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Amlin Underwriting Limited
Syndicate 6106

2014 Annual Report

Contents

Financial highlights

Year ended 31 December	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Syndicate allocated capacity	**0**	38,847	35,172	43,044	49,825
Gross written premiums	**1,193**	35,926	35,810	39,630	43,339
Net written premiums	**1,193**	35,926	35,810	39,630	43,339
Net earned premiums	**8,414**	35,942	37,839	40,263	43,290
Net claims incurred	**(3,382)**	(12,101)	(20,414)	(65,685)	(25,738)
Net operating expenses	**520**	(5,064)	(4,685)	(8)	(4,551)
Investment return	**81**	77	38	199	143
Profit/(loss) for the financial year	**5,633**	18,854	12,778	(25,231)	13,144
Claims ratio	**40%**	34%	54%	163%	59%
Expense ratio	**(6%)**	14%	12%	0%	11%
Combined ratio	**34%**	48%	66%	163%	70%

The Syndicate performance data shown in the table above is presented on an annual accounting basis and in accordance with Generally Accepted Accounting Principles in the United Kingdom (UK GAAP).

Directors and administration

Managing agent
Amlin Underwriting Limited

Directors
S C W Beale
Non-executive

G A M Bonvarlet
Independent non-executive

T A Bowles

N J C Buchanan
Independent chairman

M R Clements

A J Golding
Finance Director

E C Graham

D G Peters

A P Springett
Chief Executive Officer

M J Taffs

D Thornton
Independent non-executive

D G Turner

Company Secretary
Z M P Kubiak

Managing agent's registered office
St Helen's
1 Undershaft
London EC3A 8ND

Managing agent's registered number
2323018

Report of the directors of the managing agent

The directors of the managing agent ("the Company") present their report for Syndicate 6106 for the year ended 31 December 2014.

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

1. Strategic report

Principal activity and review of the business

The principal activity of Syndicate 6106 is the transaction of reinsurance business in the United Kingdom. The Syndicate was first established for the 2009 underwriting year to write a 15% proportional treaty reinsurance contract covering Syndicate 2001 and wrote business on a consistent basis for the 2010 underwriting year. For the 2011 underwriting year, however, Syndicate 2001 had written gross premiums in excess of the £286 million limit specified in the contract. In accordance with the contract we therefore reduced the quota share percentage to 13% to keep premiums within the Syndicate's capacity. For the 2012 and 2013 underwriting years the quota share percentage is 10%. The Syndicate did not underwrite for the 2014 year of account. The contract covers the following excess of loss classes: marine, aviation, property catastrophe, property per risk and terrorism. The total premium income capacity for the 2014 year of account was £Nil million (2013 year of account £39.0 million, 2012 year of account: £35.2 million).

The 2012 year of account was closed by commutation at 31 December 2014.

Review of calendar year result

The result for calendar year 2014 is a profit of £5.6 million (2013: £18.9 million).

Underwriting contributed a profit of £5.5 million (2013: £18.8 million) with an overall combined ratio of 34% (2013: 48%). Earned premiums of £8.4 million (2013: £35.9 million) reduced due to the Syndicate not underwriting for the 2014 year of account. The claims ratio increased to 40% (2013: 34%).There were no losses of over 5% of capacity during 2014, the Hidalgo hail storm (£0.5m) being the largest loss.

Operating expense gains of £0.5 million (2013: expense of £5.1 million) are comprised of acquisition costs (overriding commission) of £0.4 million (2013: £1.8 million), profit commission charge of £0.9 million (2013: £2.1 million) and a foreign exchange gain of £1.8 million (2013: loss of £1.2 million).

Investment income of £0.1 million has been accrued on the underlying net underwriting cash flow for the period (2013: £0.1 million). In accordance with the reinsurance contract, income is accrued at the rate returned on cash and cash equivalents for Syndicate 2001. In the period, the return on US dollar cash balances, in which the majority of the debtor balance resides, was 0.1% (2013: 0.1%).

