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Annual report and accounts 2015

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited

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Syndicate		2015 £m	2014 (Restated) £m
510	Net earned premium	**900**	834
	Profit for the financial year	**111**	96
557	Net earned premium	**16**	18
	Profit for the financial year	**10**	8
308	Net earned premium	**26**	25
	Loss for the financial year	**(2)**	-
Total	Net earned premium	**942**	877
	Profit for the financial year	**119**	104

Underwriting results

Over the seven year cycle from 2007 to 2013 the closed year of account underwriting results, as a percentage of allocated capacity, of managed syndicates 510, 557, 308 and 807 are:

Year of account	510 %	557 %	308 %	807 %	All syndicates %
2007	13.21	16.62	5.19	10.59	13.19
2008	16.79	14.31	17.49	9.57	15.42
2009	19.05	15.42	6.35	8.21	16.87
2010	2.70	(25.39)	13.38	(24.44)	(3.08)
2011	7.49	10.22	9.17	6.00	7.48
2012	8.51	5.82	6.30	–	8.34
2013	10.88	15.32	1.23	–	10.83

2011 was the final year of account for Syndicate 807, which then reinsured to close into the 2012 year of account of Syndicate 510.

Report of the Chairman

Richard Bennison, Chairman

This is my first report as chairman of Tokio Marine Kiln Syndicates Limited although I have been a non-executive director and chairman of the Audit, Risk and Compliance Committee since 2013. I am pleased to report that the Tokio Marine Kiln syndicates, in very challenging insurance and reinsurance markets and in an increasingly uncertain global economic and political environment, have produced a good set of results for the 2013 year of account which closed this year and a good performance to date on the 2014 and 2015 years of account. This reflects a very strong focus on underwriting discipline and underwriting for profit.

Tokio Marine Kiln is a leading provider of specialist and corporate insurance through two separate underwriting platforms in the Lloyd's and Company markets. We are extremely conscious of the need to ensure all our capital providers, whether third party Names on Syndicates 510, 557 or 308 or Tokio Marine as provider of Corporate Capital, are treated equitably.

Our decision to integrate Kiln and Tokio Marine Europe to form Tokio Marine Kiln was taken to achieve greater critical mass and economies of scale in response to the highly competitive market and ever increasing costs of regulation. The result is that Tokio Marine Kiln is now a market participant with increasing scale across two platforms and backed by one of the world's largest insurance groups. This puts us in a good position to face the pricing, distribution and regulatory challenges of the current market. This should benefit all our capital providers.

Charles Franks comments on Tokio Marine Kiln's specific developments and achievements in his report.

Operating environment

As a global business we are affected by the huge geopolitical uncertainties that prevail. Outside of insurance and reinsurance markets 2015, was a turbulent year of growing uncertainty in many areas, particularly in emerging economies.

Global oil prices continued to fall during 2015 putting a great deal of strain on energy exporting countries and also the energy industry. This has fed through to a much more difficult trading environment for insurers of energy related assets, including ourselves. Commodity prices generally are under strain which is affecting emerging markets significantly. The economies of Brazil and Russia, for example, are expected to contract by 3.5% and 1.0% respectively during 2016. Growth in the Chinese economy has slowed to around 6.3% per annum, based on official figures, which is somewhat less than recent years and is having significant knock-on effects to the global economy. China's stock markets plunged during the summer, and we continue to see volatility across all global stock markets so far in 2016.

The US continues to be a very important source of business for us and the economy continues to grow at a healthy 2.5%. Stock markets initially responded positively to the Federal Reserve's decision to raise interest rates by 0.25% in December. This was the first increase in interest rates since 2006. However increasing global economic turbulence has dampened expectations of further rate rises. In addition, the election of a new US President in 2016 will add further uncertainty in the period leading up to the election.

The UK continues to grow at a steady 2.2% whereas in Europe the economies of the Eurozone grew more modestly at around 1.5% for 2015. The much discussed referendum on whether Britain should either stay in or leave the European Union will now take place on 23 June. As growth in Europe is one of our priorities, the UK's continued membership of the EU is very important to Tokio Marine Kiln and also to the wider Lloyd's market – a view endorsed by Lloyd's Chairman, John Nelson.

Geopolitical tensions persist around the world, particularly in the Middle East where the Syrian Civil War continues. The so-called 'Islamic State' has extended its activities well beyond Iraq and Syria and major terrorist incidents have taken place in many parts of the world in the recent past, in particular the tragic events in Paris in November. Other geopolitical tensions persist around the world, for example, between Russia and Ukraine and economic sanctions against Russia remain in place.

Europe continues to face a significant refugee crisis caused by the turmoil in the Middle East. Around half of the hundreds of thousands of people who streamed into Europe in the worst refugee crisis since the Balkan Wars of the 1990s came from Syria.

On a more positive note, after many years of talks, Iran and six world powers reached agreement on Iran's nuclear programme. Economic sanctions against Iran are being lifted and we will see if this presents economic opportunity over the coming years.

Sadly, Nepal was struck by an earthquake of 7.8 magnitude in April, the worst in the Himalayan country in 80 years. The death toll of 9,000 was the highest from a natural disaster since the earthquake and tsunami that hit Japan in 2011. The scale of human loss was tragic and enormous. The ongoing economic cost to Nepal is huge but the resultant insurance losses were relatively small reflecting the low level of insurance penetration in that country.

The UN Summit on Climate Change held in Paris produced an agreement that aims to hold the increase in the global average temperature to 'well below 2°C above pre-industrial levels', a more ambitious goal than had been expected. It marked an unprecedented political recognition of the risks of global warming. As part of Tokio Marine Group, we are a member of ClimateWise, a group of insurance companies committed to leading a changed ambition for the environmental impact of our industry.

All of the above highlight the uncertainty and risk which exists in today's world. We, as insurers, must ensure we develop ways of tackling emerging risks by delivering products that meet our clients' needs.

Governance

With effect from 2016 Tokio Marine Kiln changed its governance structure. The Board of Tokio Marine Kiln Syndicates Limited and Tokio Marine Kiln Insurance Limited will have a single chairman and common non-executive directors. This will enable us to drive common standards across the group and provide additional expertise to each board. It will also support our 'One TMK' strategy and will ensure consistency across both companies. The two companies will continue to be regulated separately.

With this change, Paul Hewitt stepped down from the Board. I would like to take this opportunity to pay tribute to Paul for his excellent chairmanship through a period of significant growth. I would also like to thank him for the support he has given me since I joined the Board in 2013 and wish him the very best for his future endeavours.

We have also appointed three new non-executive directors, Richard Bucknall, Bruce Bowers and Tony Hulse to the Board. Each brings huge experience of the insurance industry and are already directors of Tokio Marine Kiln Insurance Limited. I have no doubt that their addition will enhance our success.

Being a good company

We saw several high profile scandals in major companies and organisations around the world in 2015, yet again damaging the much needed trust in business. Tokio Marine Kiln aspires to be a global 'Good Company'. This starts with our business philosophy: we are in business to provide high quality insurance coverage that is tailored to our clients' needs and to pay valid claims fairly and quickly. In the annual insurance market survey 'London Claims 2015 Full Year Report', our Claims Team scored consistently well ahead of the market average in all areas of service metrics. It is very satisfying that our Claims Team truly embodies our approach of doing business the right way and being a Good Company.

But being a Good Company goes beyond that: we aim to make a positive contribution to the communities in which we live and work by providing clear leadership and acting responsibly in our marketplace, workplace, community and environment.

Tokio Marine Kiln has a longstanding relationship with The Brokerage – a City of London programme that provides work experience placements and opportunities for young people with high potential from diverse backgrounds. We also took part in the Monmouth Enterprise Initiative, where a selection of secondary school children from a wide spectrum of schools spend a day in the City to see what is involved in working in insurance.

Tokio Marine Kiln has supported a range of good causes, focusing on building strong partnerships with organisations that make a real and substantial difference to people all over the world. In 2015 we supported London's Air Ambulance as our 'UK charity of the year' and Medecins Sans Frontieres as our 'International charity of the year'. In addition, Tokio Marine Kiln made donations to a local charity in each region where we have an office.

In 2015 we donated more than £170,000 to good causes. The wide range of charitable activities and level of engagement by our people is a real testament to our great team.

Future prospects

The current insurance and reinsurance market conditions are likely to continue in 2016 with persistent pressure on pricing. Continued global economic and political uncertainty is likely to be a feature of 2016. Tokio Marine Kiln syndicates are well placed to meet these challenges and look for new opportunities as the way the market operates evolves. Since joining the Board in 2013 I have been impressed by the culture at Tokio Marine Kiln which is about ensuring the business understands the changing needs of its clients and responds promptly when they have claims. This is achieved through empowering our people with a focus on the profitability of the business, driving the innovation and agility of our underwriters that will be needed to meet the demands of our clients in this complex and uncertain climate. I am confident that our business will continue to develop and prosper.

Finally, I would like to congratulate Charles and all of the Tokio Marine Kiln team for their hard work in producing a very good set of results from a challenging 2015 and to thank them all for their commitment during the course of the year.

Richard Bennison

Chairman
Tokio Marine Kiln Syndicates Limited
14 March 2016

Report of the Chief Executive Officer

Charles Franks, Chief Executive Officer

Overview

2015 was the second full year following the integration of Kiln and Tokio Marine Europe to form Tokio Marine Kiln, which I am pleased to report continues to develop and grow. We have now spent the first year in our London headquarters at 20 Fenchurch Street which has gone a long way in cementing the activities and co-operation across the business. Tokio Marine Kiln has firmly established itself as a recognised major player in the specialist and corporate insurance markets.

This is all against a background of a challenging insurance market and an unsettled economic and political environment.

From a catastrophe perspective the year was benign although there were still notable losses including the Californian Wildfires, the tragic Tianjin explosions in China, the Shoreham Airshow disaster in the UK and, finally, the UK floods at the end of the year and into 2016.

The absence of significant insured natural catastrophes during 2015 has meant that market conditions remain very soft. New and alternative capital continues to enter the market, capacity is abundant, appetite amongst competitors for top-line growth is very strong and rates are under pressure in most parts of the business.

Underwriting conditions remain competitive with no reduction in the market's focus on income. This particularly affects accounts that carry large premiums and leads to increasing pressure on insurance terms and conditions and to more requests for multi–year policies.

Despite pressure on rates and increased competition, we are experienced in managing through these difficult trading conditions and continue very firmly to underwrite for profit rather than business volume.

During the recent past we have seen a significant amount of merger and acquisition (M&A) activity in our markets as companies strive to achieve competitive advantage. Examples include: XL and Catlin, Cathedral Capital and Lancashire, Ace and Chubb, MSI and Amlin, Fairfax and Brit and our parent Tokio Marine Holdings and HCC. This M&A activity will most likely continue. Insurance companies in the current environment need scale, and consolidation is producing this. As a result our business is likely to see even more competition as these newly merged entities combine expertise with scale. Underlining all of this is technology which continues to streamline operations and improve efficiency in the market.

We are also seeing an evolution in the distribution landscape. The move by brokers towards facilities, quota share arrangements and similar is gathering pace. We have characterised this trend as a move by many broking firms to have 'fewer, but better friends'. Brokers are also investing heavily in managing general agents or coverholders geared to underwriting business under delegated authorities. We continue to engage with all of the changes taking place in the distribution area.

Strategy

Tokio Marine Kiln's strategy is to be a leading international provider of specialist and corporate insurance for clients within the Lloyd's and Company markets. This strategy involves broadening our distribution network in markets that present strong economic potential. It also means expanding our product portfolio by developing innovative lines that meet our clients' evolving needs, and supporting these through operational excellence and a strong, engaged talent pool.

During 2015 we set ourselves five strategic goals consisting of scaling-up; getting closer to our customers; improving our competitiveness; investing in our people and being a 'Good Company'. We are making good progress with these goals which, taken together, will all help to ensure that we have a solid base from which we can continue to develop and thrive.

Specific activities during the year have consisted of a continued expansion of our Liability team with the recruitment of underwriters focused on both the international and UK markets. Liability is a key development area for the Tokio Marine Kiln syndicates: we have a two pronged approach consisting of organic growth by the existing team and then bringing in high quality and experienced underwriters who add depth to the division's capabilities.

