust International Limited (formerly IGI Group Limited).

AmTrust at Lloyd's Limited: Syndicate 44

Report of the directors of the managing agent (*continued*)

Disclosure of information to the auditors

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

Auditors

The Managing Agent, AmTrust at Lloyd's Limited, intends to reappoint BDO LLP as the Syndicate's auditors.

Syndicate's Annual General Meeting

AmTrust at Lloyd's Limited does not propose to hold an annual general meeting of members of the Syndicate to re-appoint the existing Syndicate auditors, BDO LLP. Members are asked to note that any objections to this proposal should be submitted, in writing, to AmTrust at Lloyd's Limited within 21 days of this notice.

By Order of the Board.

Donal Barrett
Secretary
17 March 2015

AmTrust at Lloyd's Limited: Syndicate 44

Statement of managing agent's responsibilities

The managing agent is responsible for preparing the Syndicate annual accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") require the managing agent to prepare syndicate annual accounts at 31 December each year which 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 year.

In preparing these syndicate annual accounts, the managing agent is required to:

1. select suitable accounting policies which are applied consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
4. prepare the financial statements on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that there will be future years of account of the Syndicate.

The managing agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By Order of the Board

Donal Barrett

Secretary

17 March 2015

AmTrust at Lloyd's Limited: Syndicate 44

Independent auditor's report to the members of Syndicate 44

We have audited the syndicate annual accounts for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with section 10 of part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and for no other purpose. Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Syndicate and the Syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the managing agent and the auditors

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 6, the Managing Agent is responsible for the preparation of syndicate annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

An audit involves obtaining evidence about the amounts and disclosures in the syndicate annual accounts sufficient to give reasonable assurance that the syndicate annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Managing Agent; and the overall presentation of the syndicate annual accounts. In addition, we read all the financial and non-financial information in the 'Report of the directors of the Managing Agent' to identify material inconsistencies with the audited syndicate annual accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on syndicate annual accounts

In our opinion the syndicate annual accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Opinion on other matter prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion the information given in the Report of the directors of the Managing Agent for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the Managing Agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

David Roberts (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London

United Kingdom
17 March 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

AmTrust at Lloyd's Limited: Syndicate 44

Profit and loss account: Technical account – Long term business For the year ended 31 December 2014

	Notes	2014 £000	£000	2013 £000	£000
Earned premiums, net of reinsurance					
Gross premiums written	3		15,267		8,664
Outward reinsurance premiums			(598)		(607)
			14,669		8,057
Claims incurred, net of reinsurance					
Claims Paid					
Gross Amount		(3,773)		(2,614)	
Reinsurers' share		-		334	
			(3,773)	(2,280)	
Net claims paid					
Gross amount		(367)		466	
Reinsurers' share		-		(293)	
			(367)	173	
Change in the net provision for reported claims					
Gross amount		(367)		466	
Reinsurers' share		-		(293)	
			(367)	173	
Change in the net provision for reported claims					
			(4,140)		(2,107)
Changes in other technical provisions, net of reinsurance					
Long term business provision					
Gross amount		(1,251)		(1,177)	
Reinsurers' share		(276)		47	
			(1,527)		(1,130)
Net operating expenses	5		(6,894)		(5,174)
Balance on the technical account for long term business			2,108		(354)

All operations are classified as continuing.

The notes on pages 13 to 22 form part of the annual accounts.

AmTrust at Lloyd's Limited: Syndicate 44

Profit and loss account: Non-technical account

For the year ended 31 December 2014

	2014 £000	2013 £000
Balance on the long term business technical account	2,108	(354)
Non-technical account income	-	65
Profit / (loss) for the financial year	2,108	(289)

There were no recognised gains or losses relating to the current or preceding year other than those included in the profit and loss account. Therefore no statement of total recognised gains and losses has been presented.

The notes on pages 13 to 22 form part of the annual accounts.