Movement on underwriting years of account during the 2014 calendar year:

	YOA 2012 £'000	YOA 2013 £'000	**Total £'000**	2013 £'000
Gross written premiums	833	360	**1,193**	35,926
Net earned premiums	971	7,443	**8,414**	35,942
Net claims incurred	(345)	(3,037)	**(3,382)**	(12,101)
Operating expenses	925	(405)	**520**	(5,064)
Investment income	41	40	**81**	77
Annually accounted profit	1,592	4,041	**5,633**	18,854
As previously reported 31.12.2013	6,016	9,576		
As previously reported 31.12.2012	8,879	–		
Cumulative pure year result	16,487	13,617		
Net annual accounting ratios:				
Claims ratio			**40%**	34%
Expense ratio			**(6%)**	14%
Combined ratio			**34%**	48%

The principal risks and uncertainties are addressed within the notes to the accounts on pages 10 to 11.

Future developments

Syndicate 6106 will not underwrite for the 2015 year of account.

2. Directors' report

Directors

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 auditors are unaware; and

- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

The current directors of the managing agent are shown on page 3. Since 1 January 2014, the following changes to the Board of Directors have occurred:

Name	Date of appointment	Name	Date of resignation
M R Clements	2 December 2014	B D Carpenter	31 January 2014
M J Taffs	2 December 2014	K Allchorne	31 December 2014
D G Peters	9 December 2014	J le T Illingworth	31 December 2014
		S R McMurray	31 December 2014
		D F Overall	18 February 2015

After making enquiries, the directors have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Independent auditors

In accordance with the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000) the managing agent does not propose holding a Syndicate annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members in writing to the Company Secretary within 21 days of this notice.

3. Statement of managing agents' responsibilities

The managing agent is responsible for preparing the Syndicate annual report and annual accounts in accordance with applicable law and regulations.

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

In preparing the Syndicate annual accounts, Amlin Underwriting Limited is required to:

- select suitable accounting policies which are applied consistently;

- make judgements and estimates that are reasonable and prudent; and

- follow applicable UK accounting standards, subject to any material departures disclosed and explained in the annual report.

Amlin Underwriting Limited is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. It is also responsible for the system of internal control, for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities

By order of the Board

A P Springett
Chief Executive Officer
24 February 2015

Independent auditors' report
to the members of Syndicate 6106

Report on the syndicate annual accounts

Our Opinion

In our opinion the syndicate annual accounts, defined below:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2014 and of its profit 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

What we have audited

The syndicate annual accounts for the year ended 31 December 2014, which are prepared by the Managing Agent, comprise:

- the Balance Sheet as at 31 December 2014;
- the Profit and Loss account for the year then ended; and
- the notes to the syndicate annual accounts, which include other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Managing Agent has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

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

Other 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:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Responsibilities for the syndicate annual accounts and the audit

Our responsibilities and those of the Managing Agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 5, the Managing Agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they 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) ("ISAs (UK and Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with section 10 part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of syndicate annual accounts involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the Managing Agent's judgements against available evidence, forming our own judgements, and evaluating disclosures in the syndicate underwriting accounts.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

Nick Wilks
(Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

24 February 2015

Profit and loss account

For the year ended 31 December 2014

Technical account – general business	Notes	2014 £'000	2013 £'000
Earned premiums, net of reinsurance			
Gross written premiums	3	1,193	35,926
Change in the gross provision for unearned premiums	11	7,221	16
Gross earned premiums		8,414	35,942
Allocated investment return transferred from the non-technical account	8	81	77
Total technical income		8,495	36,019
Gross claims incurred		(3,382)	(12,101)
Balance on the technical account before net operating expenses and loss on exchange		5,113	23,918
Net operating expenses	5	520	(5,064)
Balance on the technical account for general business		5,633	18,854

All operations of the Syndicate are continuing.