Tokio Marine Kiln syndicates are developing strategic partnerships in emerging markets, for example, in October we signed a Memorandum of Understanding with the People's Insurance Company of China (PICC) to provide technical expertise to Chinese customers in the intellectual property insurance market.

Consortia are becoming an increasing feature of the insurance market and the ability to be a large scale market participant coupled with specialist insurance expertise plays very much to our strengths. During 2015 Tokio Marine Kiln syndicates launched an aviation consortium which it leads, targeting corporate fixed wing and rotor wing aircraft. The Tokio Marine Kiln Corporate Aircraft Consortium has significant scale and increases the choice for brokers and clients and provides a competitive alternative to the large non-Lloyd's insurers that have dominated this specialist class.

We are very aware of the changes particularly in the distribution landscape and the need to engage with broking firms on a far more strategic basis than previously. We have therefore formed a Broker Distribution team to support our underwriters and manage these relationships. The move towards more broker facilities in the market is gathering momentum. Making sure that our distribution channels enable us to reach the right customers and markets will continue to be a priority in 2016. We will look at specific facilities where they fit our business strategy but our key principle is that these must be underwriter led decisions.

We continue to grow the expertise we can offer through recruitment and development. We recruited Louis Robertson as Fine Art & Specie Underwriter in the summer. Bringing in these new kinds of specialists enables us to offer our clients an increased range of products and expertise.

We will continue to seek out underwriters and teams who are looking to join a company that is part of a parent group with a proven, long term growth strategy. The stability and strength of Tokio Marine Kiln are both hugely beneficial to our ongoing desire and requirement to recruit high quality people into the business to meet our strong growth ambitions.

We continue to develop our underwriting teams. James Walker was appointed as Active Underwriter of our Aviation division with effect from 1 January 2016. Paul MacMillan retired at the end of 2015 and I would like to thank Paul for his great contribution to the development of our Aviation and Space capabilities during the past few years. Peter Merton succeeded Paul Culham as Active Underwriter of both the Marine & Special Risks and Enterprise Risk divisions.

Finally, I am delighted to report that Paul Culham was appointed Chief Underwriting Officer of Tokio Marine Kiln Syndicates Limited in August. This is a pivotal role to lead the underwriting strategy for our Lloyd's platform. Paul, who joined Kiln as a graduate trainee in 1987 and was latterly Active Underwriter for the Marine & Special Risks and Enterprise Risk divisions, succeeds Richard Lewis who will remain Group Chief Underwriting Officer where he will concentrate on underwriting performance and ensuring the successful delivery of the group strategy. I would like to thank Richard for his enormous contribution towards the success of Tokio Marine Kiln's syndicates during the past few years.

International

Our international offices in Europe and Asia continue to thrive and expand their product range. In Germany, for example, we have expanded our product capabilities with the recruitment of underwriters specialising in aviation, cyber, intellectual property and reputational harm. In Singapore we see the benefits of the Tokio Marine brand which helps greatly to support the continued growth of our operation in Asia. From Singapore we have increased our capabilities in specialist trade credit, surety and political risks products. In spite of the current challenging economic conditions in China we continue to grow our presence from Shanghai reflecting our view of the continuing long term opportunity in this market. In addition to a country representative, we now have a new Marine Underwriter based in Shanghai.

Innovation

In a soft market we are very aware that it is a big test of our abilities to grow our business profitably. We know from all that we see in the market and from experience that a key way for insurers to differentiate themselves is through innovation. Our clients have emerging needs and we are good at finding solutions to meet these needs. Innovation is a key driver of broker business to us.

We have always embraced change and creativity as evidenced by our broad range of products including many that we have pioneered. Our 49% investment in the innovative US coverholder NAS two years ago fits very much within this approach. Our clients' business, technological and risk environments and risk transfer needs are all rapidly evolving.

To ensure that we continue to remain ahead of these developments we appointed Tom Hoad as Tokio Marine Kiln's first ever Head of Innovation towards the end of 2015. Tom was previously an underwriter within our Enterprise Risk division where he was at the forefront of creating new products for client risks associated with cyber, intellectual property, supply chain and reputation. In addition Laila Khudairi, Deputy Underwriter for our Enterprise Risk division, won the 'Best Product by a Market Participant under 35' at the Lloyd's 2015 Innovation Awards. The prize was handed out for Laila's 'Cyber with Reputational Harm' product. Our specialist unmanned aerial vehicle product, 'One Unmanned', was also shortlisted for 'Best Product Innovation'. These are exciting times and we will always strive to be an innovative company and a highly responsive and relevant risk partner to our clients.

Conduct and Regulation

We are living in a world of significant regulatory oversight but through our work on conduct risk and Solvency II we continue to have very strong relationships with our regulators the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

Meeting regulatory standards is all part of being a 'Good Company' which is one of our strategic goals and I am very pleased that there has been a very high level of engagement throughout the business. Andrew Hitchcox and his team worked tirelessly during 2015 to ensure that our internal model meets the necessary standards under Solvency II. We officially launched our conduct risk framework in May and I have been encouraged by how the business has embraced the changes it required. We have received positive feedback externally around our culture of ensuring good customer outcomes which has been affirmed internally in the results of our recent People Survey that demonstrated our own belief that we put the customer at the heart of our business.

In the future it will be key for us to maintain our determination and robust approach towards conduct risk and other regulatory developments. This will be strongly beneficial to the brokers and coverholders with whom we deal as well as, of course, to our ultimate clients. We intend to remain very much on the front foot with regard to regulation.

Performance

During 2015 the Tokio Marine Kiln syndicates continued with a very strong focus on underwriting for profit rather than business volume. This has meant that in a very challenging environment we have been able to deliver a strong set of accounting results for 2015.

Annual accounting results under UK GAAP

On a UK GAAP basis, the comparison between the 2015 and 2014 calendar year results is shown below in Table 1.

Table 1: Annual accounting results under UK GAAP

Syndicate	2015 £m	2014 (Restated) £m
510	111	96
557	10	8
308	(2)	-
Total	119	104

2015 has been a benign calendar year in terms of catastrophe losses, which together with the strength of the underlying book has benefited the non-life syndicates. Syndicate 510 has achieved growth in premium income through a focus on innovation and adapting to the challenging market conditions. The drivers of the syndicate and divisional results are discussed in more detail in the underwriters' reports on pages 10 to 18.

2013 year of account

Despite tough market conditions and foreign exchange losses, the non-life syndicates closed the 2013 year of account with the highest return on capacity achieved in recent years, driven by a relatively benign catastrophe experience and a strong underlying book.

The 2013 year of account results, as a percentage of allocated capacity for an unlimited Lloyd's Name on our syndicates, are compared with the forecasts issued in the published 2014 report in Table 2.

Table 2: 2013 year of account results compared with the forecasts published in the 2014 report

Syndicate	Actual %	Forecast range %
510	10.9	5.6 to 10.6
557	15.3	9.8 to 14.8
308	1.2	(3.5) to 1.5

The results of both Syndicates 510 and 557 exceeded the forecast range presented at the end of the previous calendar year, as they benefited from releases on closed years of account. Syndicate 308 came in towards the upper end of expectations.

2014 year of account

All of the syndicates are on track to make a profit, as reflected in the revised forecasts issued in Tokio Marine Kiln's press release of 19 February 2016, shown in Table 3. Although catastrophe experience has been somewhat benign, there have been several losses to affect the 2014 year of account, most notably Hurricane Odile, the Nebraska Storms and the Californian Wildfires. Syndicate 510 was also exposed to losses following the conflict at Tripoli Airport and the Shoreham Airshow crash.

Syndicate 308's forecast range is lower than that presented at the end of the previous calendar year following reductions in income as well as some large losses during 2015.

Table 3: 2014 forecast year of account range results issued in Tokio Marine Kiln's press release of 19 February 2016

Syndicate	Capacity £m	Forecast range %
510	1,064	5.5 to 10.5
557	39	16.8 to 21.8
308	32	(0.3) to 4.7

2015 year of account

Table 4 shows the first published forecast ranges for Syndicates 510, 557 and 308 issued in Tokio Marine Kiln's press release of 19 February 2016.

Table 4: 2015 forecast year of account range results issued in Tokio Marine Kiln's press release of 19 February 2016

Syndicate	Capacity £m	Forecast range %
510	1,063	1.1 to 11.1
557	35	15.9 to 25.9
308	32	(8.7) to 1.3

The non-life syndicates are showing profitable mid-points in their forecast ranges having benefited from a relatively benign first calendar year. The most notable losses incurred by Syndicate 510 follow the Tianjin explosions, the Californian Wildfires and Storm Desmond. Being only 12 months into their development there is still a large amount of unearned exposure on all syndicates and so the events of 2016 will remain critical to how the years of account develop. Syndicate 308 has had a challenging first year having suffered from a series of early losses on key binders.

2016 year of account

Table 5 shows the Premium Rating Index (PRI) for Syndicates 510, 557 and 308, which tracks the pricing of renewed risks over the year. At a whole account level there was softening in premium rates in 2015 for all divisions of Syndicate 510, with the exception of the Enterprise Risk division which experienced strong rate increases in its Open Market Cyber book following a series of large retail losses in 2014 and 2015. Aside from this hardening, the softening in rates for the remaining divisions of Syndicate 510, and also for Syndicates 557 and 308, was as forecasted for the year. As per the 2014 year of account, the oversupply of capital in the market was compounded by another year of below-average loss activity, notably natural catastrophe events, resulting in further downward pressure on rates. Furthermore, the softening in premium rates has been accompanied by a trend of broadening terms and conditions. In this environment, maintaining a focus on risk selection continues to be of paramount importance, which has contributed to a shortfall in written premium versus plan.

Table 5: PRI for Syndicates 510, 557 and 308

	2015 YOA as at 31 December 2015 %	2016 YOA as at 29 February 2016 %
Syndicate 510	**96.7**	96.9
Property & Special Lines	**97.4**	97.3
Marine & Special Risks	**94.2**	95.0
Reinsurance	**92.3**	94.4
Aviation	**95.8**	95.9
Accident & Health	**99.5**	99.5
Enterprise Risk	**104.2**	107.0
Syndicate 557	**92.3**	94.4
Syndicate 308	**99.9**	98.7

Tokio Marine Kiln

Kiln was acquired by Tokio Marine eight years ago and the relationship between Tokio Marine Kiln and the wider Tokio Marine Group continues to go from strength to strength. In the current market having a corporate parent on the scale of Tokio Marine is very helpful to and supportive of our continued development and growth.

In 2015, our parent company Tokio Marine Holdings acquired HCC Insurance Holdings, a world leading specialty insurer with operations in the US and Europe.

As we currently already do with other companies in the Tokio Marine Group we look forward to working with and co-operating with HCC in the future.

New Chairman

I would like to congratulate Richard Bennison who was appointed as Chairman of Tokio Marine Kiln Syndicates Limited and also Tokio Marine Kiln Insurance Limited with effect from 1 January 2016. Richard has been an independent non-executive director of Tokio Marine Kiln since 2013, chairing the Audit, Risk and Compliance Committee. Richard succeeds Paul Hewitt who stepped down as chairman at the end of 2015, having joined Tokio Marine Kiln Syndicates Limited as a non-executive director in 2006. Paul has overseen a vast amount of change and development during his tenure. I would like to thank Paul for his enormous contribution and also for his personal support over the past decade.

Outlook

Market conditions are soft, competition fuelled by ongoing overcapitalisation is fierce, and brokers are seeking to work with fewer and bigger insurers. There are no signs at this stage that these conditions will improve in the near future. Companies are subject to an increasing rate of change as a result of innovation and competition. Risk profiles of our clients are constantly evolving. In this environment it is critically important that Tokio Marine Kiln remains a highly relevant risk partner to brokers, coverholders and clients.

We will continue to be ambitious, agile and innovative. For 2013 our syndicates have delivered a good set of results in a very tough environment. We are convinced that we can continue to grow in the current market provided we focus on underwriting for profit and also on the needs of our clients, brokers and coverholders. We have positioned ourselves strategically so that we are well placed to continue successfully with our development and to thrive.