AmTrust at Lloyd's Limited: Syndicate 44

Balance Sheet – Assets

At 31 December 2014

	Notes	2014 £000	2013 £000
Investments			
Other financial investments	8	1,394	1,089
Reinsurers' share of technical provisions			
Long term business provision	17	372	655
Claims outstanding		-	-
Debtors			
Debtors arising out of direct insurance operations	9	3,229	1,325
Debtors arising out of reinsurance operations		-	-
Other debtors	10	1	-
Total debtors		3,230	1,325
Other assets			
Cash at bank and in hand		1,837	697
Prepayments and accrued income			
Other prepayments and accrued income	11	-	125
Total assets		6,833	3,891

The notes on pages 13 to 22 form part of the annual accounts.

AmTrust at Lloyd's Limited: Syndicate 44

Balance Sheet – Liabilities

At 31 December 2014

	Notes	2014 £000	2013 £000
Members' balances	12	(1,361)	(2,915)
Technical provisions			
Long term business provision	17	5,865	4,632
Claims outstanding		969	623
Creditors			
Creditors arising out of direct insurance operations	13	131	51
Creditors arising out of reinsurance operations	14	104	206
Other creditors	15	423	1,119
Accruals and deferred Income		702	175
Total creditors		1,360	1,551
Total liabilities		6,833	3,891

These annual accounts were approved by the Board of AmTrust at Lloyd's Limited on 17 March 2015 and were signed on its behalf by:

Peter Dewey
Director

Histasp Contractor
Director

The notes on pages 13 to 22 form part of these annual accounts.

AmTrust at Lloyd's Limited: Syndicate 44

Cash Flow Statement

For the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Net cash inflow from operating activities	16	1,932	1,617
Transfer (to) members in respect of underwriting participations	12	(554)	(904)
Net cash inflow		<u>1,378</u>	<u>713</u>
Cash flows were applied as follows:			
Increase/(decrease) in cash holdings	16	1,143	(152)
Increase net portfolio investments	16	235	865
Net investment of cash flows		<u>1,378</u>	<u>713</u>

The notes on pages 13 to 22 form part of these annual accounts.

Notes to the financial statements

For the year ended 31 December 2014

1. Basis of preparation

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") and applicable Accounting Standards in the United Kingdom. They comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006) ("the ABI SORP").

The members' balances on the balance sheet show a deficit of £1,361k (2013: deficit £2,915k). The Syndicate does not hold sufficient capital to cover the members' balances net liability position and the solvency adjustment required for regulatory purposes in accordance with the PRA handbook. However, the sole corporate member, AmTrust Corporate Member Two Limited holds funds at Lloyd's of £8,591k on behalf of the Syndicate, which in accordance with GENPRU 2.3.34 R can be used to support the solvency position of the Syndicate. The ability of the Syndicate to meet its obligations as they fall due is underpinned by the support provided by the Lloyd's solvency process and its chain of security for any members who are unable to meet their underwriting liabilities. Funds at Lloyd's are further explained in Note 20.

2. Accounting policies

Premiums written

Premiums, including reinsurance premiums, are accounted for when due for payment. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

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

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

Claims

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

Long term reinsurance contracts

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

Long term business provision

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

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

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

Long term insurance provisions, together with related reinsurance recoveries, are established on the basis of current information. Such provisions are subject to subsequent reassessment as changes to underlying factors such as mortality occur. These factors are discussed in more detail in note 17.

AmTrust at Lloyd's Limited: Syndicate 44

Notes to the financial statements For the year ended 31 December 2014

2. Accounting policies *(continued)*

Foreign currencies

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

Monetary assets and liabilities are translated into Sterling at the rates of exchange at the balance sheet dates unless contracts to sell currency for Sterling have been entered into prior to the year end, in which case the contracted rates have been used. Non-monetary assets and liabilities are translated at the rates ruling at the transaction dates. Differences arising on translation of opening balances and transactions during the year, denominated in foreign currency amounts in the Syndicate, are included in the technical account.

Investments

Investments are stated at fair value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Investment return

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

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

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

Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year on behalf of the members are included in the balance sheet under the heading 'other debtors'.