Non-technical account	Notes	2014 £'000	2013 £'000
Balance on the general business technical account		5,633	18,854
Investment income	8	81	77
Allocated investment return transferred to general business technical account		(81)	(77)
Profit for the financial year		5,633	18,854

There were no recognised gains or losses during 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.

Balance sheet
At 31 December 2014

	Notes	2014 £'000	2013 £'000
Debtors			
Debtors arising out of reinsurance operations	9	**64,203**	100,513
Prepayments and accrued income			
Deferred acquisition costs		**5**	366
Accrued income		**169**	211
Total assets		**64,377**	101,090
Capital and reserves			
Members' balances	10	**29,472**	31,726
Technical provisions			
Provision for unearned premiums	11	**98**	7,319
Claims outstanding	11	**31,181**	58,989
		31,279	66,308
Creditors			
Other creditors	12	**3,626**	3,056
Total liabilities		**64,377**	101,090

The financial statements on pages 7 to 14 were approved and authorised for issue by the Board of Directors of Amlin Underwriting Limited and signed on its behalf by:

A J Golding
Finance Director

24 February 2015

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

1. Basis of preparation
These financial statements have been prepared using the annual basis of accounting as required by Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") and applicable Accounting Standards in the United Kingdom. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2006 by the Association of British Insurers have been adopted, except that exchange differences are dealt with in the technical account. In addition, as the Syndicate operates on a non-cash basis, no Statement of cash flows has been prepared.

Accounting policies
The principal accounting policies are summarised below. They have been applied consistently throughout the current year.

Insurance contracts premium
Gross written premiums comprise premiums on insurance contracts incepting during the financial year. The estimated premium income in respect of facility contracts is deemed to be written in full at the inception of the contract. Premiums are disclosed before the deduction of overriding commission. Estimates are included for premiums receivable after the period end but not yet notified.

Premiums are earned over the underlying policy contract period. Where the incidence of risk is the same throughout the contract, the earned element is calculated separately for each contract on a 365ths basis. For premiums written under facilities, such as binding authorities, the earned element is calculated on a 24ths basis.

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.

Acquisition costs comprise overriding commission 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 written off where they are no longer considered to be recoverable.

Any profit commission related to the reinsured contracts is accrued based on the estimated ultimate return and incorporated within net operating expenses.

Insurance contracts liabilities: claims
6106 is a cashless syndicate with claims settlement initially being funded by Syndicate 2001 and subsequently being settled on closure of the contract.

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 so that there is a reasonable chance of release from one underwriting year to the next.

Claims reserves are made for known or anticipated liabilities under insurance contracts which have not been settled up to the balance sheet date.

Commutation to close the 2012 year of account
The net commutation to close is determined on the basis of estimated outstanding liabilities and related claims settlement costs including claims incurred but not reported (IBNR), relating to the closed year of account.

The provision for outstanding claims is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date.

The commutation also includes the estimated costs of claims incurred but not reported at the balance sheet date based on statistical methods.

In calculating the estimated cost of unpaid claims a variety of estimation techniques are used by management, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which may cause the cost of unsettled claims to vary when compared with the cost of previously settled claims.

Where appropriate, large claims are assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

The directors consider that the estimates of gross claims are fairly stated on the basis of information currently available to them.

The commutation to close contract ends the liability in respect of all claims and other payments in respect of the closing 2012 year of account for Syndicate 6106.

Investment return
The investment return is calculated based on the net underwriting cash flow of the reinsured business taking account of the timing of cash received based on the experience recorded for the reinsured business in Syndicate 2001. The monthly investment return percentage received by Syndicate 2001 on the cash and cash equivalent funds is then applied to the cash flow to calculate an investment return for the Syndicate.

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.

Taxation
No provision has been made in respect of UK income tax on trading income. It is the responsibility of members to settle their tax liabilities.

Overseas taxation comprises US Federal Income tax and Canadian Federal Income tax. The amounts charged to members are collected centrally through Lloyd's Members' Services Unit as part of the members' distribution process. The ultimate tax liability is the responsibility of each individual underwriting member.