Thank you for your continued support.

Charles Franks

Chief Executive Officer
Tokio Marine Kiln Syndicates Limited
14 March 2016

Underwriters' reports

Syndicate 510

Overview

2013 underwriting year of account

Syndicate 510 made an underwriting profit of £115.7m (10.88%) on allocated capacity of £1,063.7m after taking account of operating expenses, Lloyd's expenses and investment income for the 2013 underwriting year of account.

This is a good result for the syndicate, which benefitted from a relatively benign catastrophe experience.

Prior years' development

The 2013 underwriting year result improved by £36.9m as a result of favourable claims development on prior years, including several cases where we have seen claims settling for less than their loss reserves.

One year accounting result

On a UK GAAP basis the syndicate produced a profit of £111.3m against gross premium written of £1,162.9m and a net premium earned of £900.2m for the 2015 calendar year.

2015 was another year free from any large land falling hurricane in the North Atlantic, and indeed relatively benign in terms of any major catastrophe loss.

The main large losses to affect 2015 were the Shoreham Airshow disaster in the UK, the Tianjin explosions in China, Californian Wildfires and the UK floods.

Overall rates were down 3.1%, with Open Market Property, Energy and Reinsurance down 8.1%, 7.4% and 7.6% respectively. Our written income has therefore fallen short of our original plan highlighting our willingness to walk away from business that does not meet our criteria.

The combined ratio for the 2015 calendar year is 88.3%.

2016 development

Trading conditions in the global specialty market remain difficult, with insurers fighting to maintain pricing discipline amid strong competition. Pricing pressure is most intense for large property, energy risks and reinsurance; especially where these areas can be commoditised through ever sophisticated modelling which is continuing to lead to an abundance of traditional and alternative capacity. Rate reductions remain widespread and not just in modelled areas but in specialty areas of new and emerging risks as insurers seek out diversifying streams of income. We do not anticipate the recent trend of falling insurance and reinsurance rates abating as insureds and cedants continue to be able to achieve more favourable terms and conditions.

Underwriting discipline remains key, emphasising good risk selection and underwriters' ability to say no to unacceptable business, even if that means a decline in our top-line premium income. Our planning for 2016 anticipated the difficult market we now find ourselves in; the impact of price reductions in the 2015 results were masked by benign large loss activity and reserve releases. Continuance of strong competition and any return to a more normal level of catastrophe losses will inevitably squeeze margins this year.

We will need to maintain our flexibility and ability to react quickly to opportunities as they present themselves, and ensure we are in a position to leverage our underwriting expertise to maximise our specialty role in the worldwide insurance market. Our ability to distribute our products through an extensive coverholder network and Tokio Marine sister companies differentiates us within the Lloyd's market. It enables us to be focused on upstream distribution and therefore not overly reliant on large brokers who are exercising increased control over the London market.

Innovation will continue to be an important facet of our niche underwriting whether through the products we sell or the way they are distributed. 2016 will see an increasing focus on innovation as we attempt to reinforce our importance in specialty insurance and reinsurance.

Syndicate 510

Property & Special Lines

2013 underwriting year of account

The Property & Special Lines division made an underwriting profit of £51.9m (10.99%) on allocated capacity of £471.8m after taking account of operating expenses, Lloyd's expenses and investment income for the 2013 underwriting year of account.

A strong underwriting performance meant the division was able to generate a good profit in a year which only suffered minor natural catastrophe losses such as Hurricane Manuel, US Polar Vortex and floods in Colorado.

Prior years' development

The 2013 underwriting year result improved by £11.7m as a result of reduced reserves from prior years. This release is primarily attributable to benign claims development during 2015, with the attritional incurred claims reducing over the year.

One year accounting result

On a UK GAAP basis the division produced a profit of £60.2m against gross premium written of £625.9m and a net premium earned of £477.8m for the 2015 calendar year. 2015 was a relatively benign year for catastrophe events, with our main exposures being losses from the California Wildfires in September.

The combined ratio for the 2015 calendar year is 88.0%.

2016 development

The division has increased its planned premium income moderately for 2016 . The main driver for this growth continues to be our International Liability team which has further developed its book of business, whilst seeking opportunities to expand the portfolio. We expect our Open Market business to decrease as the soft market continues to affect pricing, and there is increased competition within the Lloyd's and domestic markets.

Our Paris office continues to grow its book of business gradually as we remain focused on building our relationships in the European market.

We may see some limited growth in our international Motor book as our specialist team continues to take advantage of niche market opportunities.

We continue to focus on developing and sustaining the quality of our core business and take advantage of opportunities that may arise elsewhere. Going forward we will look to build on our relationships with our business partners worldwide to maintain our position in their markets to deliver profitable growth.

In summary, we will continue to focus on writing quality accounts, maintain our underwriting discipline and look for opportunities within the current soft market environment during 2016. There is no doubt 2016 will be challenging from a pricing perspective, but we will continue to select a quality portfolio of risk to deliver the business plan.

Syndicate 510

Marine & Special Risks

2013 underwriting year of account

The Marine & Special Risks division made an underwriting profit of £32.0m (14.20%) on allocated capacity of £225.5m after taking account of operating expenses, Lloyd's expenses and investment income for the 2013 underwriting year of account.

This is an excellent result for the division, and continues the good run of results the division has produced in recent years.

Prior years' development

The 2013 underwriting year result improved by £9.3m attributable to favourable claims development on prior years, including several cases where we have seen claims settling for less than their reserves.

One year accounting result

On a UK GAAP basis the division produced a profit of £7.2m against gross premium written of £197.9m and a net premium earned of £175.5m for the 2015 calendar year.

The abundance of capital available to the reinsurance industry has increased the pressure on pricing, terms and conditions, and signings across all areas of our account. Overall rates were down by over 5%, with the trend remaining particularly noticeable in the Marine Reinsurance and Energy accounts, where year-on-year rate reductions were 14.4% and 9.5% respectively. Our written premium for the 2015 year of account has therefore fallen short of our original plan showing our willingness to walk away from business which does not match our requirements.

The Tianjin explosions which occurred in August 2015 have the potential to impact several of our accounts. Given the uncertainty surrounding the ultimate financial loss arising from this tragedy we have established conservative reserves in respect of the exposures we have to it, particularly in our Liability account. Thus far advices have fallen well within our reserves, however we will continue to monitor developments closely.

The combined ratio for the 2015 calendar year is 96.7%.

2016 development

There are no signs of a change in the general downward trend seen throughout the insurance industry over the past few years, so our focus remains on the two key elements of our business model: risk selection and upstream distribution. The latter in particular will increase in importance over the next few years as the specialty insurance sector becomes ever more crowded in London. It is therefore pleasing to note the growing importance of our Frankfurt office to the Special Risks account, especially as it has in large part been based on a local product development. By contrast, the end of the commodity super-cycle will reduce the size and attractiveness of opportunities in the political risk, contract frustration and, especially, credit insurance elements of the Special Risks account written in London, where the pricing available to underwriters does not yet reflect this new, higher-risk environment.

The low oil price has resulted in reduced activity in the exploration and production sectors which, compounded by the softening Energy market conditions, will mean that we are unable to rely on the same quantity and quality of premium from this account for the forthcoming period. We have some insulation from this trend in the open market as the leader of the premier binding authority targeting renewable energy business, but in general we believe that rigorous risk selection remains the best strategy for this challenging environment. The recruitment of a specialist Specie Underwriter in the second half of 2015 should boost the profitability of the Cargo account and enhance our specialist offering; we are targeting further growth in this area in 2016. With its focus on 'brown water' vessels and a growing portfolio of yacht business, our Hull account continues to perform well against its peers, and offers us a degree of stability in an otherwise turbulent market.

Syndicate 510

Reinsurance

2013 underwriting year of account

The Reinsurance division made an underwriting profit of £13.6m (8.00%) on allocated capacity of £170.1m after taking account of operating expenses, Lloyd's expenses and investment income for the 2013 year of account.

2013 was a relatively quiet year for catastrophe losses, with the largest events to affect the division being a hailstorm in Germany and flooding in Central Europe and Alberta, none of which were particularly large. The US book had a very good year with only modest losses from minor weather events as the country continued to enjoy a fortunate lack of hurricanes and earthquakes. The book grew marginally in the year, with the proportion of the account coming from the US rising modestly as the prospects for profit were better there, but the account remains a stable one with an emphasis on long term clients.

Prior years' development

The 2013 underwriting year result improved by £4.1m as a result of a reduction in prior years' reserves for a number of catastrophe losses. Whilst there have been no particularly significant developments in the back year reserves we are seeing a number of instances where we have been able to bring loss reserves down whilst still keeping them at a prudent level. Against this we do still see the occasional deterioration on individual accounts (often as a result of lengthy court cases producing the occasional surprising verdict). These instances serve to remind us that there will always be some development of losses even after many years, and that catastrophe losses still retain a level of unpredictability after the event.

One year accounting result

On a UK GAAP basis the division produced a profit of £24.5m against a gross premium written of £103.2m and a net earned premium of £39.6m for the 2015 calendar year.

2015 saw very little in the way of major catastrophes. The most notable events were the Tianjin explosions in China which produced a very limited loss to the division, the Southern India floods which again did not produce a large loss for us but which was a severe event for the area concerned, and the storms and flooding that affected the UK around the end of the year. The cost of the UK losses is still being assessed, but again it is not thought that there will be a significant impact upon the reinsurance account.

The combined ratio for the 2015 calendar year is 39.8%.

2016 development

The reinsurance market continues to be under pressure with an excess of supply, and demand not rising. Good results produced in a relatively benign catastrophe period offset the effect of pricing pressures (resulting from the lack of significant losses over the past few years). Whilst we expect the soft market to continue, it is clear that a number of our competitors are beginning to see the market as less attractive, and some are choosing to return excess capital to investors rather than try to use it in such difficult circumstances.

One benefit of this has been that whilst rates continue to fall, the rate of reduction on the US side of the business has slowed in the last few months. US business continues to offer opportunities for profit, albeit at a reduced level when compared to previous years, and our book has remained relatively stable. We do not believe that this slowdown in price reductions is the first sign of a market turn, but it is a sign that reinsurers are beginning to tire of repeated double digit rate cuts and are now less willing to give up price in order to defend market share.

The non-US side of the business on the other hand continues to be extremely soft, with pricing generally at very low levels, the standard of contracts being very poor and extremely wide coverage being given without adequate pricing adjustments. Reinsurers seem to be driven to write 'diversifying' (non-US) business at almost any price, and are less willing to give up market share on this side of the account. We are having to pick and choose our way through this market, with the International book being considerably smaller than it has been in the past.

The high quality of the accounts that we write, combined with the strong relationships that we have with many of our clients, affords us good opportunities in the current, rather challenging, market. We believe that our long-term approach to business gives us the best chance of maximising returns across the cycle. Reinsurance remains a cyclical business; whilst there is talk of major changes in the market we believe that much will remain the same and we are well placed to take advantage of opportunities as they arise.

The pricing pressure that we have seen on the inwards book has also affected the cost of retrocessional protections, and we have taken advantage of the price reductions that are available to provide the division with more cost effective programmes to protect our book. We will continue to push to obtain better value from our outwards placements in the forthcoming renewals.

Syndicate 510

Aviation

2013 underwriting year of account

The Aviation division made an underwriting profit of £7.2m (11.48%) on allocated capacity of £62.4m after taking account of operating expenses, Lloyd's expenses and investment income for the 2013 underwriting year of account.

The 2013 year of account was affected by a number of large losses including the Tripoli airport attacks (protected to some extent by specific reinsurance) and the high profile losses on MH-17 and MH-370, all occurring during the 2014 calendar year.

Prior years' development

The 2013 underwriting year result improved by £4.4m attributable to favourable claims development on closed years, including several cases where claims have settled for less than their reserves.

One year accounting result

On a UK GAAP basis the division produced a profit of £7.1m against gross premium written of £50.9m and a net premium earned of £44.8m for the 2015 calendar year.