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

Pension costs

AmTrust Syndicate Holdings Limited ("ASH"), the parent company of the managing agent, employs all individuals working on the Syndicate. It operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

AmTrust at Lloyd's Limited: Syndicate 44

Notes to the financial statements For the year ended 31 December 2014

2. Accounting policies *(continued)*

FRS 23 to FRS 29

Accounting standards FRS 23 to FRS 29 apply for periods commencing 1 January 2006. The standards are:

- FRS 23 – The Effects of Changes in Foreign Exchange Rates;
- FRS 24 – Financial Reporting in Hyperinflationary Economies;
- FRS 26 – Financial Instruments: Measurement; and
- FRS 29 – Financial Instruments: Disclosures

The Syndicate has not adopted these accounting standards because it does not hold any financial investments that meet the criteria of these accounting standards.

3. Segmental analysis

In the opinion of the directors of the Managing Agent, the Syndicate operates in one business segment being that of long term insurance business.

All premiums were written in the UK and are in respect of non-participating contracts.

(i) Geographical analysis

	2014 £000	2013 £000
UK	11,925	6,503
Other European Countries	596	1,205
Other Worldwide	2,746	956
Total	15,267	8,664

(ii) Business split

	2014 £000	2013 £000
New business written	3,755	3,803
Renewal business written	11,512	4,861
Total	15,267	8,664

(iii) Gross business type split

	2014 £000	2013 £000
Scheme business written	9,006	4,121
Group business written	6,126	4,357
Individual business written	135	186
Total	15,267	8,664

(iv) Reinsurance balance

The reinsurance balance amounted to a debit to the long term business technical account at 31 December 2014 of £875k (2013 – debit of £518k)

AmTrust at Lloyd's Limited: Syndicate 44

Notes to the financial statements For the year ended 31 December 2014

4. Currency rates of exchange

The rates of exchange applied in these accounts are:

	31 December 2014	Average for 2014	31 December 2013	Average for 2013
US \$	1.56	1.65	1.66	1.56
Euro	1.26	1.24	1.2	1.18
Norwegian Krone	11.00	10.37	10.05	9.2

5. Net operating expenses

	2014 £000	2013 £000
Acquisition costs	4,033	2,518
Administration expenses	2,922	2,701
(Profit) on exchange	(61)	(45)
	<u>6,894</u>	<u>5,174</u>

Administration expenses include:

	2014 £000	2013 £000
Auditors' remuneration		
<i>Audit Services</i>		
Audit services-fees payable to the Syndicate's auditor, BDO LLP, for the audit of the Syndicate accounts	36	33
<i>Fees payable to BDO LLP and its associates for other services:</i>		
Other services pursuant to legislation, including the audit of the regulatory return	13	8
<i>Fees payable to PWC and its associates for other services:</i>		
Other services pursuant to legislation, including the audit of the regulatory return	-	20
	<u>49</u>	<u>61</u>

AmTrust at Lloyd's Limited: Syndicate 44

Notes to the financial statements For the year ended 31 December 2014

6. Staff numbers and costs

All staff (including directors) are employed by AmTrust Syndicate Holdings Limited and their costs recharged to the managing Agency. The following amounts were recharged to the Syndicate in respect of staff costs:

	2014	2013
	£000	£000
Wages and salaries	1,671	1,563
Social security costs	229	188
Other pension costs	145	122
	2,045	1,873
	2,045	1,873

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

	2014	2013
	Number	Number
Administration and finance	8	7
Underwriting	6	5
Technical support	10	8
	24	20
	24	20

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

AmTrust at Lloyd's Limited recharged the Syndicate £536k (2013 - £435k) in respect of emoluments and pension costs paid to its directors and the active underwriter of the Syndicate. This included pension contributions and also included remuneration received by the active underwriter and charged to the Syndicate of £296k (2013 - £407k).

8. Other financial investments

	Market Value	Cost	Market Value	Cost
	2014	2014	2013	2013
	£000	£000	£000	£000
Participation in listed investment pools	1,394	1,394	1,089	1,089
	1,394	1,394	1,089	1,089
	1,394	1,394	1,089	1,089

The participation in investment pools comprises the Lloyd's American Trust Fund (LATF).