Foreign currencies
The Syndicate transacts business in four separate currencies, namely Sterling, US dollars, Euros and Canadian dollars.

Income and expenditure in US dollars, Euros and Canadian dollars is translated at monthly average rates of exchange. Transactions denominated in other foreign currencies are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities, expressed in US dollars, Euros and Canadian dollars are translated into Sterling at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at the monthly average rate prevailing in the period in which the asset or liability first arose.

Assets and liabilities expressed in other foreign currencies have been translated at the rates of exchange at the balance sheet date.

Differences arising on translation of foreign currency amounts in the Syndicate are included in net operating expenses.

Insurance debtors and creditors
Insurance debtors and creditors represent balances outstanding with Syndicate 2001.

Syndicate operating expenses
Syndicate operating expenses comprise acquisition costs (being a 5% overriding commission on the gross net premium income due to Syndicate 2001), profit commission due to Syndicate 2001 under the terms of the contract and differences arising from translation of foreign currency amounts.

2. Principal risks and uncertainties
Underwriting risk
The Syndicate writes a proportional treaty reinsurance contract covering Syndicate 2001. The contract covers the following excess of loss classes: marine, aviation, property catastrophe, property per risk and terrorism. The Syndicate's underwriting risk is directly related to the underlying risk within the excess of loss reinsurance account of Syndicate 2001, except for the fact that no reinsurance protection is purchased.

In underwriting insurance policies, Syndicate 2001's underwriters use their skill, knowledge and data on past claims experience to evaluate the likely claims cost and therefore the premium 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 premium charged will be sufficient to cover claims costs. This shortfall may originate either from insufficient premium being calculated and charged or result from an unexpected, or unprecedented, high level of claims.

A number of controls are deployed to limit the amount of insurance exposure underwritten. Each year a business plan is prepared and agreed which is 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 during the year. Syndicate 2001 also operates under a line guide which determines the maximum liability per policy which can be written for each class and for each underwriter. These can be exceeded in exceptional circumstances but only with the approval of senior management. All policies have a per loss limit which caps the size of any individual claims.

The underlying insurance liabilities are written through individual treaty excess of loss risk acceptances, or potentially through facilities whereby Syndicate 2001 is bound by other underwriting entities. Facility arrangements delegate underwriting authority to other underwriters, or to agents acting as cover holders, that use their judgement to write risks on our behalf under clear authority levels.

The underlying insurance liabilities underwritten by Syndicate 2001 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. To establish a provision for incurred but not reported (IBNR) claims, the actuarial team use their experience and knowledge of the classes of business to estimate the potential future development of incurred claims for each class and each underwriting year. This is known as the 'best estimate'. In setting the IBNR provision, estimates are made for ultimate premium and ultimate claims value for each underwriting year. Meetings are then held in which underwriters, actuaries and management discuss the initial proposed estimates and revise them if it is felt necessary. At this meeting management propose the 'margin' for risk to be added to the best estimate, assisted by diagnostics produced from the internal model. Further meetings are then held at which further review and challenge is provided by central teams, led by Amlin Risk. 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 with a margin in excess of the in-house actuarial best estimate.

The review of claims arising may result in Syndicate 2001's underwriters adjusting pricing levels to cater for an unexpectedly higher trend of claims advices or payments. However, this may not be possible in a competitive market and underwriters may respond either by accepting business with lower expected profit margins or declining to renew policies and thus reducing income. Also, there is a portfolio of risk already underwritten which cannot be re-priced until renewal at the end of the policy period.

Catastrophe risk
Syndicate 2001 has a defined event risk appetite which determines the maximum net loss that the Syndicate intends to limit its exposure for major catastrophe event scenarios. Currently there is a maximum of £170 thousand (2013: £20.1 million) for Syndicate 6106 within the Syndicate business forecast. At present, the Syndicate is not utilising the full extent of its risk appetite.

These scenarios are extraordinary events. However, there may be circumstances in which the event loss could be exceeded and a series of similar events could occur within a single 12 month period.