We experienced continued rate softening throughout the year that affected all areas of the portfolio apart from the Hull War class where we saw a brief hardening of rates following a number of war losses during 2014. The uptick for the Hull War class only lasted for a limited period due primarily to new and existing participants looking to capitalise and gain market share.

Whilst we sustained a number of significant losses, including Shoreham Airshow and Yemen Airways war loss, our diversified portfolio still produced an acceptable result, particularly when set against the pressure on rates and signed lines that the over-abundance of market capacity has created.

The combined ratio for the 2015 calendar year is 85.1%.

2016 development

The rating environment for the 2015 renewal business continued to deteriorate, culminating in an escalation of double digit reductions during the important final quarter in 2015. We are however, well positioned, with a diversified portfolio and business model that allows us to better weather the challenging market conditions during 2016. Furthermore, we have established and maintained strong partnerships with key clients that provide a degree of stability and security as we look to evolve our portfolio to find acceptable returns.

We shall continue to broaden our distribution channels and extend our product offerings via our strong corporate coverholder relationships and sister companies within the Group. Our specialist unmanned aerial vehicle product, 'One Unmanned', was shortlisted for 'Best Product Innovation' at the Lloyd's 2015 Innovation Awards.

The discipline and resolve, that has seen us through these challenging times, remains stronger than ever and we shall endeavour to take opportunities whenever they present themselves.

Syndicate 510

Accident & Health

2013 underwriting year of account

The Accident & Health division made an underwriting profit of £7.2m (6.94%) on allocated capacity of £104.2m after taking account of operating expenses, Lloyd's expenses and investment income for the 2013 underwriting year of account.

The result was profitable and in line with our original business targets for the division. Renewal retention rates remained consistent, but while pricing conditions for our core binder account remained stable with steady organic growth, new business opportunities at attractive rates were increasingly difficult to find. This is reflected in only modest growth of the top-line gross premium. The Travel and Evacuation book continued its strong performance in 2013 at similar premium levels to prior years. The non-standard Personal Accident portfolio proved highly profitable.

Prior years' development

The 2013 underwriting year result improved by £1.6m as a result of reduced reserves from prior years. Given the typical short-tail nature of the business, it was encouraging to see the older years settling out within our reserve projections.

One year accounting result

On a UK GAAP basis the division produced a profit of £3.2m against gross premium written of £118.5m and a net premium earned £115.6m for the 2015 calendar year. Once again, despite the division coming under pressure from increased competition within the Lloyd's and international markets, our core book of renewal business continued to perform as planned.

With the tougher market conditions the core Accident & Health account did not grow during 2015. However we were able to take advantage of opportunities to grow the Medical account, which continued to develop throughout the year as expected, as well as our diversified book of Bloodstock and Equestrian risks which continues to mature to plan. There was an absence of any major losses during the year which assisted the result.

The combined ratio for the 2015 calendar year is 97.5%.

2016 development

The portfolio has been consistently profitable and has grown continuously up to now. However due to current market conditions, a wave of excess capital and greater empowerment of brokers, it is going to be extremely difficult to grow the top and bottom-lines in 2016. The market has continued to draw in additional capacity with syndicates prepared to take on new business at materially lower rates in some open market cases, which will result in rating pressures on certain elements of our book. However, we have a diversified Lloyd's and international platform in place that has been successful in attracting new business to Tokio Marine Kiln in the past and we will seek to grow opportunistically where possible.

Syndicate 510

Enterprise Risk

2013 underwriting year of account

The Enterprise Risk division made an underwriting profit of £0.3m (1.07%) on allocated capacity of £29.7m after taking account of operating expenses, Lloyd's expenses and investment income for the 2013 underwriting year of account.

As in prior years, the Enterprise Risk account consists of two halves: our Enterprise Risk business and the so called 'Affinity' classes which concentrated on mobile phone and other consumer product lines. The Affinity lines were discontinued in 2013. In addition to the costs of running off the Affinity business, this year of account has also been affected by two losses notified to our Cyber Delegated account during 2015, one of which was settled during the course of the year.

Prior years' development

The 2013 underwriting year result improved by £2.4m attributable to favourable claims development on prior years, including several cases where we have seen claims settling for less than their reserves.

One year accounting result

On a UK GAAP basis the division produced a profit of £5.7m against gross premium written of £66.7m and a net premium earned of £47.0m for the 2015 calendar year.

Written premium for the Enterprise Risk division for the 2015 year of account is slightly up on the original plan, and an increase of more than double on 2014. The main driver for this was growth in our Cyber Open Market account, capitalising on the opportunities arising from a series of large data breaches in the US. Rate increases on renewals averaged 14.7%, and new business was frequently seen at prices several times that on offer in the preceding year; more importantly we were able to benefit from surveys on the cyber defences of insureds operating in higher risk sectors and selectively write larger lines on those with superior characteristics.

As noted above, two losses were notified to the closing year Cyber Delegated account during the year. The open years continue to perform strongly.

2015 also saw the benefit of the first full year of a dedicated underwriter for the Intellectual Property account, which has performed in line with expectations.

The combined ratio for the 2015 calendar year is 88.2%.

2016 development

In 2016 the division will continue to focus its efforts on growing the Cyber Open Market and Delegated accounts, building upon the investments in personnel and distribution made in earlier years. In contrast to nearly every other line of insurance, we see opportunities to write larger lines at better prices on an increasing number of customers with better risk management; nonetheless our approach remains based upon risk selection and our priority is to achieve bottom-line profitability within a defined risk appetite.

Aside from Cyber, the other main growth area for 2016 will be Intellectual Property where our underwriter is the market leader. The recent signing of a reinsurance agreement with a major Chinese insurance company (PICC) under the auspices of Lloyd's China is a good indicator of the scale of the opportunity in this space, and our ability to respond to that.

We anticipate that the newly-appointed Head of Innovation will create numerous opportunities for the division to deploy its appetite for new products and methods of distribution, as well as stimulating further demand for our existing portfolio of products.

Syndicate 557

2013 underwriting year of account

Syndicate 557 made an underwriting profit of £7.0m (15.32%) on allocated capacity of £45.8m after taking account of operating expenses, Lloyd's expenses and investment income for the 2013 year of account.

2013 was a relatively quiet year for catastrophe losses, with the largest events to affect the syndicate being a hailstorm in Germany and flooding in Central Europe and Alberta, none of which were particularly large. The US book had a very good year with only modest losses from minor weather events as the country continued to enjoy a fortunate lack of hurricanes and earthquakes. The book grew marginally in the year, with the proportion of the account coming from the US rising modestly as the prospects for profit were better there, but the account remains a stable one with an emphasis on long term clients.

Prior years' development

The 2013 underwriting year result improved by £1.3m as a result of a reduction in prior years' reserves for a number of catastrophe losses. Whilst there have been no particularly significant developments in the back year reserves we are seeing a number of instances where we have been able to bring loss reserves down whilst still keeping them at a prudent level. Against this we do still see the occasional deterioration on individual accounts (often as a result of lengthy court cases producing the occasional surprising verdict). These instances serve to remind us that there will always be some development of losses even after many years, and that catastrophe losses still retain a level of unpredictability after the event.

One year accounting result

On a UK GAAP basis the syndicate produced a profit of £9.9m against a gross premium written of £17.4m and a net earned premium of £15.8m for the 2015 calendar year.

2015 saw very little in the way of major catastrophes. The most notable events were the Tianjin explosions in China which produced a very limited loss to the syndicate, the Southern India floods which again did not produce a large loss for us but which was a severe event for the area concerned, and the storms and flooding that affected the UK around the end of the year. The cost of the UK losses is still being assessed, but again it is not thought that there will be a significant impact upon the reinsurance account.

The combined ratio for the 2015 calendar year is 39.0%.

2016 development

The reinsurance market continues to be under pressure with an excess of supply, and demand not rising. Good results produced in a relatively benign catastrophe period offset the effect of pricing pressures (resulting from the lack of significant losses over the past few years). Whilst we expect the soft market to continue, it is clear that a number of our competitors are beginning to see the market as less attractive, and some are choosing to return excess capital to investors rather than try to use it in such difficult circumstances.

One benefit of this has been that whilst rates continue to fall, the rate of reduction on the US side of the business has slowed in the last few months. US business continues to offer opportunities for profit, albeit at a reduced level when compared to previous years, and our book has remained relatively stable. We do not believe that this slowdown in price reductions is the first sign of a market turn, but it is a sign that reinsurers are beginning to tire of repeated double digit rate cuts and are now less willing to give up price in order to defend market share.

The non-US side of the business on the other hand continues to be extremely soft, with pricing generally at very low levels, the standard of contracts being very poor and extremely wide coverage being given without adequate pricing adjustments. Reinsurers seem to be driven to write 'diversifying' (non-US) business at almost any price, and are less willing to give up market share on this side of the account. We are having to pick and choose our way through this market, with the International book being considerably smaller than it has been in the past.

The high quality of the accounts that we write, combined with the strong relationships that we have with many of our clients, affords us good opportunities in the current, rather challenging, market. We believe that our long-term approach to business gives us the best chance of maximising returns across the cycle. Reinsurance remains a cyclical business; whilst there is talk of major changes in the market we believe that much will remain the same and we are well placed to take advantage of opportunities as they arise.

The pricing pressure that we have seen on the inwards book has also affected the cost of retrocessional protections, and we have taken advantage of the price reductions that are available to provide the syndicate with more cost effective programmes to protect our book. We will continue to push to obtain better value from our outwards placements in the forthcoming renewals.

Syndicate 308

2013 underwriting year of account

Syndicate 308 made an underwriting profit of £0.3m (1.23%) on allocated capacity of £26.5m after taking account of operating expenses, Lloyd's expenses and investment income for the 2013 underwriting year of account.

Prior years' development

The level of improvement on closed year reserves on Syndicate 308 is lower than in previous years, which have enjoyed releases as a result of the continued positive run-off of a long term Italian Credit binder on the 2006 and 2007 years of account, the exposure on this account has now substantially ceased. In addition the 2015 calendar year saw number of late incurred claims developments on the Credit class.

One year accounting result

On a UK GAAP basis the syndicate produced a loss of £2.1m against gross premium written of £27.6m and a net premium earned of £26.4m for the 2015 calendar year.

The underlying book of business continues to produce profitable results however the account was negatively affected by a higher than normal loss frequency. This affected the US binder book as well as the UK Police Federation account during the calendar year, together with a couple of larger individual losses.

Unlike the non-life syndicates, Syndicate 308 requires actuarial sign-off under rules for syndicates with long-term insurance liabilities. Under these rules, additional prudent reserves are required to be held, which can affect the annually accounted profit of the syndicate. These additional reserves sit on the younger years of account. At the closure of a year of account, the amount of additional loading required is minimal. Therefore, the underlying forecast for each year of account, which is issued on a quarterly basis, provides a more accurate measure of the ultimate performance of the syndicate.

The combined ratio for the 2015 calendar year is 107.9%.

2016 development

Whilst we are pleased with our level of business retention and have also managed to acquire some new business the 2015 year of account did not grow as we had envisaged, and as a consequence we have not increased our stamp for the 2016 year of account.

We expect to continue to produce satisfactory results across the underwriting cycle, and we shall not be changing our target markets and underwriting philosophy in any area of the account: that is, specialist or niche business from Lloyd's licensed territories, with the aim to write for profit rather than income alone. We shall not be seeking to fill our capacity with business that does not fit our criteria, simply in order to keep up utilisation. Our focus on relationships ensures that we are able to work with our clients to maintain profitability rather than growth, if the two are mutually incompatible. We are very proud of our partnerships and consider our client service to be a key part of our offering, and one which enables us to attract and retain the best quality business.

There have been no new entrants to the Lloyd's term life market for the 2016 year of account and we anticipate the rating environment to remain stable. Looking at the wider term life market, we have not seen any changes in the stances of our company competitors (where such competitors exist). Finally, we do not foresee that there will be any significant change to the regulatory environment during 2016 that will materially impact our underwriting.