9. Debtors arising out of direct insurance operations

	2014	2013
	£000	£000
Due within one year Intermediaries	3,229	1,325
	3,229	1,325
	3,229	1,325

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Notes to the financial statements For the year ended 31 December 2014

10. Other Debtors		
	2014	2013
	£000	£000
Due within one year		
Other Debtors	1	-
	<u>1</u>	<u>-</u>
	<u><u>1</u></u>	<u><u>-</u></u>
11. Prepayments and accrued income		
	2014	2013
	£000	£000
Managing agent's fees	-	100
Members' subscriptions	-	25
	<u>-</u>	<u>125</u>
	<u><u>-</u></u>	<u><u>125</u></u>
12. Reconciliation of members' balances		
	2014	2013
	£000	£000
Members' balances brought forward at 1 January	(2,915)	(1,722)
Profit / (loss) for the financial year	2,108	(289)
Cash call receipts and payments of profit to members' personal reserve funds	(554)	(904)
	<u>(1,361)</u>	<u>(2,915)</u>
	<u><u>(1,361)</u></u>	<u><u>(2,915)</u></u>
<p>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.</p>		
13. Creditors arising out of direct insurance operations		
	2014	2013
	£000	£000
Direct business - Intermediaries	131	51
	<u>131</u>	<u>51</u>
	<u><u>131</u></u>	<u><u>51</u></u>
14. Creditors arising out of reinsurance operations		
	2014	2013
	£000	£000
Reinsurance ceded	104	206
	<u>104</u>	<u>206</u>
	<u><u>104</u></u>	<u><u>206</u></u>
15. Other Creditors		
	2014	2013
	£000	£000
Due within one year		
Amounts owed to managing agent	423	514
Amounts owed to Syndicate 1206	-	605
	<u>423</u>	<u>1,119</u>
	<u><u>423</u></u>	<u><u>1,119</u></u>

AmTrust at Lloyd's Limited: Syndicate 44

Notes to the financial statements For the year ended 31 December 2014

16. Reconciliation of operating profit / (loss) to net cash inflow from operating activities

	2014 £000	2013 £000		
Operating profit / (loss) on ordinary activities	2,108	(289)		
Realised and unrealised investments (profits) / losses	(67)	5		
Increase in net technical provisions	1,863	920		
(Increase) / decrease in debtors, prepayments and accrued income	(1,780)	1,007		
Decrease in creditors, accruals and deferred income	(192)	(26)		
	1,932	1,617		
	1,932	1,617		
(i) Movement in portfolio investment net financing				
	2014 £000	2013 £000		
Cash flow from operating activities for the year	1,932	1,617		
Transfer (to) members in respect of underwriting participations	(554)	(904)		
	1,378	713		
Net cash inflow	1,378	713		
Changes in market value and exchange rates	67	(4)		
	1,445	709		
Total movement in portfolio investments	1,445	709		
Portfolio at 1 January	1,786	1,077		
	3,231	1,786		
	3,231	1,786		
(ii) Movement in cash, portfolio investments and financing				
	At 1 Jan 2014	Cash Flow	Changes to market value & currencies	At 31 Dec 2014
	£000	£000	£000	£000
Cash at bank and in hand	697	1,143	(3)	1,837
Portfolio investments:				
Participation in investment pools	1,089	235	70	1,394
	1,786	1,378	67	3,231
Total portfolio investments	1,786	1,378	67	3,231
Total cash, portfolio investments and financing	1,786	1,378	67	3,231
	1,786	1,378	67	3,231

AmTrust at Lloyd's Limited: Syndicate 44

Notes to the financial statements For the year ended 31 December 2014

17. Long term business provision

Technical Provisions

	LTBP Gross Reserves and O/S Claims £000	LTBP Reinsurers' Share £000
At 1 January 2014	5,255	655
Exchange Adjustments	(39)	(7)
	5,216	648
Movement in Provision	1,618	(276)
At 31 December 2014	6,834	372

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

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

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

	2014	2013
Mortality table	TMN00/TFN00 for non-smokers, TMS00/TFS00 for smokers, TMC00/TFC00 where status unknown 5 year select.	TMN00/TFN00 for non-smokers, TMS00/TFS00 for smokers, TMC00/TFC00 where status unknown 5 year select.
Mortality rating	125% for Italian binder, 140% for Think Money.	125% for direct and Italian business, 140% for new scheme business.
Discount rate	Nil	Nil

As the assets are all in cash or short-term gilts, and we have used a zero discount rate, we have not considered it necessary to hold any additional resilience reserve.