A detailed analysis of catastrophe exposures is carried out every quarter. The following assumptions and procedures are used in the process:

- The data used reflects the information supplied to Syndicate 2001 by insureds and ceding companies. This may prove to be inaccurate or could develop during the policy period; and

- 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.

There is no guarantee that the assumptions and techniques deployed in calculating these event loss estimate figures are accurate. Furthermore, there could also be an unmodelled 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.

Claims reserves
Claims reserves established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR. The impact on profit of a 1% variation in the total net claims reserves would be £0.3 million (2013: £0.6 million).

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

Property catastrophe claims, such as earthquake, hurricane or flood 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 of several months after a catastrophe loss. Account should also be taken of factors which may influence the size of claims, such as increased inflation or a change in law.

Syndicate closure

Under the terms of the reinsurance contract, Syndicate 6106's 2012 year of account is to be closed by way of commutation at 36 months of development, having not commuted at 24 months which was possible under the contract. Later underwriting years' reinsurance contracts also expect closure by way of commutation at the 36th month of development. However, in exceptional circumstances it might not be possible to accurately evaluate claims liabilities and therefore it would be necessary to leave the account(s) open for a further period of time, but only if Syndicate 2001's equivalent underwriting years(s) was also to remain open.

Foreign exchange risk

Underlying assets and liabilities are held in the base currencies of Sterling, Euros, US dollars and Canadian dollars, which represent the majority of the Syndicate's business by currency. This limits the underlying foreign exchange risk. Residual foreign exchange risk remains to the extent that total claims for a particular currency may exceed the assets held in that currency.

Foreign exchange exposure also arises when business is written in non-base currencies. These transactions are converted into Sterling at the prevailing spot rate once the premiums are received. Consequently, there is exposure to currency movements between the exposure being written and the premiums being converted. Payments in non-base currencies are converted back into the underlying currency at the time a claim is to be settled; therefore the Syndicate is exposed to exchange rate risk between the claim being made and the settlement being paid.

Regulatory risk

Regulatory risk is the risk that the Syndicate fails to meet the regulatory requirements of the Financial Conduct Authority, the 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. Amlin Underwriting Limited, the managing agency, has a Compliance Officer who monitors regulatory developments and assesses the impact on agency policy.

Operational risk

Operational risk is the risk that failure of people, systems or processes leads to losses to the Syndicate. The Syndicate manages these risks through internal compliance monitoring and the use of detailed procedure manuals. In addition, the Amlin Group has both a Corporate Centre Risk department and an Internal Audit department, which assist Amlin Underwriting Limited to meet the strategic and operational objectives of 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.

3. Segmental analysis

An analysis of the underwriting result before investment return and net technical provisions is set out below:

2014	Gross written premiums £'000	Gross earned premiums £'000	Gross claims incurred £'000	Net operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Reinsurance	**1,193**	**8,414**	**(3,382)**	**520**	**–**	**5,552**	**31,279**
Total	**1,193**	**8,414**	**(3,382)**	**520**	**–**	**5,552**	**31,279**

2013	Gross written premiums £'000	Gross earned premiums £'000	Gross claims incurred £'000	Net operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Reinsurance	35,926	35,942	(12,101)	(5,064)	–	18,777	66,308
Total	35,926	35,942	(12,101)	(5,064)	–	18,777	66,308

Overriding commissions paid on gross premiums earned during 2014 were £60,000 (2013: £1,796,000).

All premiums are written in the UK.

The geographical analysis of premiums by location of client, as a proxy risk location, is as follows:

	2014 £'000	2013 £'000
UK	**106**	4,059
Other EU countries	**52**	2,517
USA	**902**	19,009
Japan	**247**	2,354
Other	**(114)**	7,987
Total	**1,193**	35,926

4. Prior periods' claims provisions

The movement in the net provision for claims includes a deterioration of £9,000 (2013: £1,534,000 release) in respect of claims outstanding at the previous year end.