Directors, Active Underwriters and administration

Managing agent

Tokio Marine Kiln Syndicates Limited

Directors

Richard Bennison (non-executive, Chairman from 1/1/2016)	
Paul Hewitt (Chairman)	Resigned 31/12/2015
Charles Franks (Chief Executive Officer)	
Bruce Bowers (non-executive)	Appointed 19/2/2016
Richard Bucknall (non-executive)	Appointed 11/2/2016
David Constable (non-executive)	
Rosie Harris (non-executive)	
Tony Hulse (non-executive)	Appointed 15/2/2016
Paul Culham	Appointed 9/9/2015
James Dover	
Denise Garland	
Andrew Hitchcox	
Richard Lewis	Resigned 31/12/2015
Yusuke Otsuka	Appointed 28/1/2016

Company Secretary

Fiona Molloy

Registered office

20 Fenchurch Street
London EC3M 3BY

Registered number

729671

Bankers

Citibank, N.A.

HSBC Bank plc

Lloyds Banking Group plc

Royal Bank of Canada

JP Morgan

Barclays plc

Syndicate	Active Underwriter
Tokio Marine Kiln Combined 510	
Property & Special Lines	Mark Mortlock
Marine & Special Risks	Paul Culham to 27/7/2015 Peter Merton from 27/7/2015
Reinsurance	David Huckstepp
Aviation	Paul MacMillan to 31/12/2015 James Walker from 1/1/2016
Accident & Health	Tim Prifti
Enterprise Risk	Paul Culham to 27/7/2015 Peter Merton from 27/7/2015
Tokio Marine Kiln Catastrophe 557	
	David Huckstepp
Tokio Marine Kiln Life 308	
	Tim Prifti

Investment managers

BlackRock Investment Management (UK) Ltd
12 Throgmorton Avenue
London EC2N 2DL

Threadneedle Asset Management Ltd
60 St Mary Axe
London EC3A 8JQ

Statutory auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London SE1 2RT

Related parties

The ultimate parent company of Tokio Marine Kiln Syndicates Limited is Tokio Marine Holdings, Inc. incorporated in Japan. The group consolidated accounts are available by request from Tokio Marine Nichido Building Shinkan, 1-2-1 Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan. The immediate parent company of Tokio Marine Kiln Syndicates Limited is Tokio Marine Kiln Group Limited, which is incorporated and registered in England and Wales. Copies of the consolidated financial statements of Tokio Marine Kiln Group Limited are available from 20 Fenchurch Street, London EC3M 3BY.

Tokio Marine & Nichido Fire Insurance Co., Ltd wholly owns Kiln Underwriting Limited through a wholly owned intermediate holding company, Tokio Marine Kiln Group Limited and owns Tokio Marine Underwriting Limited directly. Kiln Underwriting Limited and Tokio Marine Underwriting Limited participate as members on Syndicates 510 and 308, as shown in the table below. In 2013 Kiln Underwriting Limited transferred its capacity on the 2014 year of account onwards in Syndicates 510 and 308 to Tokio Marine Underwriting Limited. Kiln Underwriting Limited continued to participate on the 2013 year of account but from 2014 no longer participated on any Lloyd's syndicate. Tokio Marine Kiln Syndicates Limited will continue as a Lloyd's managing agent.

Percentages of capacity per year of account

Company	Syndicate	2013 %	2014 %	2015 %	2016 %
Kiln Underwriting Limited	510	55	–	–	–
	308	50	–	–	–
Tokio Marine Underwriting Limited	510	–	55	55	55
	308	–	50	50	50

Syndicate 510 accepted inwards reinsurance business from, and placed outwards reinsurance business with, other Tokio Marine Group entities, including Syndicate 1880. These are deemed to be related parties of Tokio Marine Kiln Syndicates Limited by virtue of the shareholding in Tokio Marine Kiln Group Limited, the parent of Tokio Marine Kiln Syndicates Limited, by Tokio Marine Holdings, Inc. Syndicate 557 and 510 are considered to be related parties as Tokio Marine Kiln Syndicates Limited is the managing agent of both syndicates. Syndicate 510 ceded business to Syndicate 557 by way of proportional reinsurance treaty. All transactions between these entities were conducted at arm's length and on normal commercial terms.

Profit commission may be payable by Syndicates 510, 557 and 308 to Tokio Marine Kiln Syndicates Limited in respect of profits earned during the year. Profit commission is subject to deficit clauses and is accrued by the syndicates based on the interim annual accounting results of a year of account under UK GAAP. Final settlement to the managing agent is paid when the year of account is closed after three years. The amount payable to the managing agent is disclosed in the notes to the syndicate accounts.

Managing agency fees were paid by Syndicates 510, 557 and 308 to Tokio Marine Kiln Syndicates Limited based on a percentage of capacity. In addition, expenses were paid to Tokio Marine Kiln Insurance Services Limited in reimbursement for expenses paid on behalf of each syndicate. The amounts are disclosed in the notes to the syndicate accounts.

Disclosable syndicate transactions are shown in the notes to the accounts of the relevant syndicate.

The following table shows allocated capacity of the directors past and present who were or are members of Lloyd's for the 2013 to 2016 years of account during the period of their appointment.

	Total for YOA	510 £'000s	557 £'000s	308 £'000s
Paul Culham	2015	105	14	–
	2016	105	14	–
Paul Wilson*	2013	210	–	–

Figures stated are for participations as bespoke members, as members of a Members' Agent Pooling Arrangement and as individual members underwriting through a Limited Liability Partnership, or a Name company.

A Limited Liability Partnership (LLP) is in place for employees and directors of Tokio Marine Kiln Insurance Services Limited to participate on Syndicate 510. The amounts stated represent the directors', past and present, effective share in the total capacity through their involvement in the LLP.

	Participation			
	2013 £'000s	2014 £'000s	2015 £'000s	2016 £'000s
Charles Franks	197	197	197	197
Paul Culham	n/a	n/a	400	400
James Dover	79	109	109	109
Paul Hewitt*	197	197	197	n/a
Richard Lewis*	295	295	295	n/a
Paul Wilson*	444	n/a	n/a	n/a

* Now resigned. Participations are reported until the calendar year during which the director resigns.

Syndicate forecast assumptions

Bases and assumptions upon which syndicate forecasts, which are referred to in the report of the Chief Executive Officer, have been made:

- Ultimate net claims settlements have been estimated on the basis of paid and known outstanding claims as at 31 December 2015, together with an assessment of future claim settlements derived from projections based on previous claims history.
- Where liabilities of previous years have been assumed, no profit or loss will arise from their run-off.
- The exchange rates for US dollars and Canadian dollars at 31 December 2016 and 2017 will be the same as at 31 December 2015.
- There will be no significant deviation from projected cash flow patterns or in investment income forecasts.
- The inherent volatility in claims development will not cause the ultimate claim settlements to be materially divergent from those estimated on the basis of underwriting statistics available at 31 December 2015.
- All potential reinsurance recoveries will be collected, except where a specific provision has already been made.
- There will be no significant changes in governmental or legislative controls or policies affecting the activities or claims experience of the syndicates.
- Although a number of policies are still exposed to future losses, there will be no further abnormally large claims or aggregation of claims arising from catastrophe events or other causes.

Annual report and accounts 2015

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited

Annual accounts

under UK Generally Accepted Accounting Practice (GAAP)

Report of the directors of the managing agent

The directors of the managing agent present their report and accounts for the year ended 31 December 2015 under UK GAAP. This report covers Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited as follows:

Tokio Marine Kiln Combined Syndicate 510 – Composite
Tokio Marine Kiln Catastrophe Syndicate 557 – Non-marine
Tokio Marine Kiln Life Syndicate 308 – Life

Tokio Marine Kiln Syndicates Limited also manages Syndicate 1880, the report and accounts for which are presented in a separate document.

The annual reports for Syndicates 510, 557 and 308 are 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.

Separate underwriting year accounts for the closed 2013 year of account are available to syndicate members (pages 111 to 154).

Principal activity and review of the business

The principal activity of the syndicates remains the transaction of general insurance and reinsurance business on a worldwide basis in the Lloyd's market. Syndicate 557 is positioned as a special purpose syndicate to write a quota share reinsurance of the business of Syndicate 510's Reinsurance division. The principal activity of Syndicate 308 remains the transaction of term life business in the Lloyd's market.

The managing agency's ultimate parent is Tokio Marine Holdings, Inc., the head office of which is in Japan.

Transition to FRS 102

This is the first year that the syndicates have presented their results under FRS 102 'The Financial Reporting Standard, applicable in the UK and Republic of Ireland'. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. In accordance with FRS 102, the syndicates have identified their insurance contracts and accounted for them in accordance with FRS 103 'Insurance Contracts'. The impact of the transition to FRS 102 is disclosed in the 'Transition to FRS 102' note and summarised below.

	510 £'000s	557 £'000s	308 £'000s
(Decrease) in profit for the financial year ended 31 December 2014	(21,424)	(446)	(248)
Increase in members' balances at 1 January 2014	13,011	280	130

Annual accounting results 2015

The syndicates' Key financial Performance Indicators (KPIs) for the year are shown below.

Syndicate	KPI	2015 £'000s	2014 (Restated) £'000s
510	Gross written premium	**1,162,882**	1,097,238
	Net earned premium	**900,158**	833,959
	Result for the financial year	**111,336**	96,266
	Claims ratio	**49%**	51%
	Combined ratio	**88%**	90%

Note: The claims ratio is the proportion of net claims incurred to net premiums earned and the combined ratio is the proportion of net claims incurred, net operating expenses (including personal expenses) and profit or loss on exchange to net premiums earned. In each case, a lower ratio represents a better performance. Excluding profit or loss on exchange the combined ratio is 88% (2014 (restated): 90%).

Syndicate 510 is showing growth in both gross written and net earned premium, driven by focus on innovation and ability to adapt in challenging market conditions. The claims ratio has decreased marginally following a lower incidence of non-catastrophe related losses during the year.

Syndicate	KPI	2015 £'000s	2014 (Restated) £'000s
557	Gross written premium	**17,366**	19,949
	Net earned premium	**15,796**	18,264
	Result for the financial year	**9,868**	8,121
	Claims ratio	**10%**	38%
	Combined ratio	**39%**	58%

Excluding profit or loss on exchange the combined ratio is 41% (2014 (restated): 61%).

Syndicate 557 is showing a reduction in gross written and net earned premium as a result of reduced exposures in response to the current rating environment. The result is an improvement on 2014 following minimal exposure to catastrophes. The prior year, although also relatively benign, suffered losses on the Nebraska Storms. The impact of expenses on the combined ratio has increased this year, as premium declined against increased profit commissions payable and an otherwise consistent expense base.

Syndicate	KPI	2015 £'000s	2014 (Restated) £'000s
308	Gross written premium	27,576	26,736
	Net earned premium	26,366	25,128
	Result for the financial year	(2,068)	479
	Claims ratio	65%	57%
	Combined ratio	108%	98%

Note: The above combined ratio includes the effect of profit or loss on exchange, which for Syndicate 308 forms part of net operating expenses. Excluding this the combined ratio is 107% (2014 (restated): 98%).

Despite increased premium income, Syndicate 308 reported a loss this year compared with a small profit in 2014 driven by a deterioration in the claims ratio. This followed a number of large losses as well as a higher than normal frequency of losses on the underlying book.

2015	Syndicate annual accounting result			
Year of account	510 £'000s	557 £'000s	308 £'000s	Total £'000s
2015	(12,664)	6,099	(5,924)	(12,489)
2014	79,988	2,036	2,487	84,511
2013 & prior	44,012	1,733	1,369	47,114
	111,336	9,868	(2,068)	119,136

2014 (Restated)	Syndicate annual accounting result			
Year of account	510 £'000s	557 £'000s	308 £'000s	Total £'000s
2014	(12,983)	5,342	(2,687)	(10,328)
2013	64,107	1,528	2,536	68,171
2012 & prior	45,142	1,251	630	47,023
	96,266	8,121	479	104,866

Principal risks and uncertainties

Our business model remains consistent: we are specialist underwriters and we take a prudent approach to risk management. We focus predominantly on shorter tail specialist lines of insurance and reinsurance business where we know that a loss has occurred relatively quickly, and so are able to make more immediate reliable estimates regarding the extent of the losses we might expect. We are substantially exposed to catastrophe related business and have detailed knowledge of the risks we underwrite.