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

An increase in the discount rate would not impact the discounting on the long term business provision, as a zero per cent investment income is assumed and therefore no discounting is applied.

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

The level of expenses included in the valuation is based on a prudent assessment of the cost of running off the Syndicate's existing business. The estimate is based on the Syndicate's assumption of the proportion of policies in force at 31 December 2014 that will still be in force at each future year end.

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Notes to the financial statements For the year ended 31 December 2014

18. Management of insurance risk

Capital management

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

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

Regulatory capital requirements

The capital requirement for the Syndicate is calculated on the statutory basis, which is based on EU Directives. The corporate members maintain Funds at Lloyd's which are determined in accordance with Lloyd's Economic Capital Assessment Regulate (ECA) and in accordance with the PRA's Individual Capital Assessment Regime (ICA). The Syndicate's capital requirement is £5.54 million at 31 December 2014 (31 December 2013 - £4.0 million).

Restrictions on available capital reserves

The available resources of the Syndicate's trust fund are described below. The capital resources available to the Syndicate are described in Note 20. Members' balances are distributed to members on the closure of an underwriting year subject to meeting Lloyd's and other regulatory requirements. Such amounts cannot be distributed without an up to date actuarial valuation.

	2014 £000	2013 £000
UK other life business		
Member's balances	(1,361)	(2,915)
Adjustments on regulatory basis:	(1,138)	(1,835)
Other disallowance under GENPRU		-
Funds at Lloyd's (see Note 20)	8,591	7,478
	<hr/>	<hr/>
Total available capital resources	6,092	2,728
	<hr/>	<hr/>
<i>Liabilities:</i>		
Non-participating life assurance	6,834	5,255
	<hr/>	<hr/>
Technical provisions in the balance sheet	6,834	5,255
	<hr/>	<hr/>

	2014 £000	2013 £000
Movements in capital resources		
Balance at 1 January	2,728	2,274
Decrease in provision for closure costs	697	(609)
New business and other factors	1,554	(1,193)
Funds at Lloyd's (see Note 20)	1,113	2,256
Balance at 31 December	6,092	2,728

Capital resource sensitivities

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

- Market risk, which would arise if the return from the fixed interest investments supporting this business were lower than that assumed for reserving; and
- Mortality risk, which would arise if mortality of the lives insured were heavier than that assumed, possibly because of an epidemic or catastrophe.

AmTrust at Lloyd's Limited: Syndicate 44

Notes to the financial statements For the year ended 31 December 2014

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

19. Related Parties

Syndicate 44 is managed by AmTrust at Lloyd's Limited, a subsidiary of AmTrust Syndicate Holdings Limited. The directors of AmTrust Syndicate Holdings Limited are Messrs. Barrett, Cadle, Dewey, Contractor, Jansli, Sibthorpe, Ross, Sweatman and Ms. Elisabetta Tenenti.

Managing Agency fees of £100,000 were paid by the members of the Syndicate to the Managing Agent during 2014 (2013 - £100,000). AmTrust at Lloyd's Limited is also the managing agent for Syndicate 1206. During the year Syndicate 1206 lent funds to Syndicate 44 in order to enable it to meet its expenses. The amount outstanding at 31 December 2014 was £Nil (2013 - £605,161).

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

Employment of staff, provision of accommodation and related services have been provided by AmTrust Syndicate Holdings Limited since 1 April 2008, which is a wholly owned subsidiary of AmTrust Lloyd's Holdings Limited, on a non-profit basis. Expenses during 2014 totalling £2,156,286 were recharged to the Syndicate by AmTrust Syndicate Holdings, and paid on the Syndicate's behalf by AmTrust at Lloyd's Limited (2013- £2,351,564). At 31 December 2014 the amount due to AmTrust at Lloyd's Limited was £422,567 (2013 - £511,999).

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

20. Funds at Lloyd's

Every member is required to hold capital at Lloyd's, which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

21. Post Balance Sheet Events

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

	2014	2013
	£000	£000
2012 Year of account (2011 Year of account)	1,117	554