5. Net operating expenses

	2014 £'000	2013 £'000
Acquisition costs	**60**	1,796
Change in deferred acquisition costs	**361**	1
Profit commission due to Syndicate 2001	**916**	2,079
Foreign exchange (gains)/losses	**(1,857)**	1,188
	(520)	5,064

Acquisition costs are overriding commissions paid to Syndicate 2001 for the administration services provided by Syndicate 2001 to the Syndicate.

Audit fees of £7,500 (2013: £7,335) have been borne by Syndicate 2001.

6. Staff numbers and costs

All staff are employed by Amlin Corporate Services Limited, a wholly owned subsidiary of Amlin plc and the immediate parent company of the managing agency. The cost of these staff is borne by Syndicate 2001.

7. Directors' emoluments

The Syndicate was not recharged any expenses during the year relating to the remuneration of the directors of Amlin Underwriting Limited.

8. Investment return

	2014 £'000	2013 £'000
Interest on balances due from Syndicate 2001	81	77

Calendar year investment yield

	2014	2013
Average Syndicate funds available for investment during the year:		
Sterling (£'000)	10,168	32,781
Euro (€'000)	4,138	5,678
US dollars (US $'000)	49,183	58,403
Canadian dollars (Can $'000)	9,359	3,297
Combined (£'000)	43,371	50,024
Aggregate gross investment return for the year (£'000)	81	77
Gross calendar year investment yield:		
Sterling	0.5%	0.4%
Euro	0.1%	0.0%
US dollars	0.1%	0.1%
Canadian dollars	0.8%	0.6%
Combined	0.2%	0.2%

The average amount of Syndicate funds available for investment has been calculated based on the net underwriting cash flow of the reinsured business, taking account of the timing of cash received and paid based on the experience recorded for the reinsured business in Syndicate 2001. The yield percentages are those realised on a monthly basis by Syndicate 2001 on its cash and cash equivalent funds.

9. Debtors arising out of reinsurance operations

	2014 £'000	2013 £'000
Due from Syndicate 2001	64,203	100,513

10. Members' balances

	2014 £'000	2013 £'000
At 1 January	31,726	(7,600)
Collection of 2010 year of account loss	–	20,804
Distribution of 2011 year of account profit	(7,888)	–
Profit for the financial year	5,633	18,854
Members' agent fees advances	1	(332)
At 31 December	29,472	31,726

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.

11. Technical provisions

	Provisions for unearned premiums £'000	Claims outstanding £'000	Total £'000
At 1 January 2014	7,319	58,989	66,308
Exchange adjustments	–	1,883	1,883
Movement in provision	(7,221)	(29,691)	(36,912)
At 31 December 2014	**98**	**31,181**	**31,279**

12. Other creditors

	2014 £'000	2013 £'000
Profit commission due to Syndicate 2001	2,996	2,079
Members' agent fees advances funded by Syndicate 2001	630	977
	3,626	3,056

13. 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 Prudential Regulation Authority 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 the 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 members' FAL to meet liquidity requirements or to settle losses.

14. Related parties

Amlin Underwriting Limited (AUL)

AUL acts as the managing agent of Syndicate 2001. AUL's ultimate parent company and controlling party is Amlin plc, a company incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of Amlin plc are available to the public and may be obtained from the Company Secretary at St Helen's, 1 Undershaft, London EC3A 8ND.

Certain directors of the managing agent are also directors of other companies, which may, and in some cases do, conduct business with Syndicate 2001. None of this business is subsequently reinsured into Syndicate 6106. In all cases, transactions between the Syndicate and Syndicate 2001 are carried out on normal arm's length commercial terms without any involvement by the director concerned on either side of the transaction.

Syndicate 2001

AUL also acts as the managing agent of Syndicate 2001, the entity which the Syndicate reinsures. Syndicate 2001 has accepted the commutation to close the 2012 year of account of the Syndicate. Transactions between the Syndicate and Syndicate 2001 are disclosed where applicable within these financial statements.

Advisers

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