It is our policy to confine exposure to risk primarily to core areas of expertise: the underwriting of specialist insurance and reinsurance risks. This approach means that we are at the cautious end of the spectrum in all areas of financial risk management, such as investment management and reserving. This allows us to protect our capital on the balance sheet and focus our risk appetite on underwriting.

Capital management

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to supervision by the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly, the capital requirement at syndicate level 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 is participating but not other members' shares. Accordingly, the capital requirements that Lloyd's sets 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 an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, 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.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's) or as the member's share of the members' balances on each syndicate on which it participates.

Accordingly all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the respective balance sheets, represent resources available to meet members' and Lloyd's capital requirements. The capital uplift applied for 2016 was 35% of the member's SCR 'to ultimate'.

Capital allocation

The model enables allocation of capital to business lines that will deliver the greatest return to capital providers at various stages of the cycle. It is also used to assess the value of different reinsurance strategies. The calculations are based upon sophisticated mathematical models that reflect the key risks in the business, allowing for the probability of occurrence, the potential impact should losses occur and the interactions between the different risk types.

The results of the modelling confirm that the majority of the capital is required to support the insurance underwriting risk, and that the amount of capital required for non-insurance risk is modest.

Insurance risk

The risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities.

Insurance risk is sub-divided into underwriting risk, reinsurance risk and reserving risk.

Underwriting risk

The risk arising from fluctuations in the frequency and severity of financial losses incurred as a result of the acceptance of the insurance portfolio of business.

Insurance risk is managed by agreeing the syndicates' appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. Volume and price performance is monitored against syndicate business plans monthly, and all of the components of the insurance result and risk appetite quarterly. We look for opportunities outside the plan, and where appropriate may deviate from the plan in light of changing events or understanding of the risks being taken. Catastrophe modelling software is used to model maximum probable losses from catastrophe-exposed business and as part of the Realistic Disaster Scenario (RDS) process.

A significant proportion of Syndicate 510's and Syndicate 308's business is written through delegated authorities. A dedicated Delegated Authorities Team monitor coverholder performance, carry out due diligence on new coverholders and manage regulatory requirements.

Reinsurance risk

The risk that reinsurance purchased to protect the gross account does not respond as intended due to, inter alia: mismatch with gross losses, poorly worded contracts, reinsurer counterparty risk or exhaustion of reinsurance limits.

Reinsurance is used to protect capital against underwriting risk volatility, either as a result of large catastrophes, or from the severity of losses on individual policies. Reinsurance security is overseen by the Reinsurance Security Committee.

Reserving risk

The risk of loss arising from claims reserves already in the balance sheet being understated, i.e. the risk that reserves are inadequate due to the inherent uncertainty of knowing the ultimate timing and quantum of liabilities incurred.

Claims provisions represent estimates, based on both the underwriters' informed knowledge and judgement and on the Internal Reserving Actuary's statistical projections, of the expectation of the ultimate settlement and administration costs of claims incurred. A variety of estimation techniques are used, generally based upon statistical analyses of historical loss development patterns, to assist in the establishment of appropriate claims reserves. Reserving for known catastrophes is assisted by use of the catastrophe modelling software.

In addition, the estimates are subject to independent review by external actuaries, who sign an annual Statement of Actuarial Opinion on the sufficiency of the reserves for each of the syndicates. Our policy is to reserve on a consistent basis with a reasonable margin for prudence, such that the syndicates are strongly reserved without being over-reserved. Syndicate 308 is reserved at a prudent level in accordance with life reserving actuarial guidance. Claims run-off tables are used to monitor the history of reserve adequacy, and these show a trend of predominantly positive run-off since they were first prepared in 2001.

Credit risk

The risk of loss if another party fails to meet its financial obligations, including failure to meet them in a timely manner.

We are exposed to three types of credit risk: reinsurer credit risk, broker/coverholder credit risk and investment credit risk. Credit exposure and aggregate exposure to reinsurers are managed by the Reinsurance Security Committee. It assesses, and is required to approve, all new reinsurers before business is placed with them, and it monitors the credit ratings of all reinsurers used. The performance of premium debtors, from brokers and coverholders, is monitored quarterly by the Credit Control Committee. The Investment Committee regularly tracks and reviews our investment portfolio.

Market risk

The risk that arises from fluctuations in values of, or income from, assets, interest rates or exchange rates.

Investments are held as a result of underwriting activities either in premium trust funds or as capital support. The investment policy is set to protect the capital, and not to manage it as a separate profit centre. Funds managed by our investment managers are subject to set guidelines, and the on-going investment strategy and investment objectives that are agreed by the Investment Committee. These include the requirement for the prudent person principle as outlined in the Solvency II Directive text. Additionally, we meet regularly with the fund managers to review performance. The syndicates have no exposure to equity related investments and we regularly review our balance of assets and liabilities. Our syndicates maintain a diversified investment portfolio to restrict the concentration of assets.

Liquidity risk

The risk of the syndicates being unable to meet liabilities in a timely manner due to the lack of liquid resources.

To mitigate liquidity risk, the Finance Group reviews syndicate cash flow projections quarterly, and also stress tests them against RDSs. In the event of a catastrophe loss of a significant size, Syndicates 510, 557 and 308 have the ability to take advantage of Outstanding Claims Advances (OCAs) from their major reinsurers.

Agency risk

The risk that managers do not act in the best interests of their principal.

Tokio Marine Kiln Syndicates Limited is aware of its fiduciary responsibilities to capital providers across each of its four syndicates and is careful to ensure equity between them.

Operational risk

The risk that errors caused by people, processes or systems lead to losses to the managed syndicates.

We seek to manage this risk by the recruitment of high calibre staff and providing them with high quality training. Operational risk forms a significant part of the syndicates' Risk Register. Risks are reviewed on a quarterly basis with departmental heads responsible for identifying, assessing and controlling operational risks effectively.

There is a strong risk reporting and risk governance system in place to ensure effective risk management of operational risk. Management receives operational risk updates on a quarterly basis and the Risk and Compliance Committee also reviews the operational risk profile quarterly, in line with the risk management framework.

Regulatory risk

The risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change.

The managing agent is required to comply with the requirements of the FCA, PRA and Lloyd's, including those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. The Compliance function is responsible for monitoring compliance with regulation and monitoring of regulatory change. The Compliance framework outlines the broad regulatory and compliance structure that applies to all staff.

2015 saw further progress on Solvency II implementation. Lloyd's Internal Model application was approved in late 2015 and the syndicates have successfully transitioned from the preparatory phase of Solvency II to the live phase as at January 2016.

The nature of its business exposes the managing agent to controls and sanctions which regulate international trade. Processes and controls are in place to screen and monitor transactions against relevant requirements to assure compliance with them.

Conduct risk

The risk of financial and/or service detriment which adversely affects the customer due to failings in the customer value chain.

Our conduct objective is to build, maintain and enjoy long-term relationships with our customers whether it be directly or indirectly via a third party. This culture of partnership is fundamental to our dealings with our customers, and comes regardless of the complexity of the risk, the sophistication of the buyer, or the length of the supply chain to the end customer.

The conduct objective is owned by the board and cascaded throughout the organisation. It is central in achieving delivery of the six Consumer Outcomes (as set out by the FCA), which are at the heart of our business.

The board aims to embed a culture, from the top down, where the conduct risk arising from the execution of the business plan and strategy is appropriately monitored and managed to ensure good outcomes for all our customers. The management of conduct risk applies to all business, regardless of product lines and customer types, across both open market and delegated underwriting and is achieved through the application of the conduct risk framework. The framework is applied in a proportionate, risk-based way which takes account of the different inherent conduct risk across products, distribution and customer types.

The underwriters, with the support of the Delegated Authority Team, take day to day ownership of conduct risk as they are the ones empowered to make decisions which commit us to relationships with our customers and business partners. Conduct risk and our treatment of customers is managed and monitored by the Conduct Risk Committee, a sub-committee of the board, which reports up to the board quarterly.

Reputational risk

Reputational risk is the risk that negative publicity regarding an institution's business practices will lead to a loss of revenue or litigation. In the modern digital era, reputational risk and the subsequent threat to our strong brand is becoming more significant. Loss of confidence from customers, regulators or capital providers could cause long-term harm to the business.

All staff are made aware of their responsibilities to clients and other stakeholders.

Emerging risk

An emerging risk is 'an issue that is perceived to be potentially significant but which may not be fully understood or allowed for in insurance terms and conditions, pricing, reserving or capital setting.'

We are committed to the continual research and identification of emerging risks and actively undertake research independently, and via Lloyd's as a representative on the Lloyd's Emerging Risks Special Interest Group. Through the effective management of emerging risks we are able to identify external trends and threats, and improve risk selection and knowledge of future risk exposures. Emerging risks may present both threats and opportunities to the business and as it has done in the past, we will readily seize opportunities arising in the area of emerging risks.

Integration risks

Kiln and Tokio Marine Europe formed a joint operation in 2014 under Tokio Marine Kiln Group and now operate from the same premises with combined management and operational functions, while remaining distinct legal and underwriting entities. Overall the integration has progressed smoothly but risks still remain – predominantly that the management team find themselves overstretched and are unable to devote enough time and attention to their syndicate duties.

Management are aware of this potential issue and look to manage their time effectively in order to mitigate this risk.

Future business risk

The risk that future earnings are lower or more volatile than expected. This could be as a result of a number of causes:

- The cyclical nature of insurance business with fluctuations in capacity, competition and the frequency and severity of losses, as a result of both man-made and natural disasters.
- The result of competition which can cause rates to vary sharply in the short term.
- The lack of reinsurance or retrocession availability.
- Actual claims may exceed claims provisions.
- The flow of new business may be affected by any changes in the syndicates' ratings, either stand-alone ratings from A.M. Best, or the overall Lloyd's credit rating.
- Distribution channels: the syndicates are heavily dependent on brokers.
- The syndicates may be affected by litigation on insurance policy wordings; e.g. exclusion clauses.
- Severe and rapid exchange rate fluctuations.
- Regulatory or compliance changes.
- Reputational damage as a result of real or perceived negligence or malpractice.

These risks can be mitigated to a reasonable extent by maintaining good underwriting discipline, but while their incidence is ultimately outside management control, they are managed by regular oversight from the Risk Management Team and the Risk and Compliance Committee.

Underwriters' reports

The underwriters' reports on pages 10 to 18 set out further commentaries on the principal activities and one year annual accounting results for Syndicates 510, 557 and 308. They also include commentaries on the year of account result for the 2013 closed year, and a discussion of future developments in the coming year.

Directors

The directors of the managing agent who served during the year ended 31 December 2015 are reported under the section 'Directors, Active Underwriters and administration' on page 19. The directors' participations in the premium income of the syndicates are set out in the related parties note on page 20.

Disclosure of information to the auditors

As 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, which is information needed by the auditors in connection with their report, of which the auditors are unaware. Having made enquiries of fellow directors of the managing agent and the syndicates' auditors, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Reappointment of auditors

The Board approved the reappointment of PricewaterhouseCoopers LLP as auditors for the current year and on an ongoing basis for the managed syndicates, managing agent and other Tokio Marine Kiln Group entities.

Syndicate annual general meeting

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.

Approved by the Board of directors

Fiona Molloy

Company Secretary
Tokio Marine Kiln Syndicates Limited
14 March 2016

Statement of managing agent's responsibilities

The managing agent is responsible for preparing the syndicate annual report and annual accounts for each of Syndicates 510, 557 and 308, in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('2008 Regulations') require the managing agent to prepare syndicate annual accounts for each syndicate 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 syndicates' annual accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- prepare the annual accounts on the basis that each syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of each syndicate and enable it to ensure that the syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of each syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on its website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors of the managing agent confirm that they have complied with the above requirements in preparing the syndicate annual accounts.

Notes and principal accounting policies applying to all syndicates

as at 31 December 2015

1. Basis of preparation

These annual accounts have been prepared in accordance with Regulation 5 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Accounting Standards in the United Kingdom, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and Financial Reporting Standard 103, 'Insurance Contracts' (FRS 103). Details of the transition to FRS 102 and FRS 103 are disclosed in the 'Transition to FRS 102' note. The general and life business results are determined on an annual basis of accounting.

2. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and is 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 annual accounts 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.

3. Critical accounting judgements and estimation uncertainty

In preparing the syndicates' annual accounts the managing agent has made judgements and estimates that affect the application of the syndicates' accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements and estimates are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are those listed below. The judgements and estimation uncertainty are explained within the individual accounting policies:

- Premiums written – general and life business
- Earned premiums – general and life business
- Claims provisions and related recoveries – general and life business
- Acquisition costs
- Investments
- Pension costs

4. Accounting policies

a) Premiums written – general and life business

Inwards premiums written comprise premiums on contracts incepting during the financial year as well as adjustments made in the year to premiums on contracts incepting in prior accounting periods. Premiums in respect of insurance contracts underwritten under facilities such as binding authorities, line slips or consortium arrangements are estimated based on information provided by the broker, past underwriting experience and prevailing market conditions. The estimates are updated on a regular basis. It is assumed that risks incept evenly across the period of the facility and therefore only the proportion of risks incepted at the year end date are reported as written. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums on a risk by risk basis, representing the difference between the written and signed premium which is held on the balance sheet as an asset.

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Single premium life 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 individuals' contracts are also included within single premiums.

Periodic premium life 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. For policies with recurrent single premiums and a policy term of greater than 12 months, premium is written on an annual basis, at the anniversary of inception, into the youngest year of account.

b) Earned premiums – general and life business

Inwards and outwards earned premium represents the amount of written premium deemed to have been exposed to loss according to defined earnings patterns. The earning patterns are based primarily on time apportionment, with an adjustment for the risk profile of certain classes of business, particularly those exposed to seasonal weather related events. The provision for unearned premium comprises the proportion of gross premiums written which is estimated to be earned after the balance sheet date.

Reinstatement premiums arise on both inwards and outwards policies when a loss has been incurred on a policy and there is a clause which requires the reinstatement of the policy with the payment of a further premium by the policyholder. They are recognised as written and earned in full at the date of the event giving rise to the reinstatement premium. Outwards reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

For those policies in Syndicate 308 reserved under a long-term methodology, written premium is treated as fully earned from inception, or anniversary of inception, and no unearned premium reserve is held. Instead these policies are reserved using a gross premium valuation methodology to calculate the provision required to meet future expected claims and expenses less future expected premiums ('mathematical reserves').

c) Claims provisions and related recoveries – general and life business

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including outstanding claims estimated on a case by case basis and also the cost of claims Incurred But Not Reported (IBNR). The estimated cost of claims includes expenses to be incurred in settling claims. All reasonable steps are taken to ensure that the appropriate information regarding claims exposures is obtained. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. All claims provisions are reported on an undiscounted basis, with the exception of Syndicate 308 where a discount rate is applied (see note 2 of the Syndicate 308 annual accounts).

The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the syndicate, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insurer until many years after the event giving rise to the claim has occurred. Classes of business where the IBNR proportion of the total reserves is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims a variety of estimation techniques are used, 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, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in syndicate processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these, regard is given to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims affecting each relevant business class are generally assessed separately, either measured on a case by case basis or projected separately, in order to allow for the possible distorting effect of the development and incidence of these large claims.

Where possible, multiple techniques are adopted in order to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

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

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

An estimate of the future cost of indirect claims handling is calculated as a percentage of the gross claims reserves held at the balance sheet date.

Property, enterprise risk, reinsurance, and accident and health

These business areas are predominantly short-tail, in that there is not a significant delay between the occurrence of the claim and the claim being reported, with the exception of the liability risks written in the Property division. For short-tail risks, the costs of claims notified to the syndicate at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications.

Liability

For liability risks, claims may not be apparent for many years after the event giving rise to the claim has happened, and there will typically be greater variation between initial estimates and final outcomes compared with other classes. Differences between the estimated cost and subsequent re-estimation or settlement of claims are reflected in the technical account for the year in which these claims are re-estimated or settled.

Marine and aviation

These business areas have a mix of hull and cargo risks that are short-tail in nature, and liability risks which are longer tail. The methodology uses a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimate of the loss ratio based on the experience of previous years adjusted for factors such as premium rate changes and claims inflation, and on the anticipated market experience, is an important assumption in this estimation technique. The assessment of claims inflation and anticipated market experience is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. This class of business is also potentially subject to the emergence of new types of latent claims but no specific allowance is included for this as at the balance sheet date.

Life

The long-term business provision is determined annually by an actuarial valuation and is calculated initially to comply with the reporting requirements of the PRA's Prudential Sourcebook for Insurers. These are the amounts shown in the balance sheet. This statutory solvency basis is then adjusted in respect of general contingency reserves and other reserves required for statutory solvency purposes. This adjusted basis is referred to as the modified statutory solvency basis. Further details of the assumptions used are given in note 2 of the annual accounts of Syndicate 308.

d) Provision for unexpired risks

Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision. The expected claims are calculated having regard only to events that have occurred prior to the balance sheet date. The need for an unexpired risk provision is assessed on a 'managed together' basis. Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

e) Acquisition costs

For both general and life business, acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date. Where inwards business is ceded to an outwards proportional reinsurance treaty, an estimate of the relevant proportion of the inwards acquisition costs is calculated and deferred in line with the outwards unearned premium at the balance sheet date.

Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written off where they are no longer considered to be recoverable.

f) Foreign currencies

Functional currency

Items included in the annual accounts are measured using the currency of the primary economic environment in which the syndicates operate (the functional currency). The annual accounts are presented in pounds sterling which is also the functional currency of the syndicates.

Transactions and balances

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions or an appropriate average rate of exchange. At each period end foreign currency monetary items are translated using the closing rate. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums and deferred acquisition costs) are monetary items.

Foreign exchange gains and losses resulting from the settlement of transactions and from the measurement at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account for general business and the technical account for long-term business.

Exchange rates used are as follows:

	Average rate		Year end rate	
	2015	2014	2015	2014
US dollar	1.53	1.65	1.47	1.56
Canadian dollar	1.95	1.82	2.05	1.81

The distributable result on closing a year of account, usually at 36 months, is calculated using the exchange rates prevailing at the date of closure. The selection of an average exchange rate or transaction rate in the intervening period under annual accounting has no effect on the amount to be distributed to members at the closure of the year of account.

g) Investments

The syndicates have chosen to apply the provisions of FRS 102 in full in respect of financial instruments.

The syndicates classify their financial assets into 'shares and other variable-yield securities', 'debt securities and other fixed-income securities' and 'deposits with credit institutions' – all at fair value through profit or loss. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

A financial asset is classified as fair value through profit or loss at inception if it is acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities.

Financial assets designated as fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to key management personnel. The investment strategy is to invest in listed government and corporate bonds, fixed interest rate debt securities and absolute return funds designated upon initial recognition as fair value through profit or loss.

The fair values of financial instruments traded in active markets are based on quoted bid prices at the balance sheet date, and include interest accrued at that date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Net gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are presented in the statement of comprehensive income within 'unrealised gains on investments' or 'unrealised losses on investments' in the period in which they arise.

h) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the statement of comprehensive income. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

i) Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. Realised gains and losses on investments carried at fair value through profit or loss are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods, in respect of investment disposals in the current period.

Investment return on general business is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account. Investment return on long-term business is recorded directly in the technical account.

j) Investment yield

The calendar year investment yield is calculated as the ratio of 'aggregate investment return' to 'average funds available', expressed as a percentage. Aggregate investment return is the total amount of net appreciation, investment income and accrued interest received during the year, after deducting investment management costs but before deducting tax. Average funds available is the average value of all investments (including accrued interest), deposits and surplus cash at the beginning of the year and at each quarter end revalued at market prices.

k) Taxation

Under Schedule 19 of the Finance Act 1993 the syndicates do not pay UK taxation, their profits being allocated and assessed to tax on their members in direct proportion to their capacity.

The syndicates pay various overseas direct and premium based taxes, the majority of which are allocable to their members in direct proportion to their capacity and which can be claimed by members either as double tax relief or as an expense against tax liabilities.

l) Pension costs

Tokio Marine Kiln Syndicates Limited operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicates and included within net operating expenses.

Tokio Marine Kiln Syndicates Limited also operates a defined benefit scheme through the R J Kiln & Co. Limited Pension and Assurance Scheme (closed to future benefit accruals from 1 May 2003). The cost of providing benefits is determined by the scheme actuary with actuarial valuations being carried out at each balance sheet date. The fair value of plan assets is measured in accordance with FRS 102 fair value hierarchy and in accordance with the policy for similarly held assets.

From 1 January 2015, pension scheme deficits and surpluses (to the extent they can be recovered) were required under FRS 102.28 'Employee benefits' to be placed on the balance sheets of the managing agent. Accordingly, on that date the managing agent made a charge to syndicates representing the syndicates' proportion of the scheme's deficit at the previous year end. The algorithm used to determine the relevant proportion charged to each syndicate was based on the working patterns of the scheme's active members as at the date of the closure of the scheme.

The managing agent makes adjusting charges and credits to reflect changes in the pension scheme balance such that the outstanding balance due from the syndicates at the reporting date represents their share of the overall scheme balance based on the algorithm.

Where there is any outstanding liability it is reported as other creditors in each syndicate balance sheet with a corresponding matching entry as other debtors. The amount in other debtors represents an amount which is recoverable either from syndicate members in future years when further funding to the scheme is made and treated as an expense in each syndicate's accounts, or when actuarial gains on the scheme are made and a corresponding credit is received from the managing agent.

Any charge recognised during the year represents each syndicate's share of pension scheme funding including funding in respect of any initiatives designed to reduce the overall scheme deficit based on the algorithm defined above.

m) Profit commission

Profit commission is charged by the managing agent at a rate of 12.5% of profit for Syndicate 510 and 17.5% for Syndicates 557 and 308, subject to the operation of a two year deficit clause. Syndicate 510's profit commission is also subject to a deficit brought across as a result of the acceptance of the reinsurance to close of Syndicate 807's 2011 and prior years of account. This deficit was scaled in proportion to the externally calculated merger ratio and is applicable for up to two years. Syndicate 510's profit commission is calculated after the deduction of a 5% divisional profit share payable to underwriting staff, again subject to the operation of a divisional two year deficit clause. Profit commission is estimated on an ultimate basis for each year of account, and accrued by the syndicates based on the interim annual accounting results of the year of account under UK GAAP. Final settlement to the managing agent is made when the year of account closes; normally at 36 months. Divisional profit share does not become payable until after the appropriate year of account closes; normally at 36 months.

Annual report and accounts 2015

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited

Annual accounts under UK GAAP

Syndicate 510

Tokio Marine Kiln Combined Syndicate
Composite

Independent auditors' report to the members of Syndicate 510 – 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 2015 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.

What we have audited

The syndicate annual accounts for the year ended 31 December 2015, which are prepared by the managing agent, comprise:

- the statement of comprehensive income for the year then ended;
- the balance sheet as at 31 December 2015;
- the statement of changes in members' balances;
- the cash flow statement;
- the accounting policies; and
- the notes to the syndicate annual accounts, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the syndicate annual accounts is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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 30, the managing agent is responsible for the preparation of 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 & 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 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 into 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 the disclosures in the syndicate annual 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.

Mark Bolton
Senior Statutory Auditor
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 15 March 2016

Statement of comprehensive income: technical account – general business

for the year ended 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Earned premiums, net of reinsurance			
Gross premiums written	1	**1,162,882**	1,097,238
Outward reinsurance premiums		**(250,959)**	(257,770)
Net premiums written		**911,923**	839,468
Change in the provision for unearned premiums:			
Gross amount		**(15,755)**	(13,434)
Reinsurers' share		**3,990**	7,925
Change in the net provision for unearned premiums		**(11,765)**	(5,509)
Earned premiums, net of reinsurance		**900,158**	833,959
Allocated investment return transferred from the non-technical account		**5,825**	8,748
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		**(544,692)**	(526,337)
Reinsurers' share		**97,357**	119,286
Net claims paid		**(447,335)**	(407,051)
Change in the provision for claims:			
Gross amount		**38,488**	(11,083)
Reinsurers' share		**(29,242)**	(3,623)
Change in the net provision for claims		**9,246**	(14,706)
Claims incurred, net of reinsurance		**(438,089)**	(421,757)
Members' standard personal expenses		**(31,716)**	(32,351)
Net operating expenses	2,3,4	**(321,960)**	(295,264)
Balance on the technical account for general business		**114,218**	93,335

All operations are continuing.

Statement of comprehensive income: non-technical account

for the year ended 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Balance on the general business technical account		**114,218**	93,335
Investment income	5	**12,692**	16,463
Investment expenses and charges	5	**(3,855)**	(3,640)
Net unrealised losses on investments	5	**(3,012)**	(4,075)
Allocated investment return transferred to the general business technical account	5,6	**(5,825)**	(8,748)
(Loss)/profit on exchange		**(2,882)**	2,931
Profit for the financial year		**111,336**	96,266

There is no other comprehensive income.

Balance sheet: assets

as at 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Investments			
Other financial investments	7	**832,793**	801,066
Deposits with ceding undertakings		**509**	71
		833,302	801,137
Reinsurers' share of technical provisions			
Provision for unearned premiums	8	**99,220**	92,075
Claims outstanding	8,9	**223,824**	245,300
		323,044	337,375
Debtors			
Debtors arising out of direct insurance operations	10	**391,527**	356,627
Debtors arising out of reinsurance operations		**166,304**	181,288
Other debtors		**22,724**	19,781
		580,555	557,696
Other assets			
Cash at bank and in hand		**10,927**	14,912
Overseas deposits	11	**117,183**	125,101
		128,110	140,013
Prepayments and accrued income			
Deferred acquisition costs	12	**168,723**	153,302
Other prepayments and accrued income		**1,574**	1,284
		170,297	154,586
Total assets		**2,035,308**	1,990,807

Balance sheet: liabilities

as at 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Capital and reserves			
Members' balances		**102,099**	102,141
Technical provisions			
Provision for unearned premiums	8	**555,002**	525,100
Claims outstanding	8,9	**1,070,529**	1,080,595
		1,625,531	1,605,695
Deposits received from reinsurers		**1,004**	1,040
Creditors			
Creditors arising out of direct insurance operations	13	**90,443**	69,657
Creditors arising out of reinsurance operations		**145,815**	151,193
Other creditors	14	**39,255**	33,959
		275,513	254,809
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs	12	**30,912**	26,901
Other accruals and deferred income		**249**	221
		31,161	27,122
Total liabilities		**2,035,308**	1,990,807

The annual accounts, which comprise pages 37 to 62 and the notes and principal accounting policies applicable to all syndicates on pages 31 to 36, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 10 March 2016 and were signed on its behalf by

James Dover

Finance Director
Tokio Marine Kiln Syndicates Limited
14 March 2016

Statement of changes in members' balances

for the year ended 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Members' balances brought forward at 1 January		**102,141**	98,106
Impact of change in accounting policy on adoption of FRS 102	17	**–**	13,011
Restated balance at 1 January		**102,141**	111,117
Profit for the financial year		**111,336**	96,266
Payments of profit to members' personal reserve funds		**(107,638)**	(101,572)
Members' agents' fee advances		**(3,740)**	(3,670)
Members' balances carried forward at 31 December		**102,099**	102,141

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.

Cash flow statement

for the year ended 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Cash flows from operating activities:			
Operating profit on ordinary activities		**111,336**	96,266
Increase in gross technical provisions		**19,836**	135,317
Decrease/(increase) in reinsurers' share of technical provisions		**14,331**	(39,489)
(Increase) in debtors		**(38,570)**	(73,852)
Increase in creditors		**24,743**	60,181
Realised and unrealised investment (gains) including foreign exchange		**(37,845)**	(18,721)
Investment return		**(5,825)**	(8,748)
Net cash inflow from operating activities		**88,006**	150,954
Cash flows from investing activities:			
Purchase of shares and other variable yield securities		**(9,471)**	(25,641)
Sale of shares and other variable yield securities		**-**	10,346
Purchase of debt securities and other fixed income securities		**(1,093,419)**	(798,450)
Sale of debt securities and other fixed income securities		**1,098,902**	767,623
Sale of derivatives		**169**	-
Investment income received		**10,048**	13,696
Other		**(8,385)**	(4,980)
Net cash (outflow) from investing activities		**(2,156)**	(37,406)
Cash flows from financing activities:			
Transfer to members in respect of underwriting participations		**(107,638)**	(101,572)
Members' agents' fees paid on behalf of members including foreign exchange		**(6,401)**	(2,901)
Net cash (outflow) from financing activities		**(114,039)**	(104,473)
Net (decrease)/increase in cash and cash equivalents		**(28,189)**	9,075
Cash and cash equivalents at beginning of year		**158,823**	149,748
Cash and cash equivalents at end of year		**130,634**	158,823
Cash and cash equivalents consists of:			
Cash at bank and in hand		**10,927**	14,912
Overseas deposits	11	**117,183**	125,101
Short term deposits presented within other financial investments		**2,524**	18,810
Cash and cash equivalents at end of year		**130,634**	158,823

Notes to the accounts

as at 31 December 2015

1. Segmental analysis

An analysis of the result before investment return and profit or loss on exchange is set out below:

2015	Gross premium written £'000s	Gross premium earned £'000s	Gross incurred claims £'000s	Gross operating expenses £'000s	Reinsurance balance £'000s	Total £'000s	Net technical provisions £'000s
Division:							
Property & Special Lines	**625,880**	**612,738**	**(264,163)**	**(236,789)**	**(52,819)**	**58,967**	**620,982**
Marine & Special Risks	**197,867**	**201,077**	**(112,156)**	**(70,857)**	**(11,678)**	**6,386**	**300,790**
Reinsurance	**103,196**	**104,008**	**(11,772)**	**(30,412)**	**(37,927)**	**23,897**	**98,496**
Aviation	**50,911**	**53,801**	**(26,424)**	**(20,087)**	**(465)**	**6,825**	**85,042**
Accident & Health	**118,514**	**121,242**	**(67,910)**	**(47,119)**	**(2,964)**	**3,249**	**118,095**
Enterprise Risk	**66,655**	**54,402**	**(25,453)**	**(21,970)**	**(1,279)**	**5,700**	**65,364**
Syndicate 807 run-off	**(141)**	**(141)**	**1,674**	**–**	**1,836**	**3,369**	**13,718**
	1,162,882	**1,147,127**	**(506,204)**	**(427,234)**	**(105,296)**	**108,393**	**1,302,487**

The divisions accepted the following inwards reinsurance business as a proportion of gross written premium: Reinsurance (100.0%); Accident & Health (39.4%); Aviation (34.3%); Marine & Special Risks (33.3%); Enterprise Risk (12.4%) and Property & Special Lines (12.2%).

2014 (Restated)	Gross premium written £'000s	Gross premium earned £'000s	Gross incurred claims £'000s	Gross operating expenses £'000s	Reinsurance balance £'000s	Total £'000s	Net technical provisions £'000s
Division:							
Property & Special Lines	574,699	553,555	(272,595)	(211,145)	(29,512)	40,303	593,360
Marine & Special Risks	205,725	203,250	(130,547)	(65,004)	1,257	8,956	302,955
Reinsurance	111,630	117,200	(32,598)	(28,724)	(42,926)	12,952	114,138
Aviation	52,657	54,907	(26,672)	(20,415)	3,004	10,824	85,194
Accident & Health	124,829	123,628	(63,752)	(50,339)	(2,037)	7,500	114,968
Enterprise Risk	28,112	31,678	(13,519)	(12,981)	(3,023)	2,155	35,567
Syndicate 807 run-off	(414)	(414)	2,263	(237)	285	1,897	22,138
	1,097,238	1,083,804	(537,420)	(388,845)	(72,952)	84,587	1,268,320

The divisions accepted the following inwards reinsurance business as a proportion of gross written premium: Reinsurance (100.0%); Marine & Special Risks (33.0%); Aviation (28.0%); Accident & Health (29.0%); Property & Special Lines (17.9%) and Enterprise Risk (11.8%).

Of the direct business written, each division accepted premium as classified in The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 as follows:

- Property & Special Lines – 64% fire and other damage to property (2014: 69%), 17% third party liability (2014: 15%), 6% motor (other classes) (2014: 5%) and 4% motor (third party liability) (2014: 3%)
- Marine & Special Risks – 62% marine, aviation and transport (2014: 65%) and 18% pecuniary loss (2014: 17%)
- Aviation – 100% marine, aviation and transport (2014: 100%)
- Accident & Health – 87% accident and health (2014: 87%)
- Enterprise Risk – 90% third party liability (2014: 100%)

All premiums were concluded in the UK.

The total commission payable on direct business was £301,156,883 (2014: £272,445,577).

The geographical analysis of premium by location of the client is as follows:

	2015 £'000s	**2014 £'000s**
UK	**74,948**	64,257
Other EU countries	**100,831**	108,265
US	**552,900**	507,261
Other	**434,203**	417,455
	1,162,882	1,097,238

2. Net operating expenses

	2015 £'000s	**2014 (Restated) £'000s**
Acquisition costs	**345,986**	308,725
Change in deferred acquisition costs	**(11,648)**	(9,396)
Administrative expenses	**61,180**	57,165
Gross operating expenses	**395,518**	356,494
Reinsurance commissions and profit participations	**(73,558)**	(61,230)
	321,960	295,264

Included within administrative expenses is auditors' remuneration:

	2015 £'000s	**2014 £'000s**
Audit services:		
Fees payable to the syndicate's auditors for the audit of the syndicate annual accounts	**152**	136
Other services:		
Other services pursuant to legislation	**331**	136
	483	272

In 2015 the charge incurred for other services relates to the audit and review of the syndicate's regulatory returns and the provision of statements of actuarial opinion on the reserves (2014: wholly and exclusively in relation to the audit and review of the syndicate's regulatory returns).

3. Staff numbers and costs

Staff are employed by Tokio Marine Kiln Insurance Services Limited. The following amounts were recharged to the syndicate in respect of salary costs and are included within administrative expenses:

	2015 £'000s	2014 £'000s
Wages and salaries	**23,366**	19,167
Social security costs	**2,541**	2,235
Other pension costs	**1,925**	1,414
	27,832	22,816

Of this amount £54,071 (2014: £46,820) was paid as consulting fees to other Tokio Marine Group companies in respect of staff working on the syndicate with the remainder recharged to the syndicate by Tokio Marine Kiln Insurance Services Limited. Included in other pension costs are amounts related to the defined benefit pension scheme recharged by the managing agent:

	2015 £'000s	2014 £'000s
Net charge from managing agent during year	**1,138**	1,138
Amount funded in year	**1,138**	1,138

The average number of full-time employees working for the syndicate during the year was as follows:

	2015	2014
Administration and finance	**119**	102
Underwriting	**88**	85
Claims	**42**	34
	249	221

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is applied in the table above. Of this number 247 (2014: 220) are employed by Tokio Marine Kiln Insurance Services Limited and the remainder by other Tokio Marine Group companies.

4. Emoluments of the directors and Active Underwriters

The Tokio Marine Kiln Group of companies operates a bonus pooling arrangement such that profit-related pay is generated from the managing agency profit commission, the group's share of the underwriting result through its corporate member Kiln Underwriting Limited, and additionally through a proportion of the underwriting result of the corporate member Tokio Marine Underwriting Limited whose participations are managed by Tokio Marine Kiln Syndicates Limited. A considerable portion of the profit-related pay is therefore borne by other Tokio Marine Kiln Group entities. The directors of Tokio Marine Kiln Syndicates Limited received the following aggregate remuneration in relation to their work on the syndicate:

	2015 £'000s	2014 £'000s
Emoluments	**2,562**	2,382

Of the above amount, £1,234,896 (2014: £1,186,241) was charged to the syndicate as an expense, with the remainder borne by other group entities.

The Active Underwriters received the following remuneration charged as a syndicate expense:

	2015 £'000s	2014 £'000s
Emoluments	**2,420**	2,247

The profit commission included within the emoluments is in relation to the 2012 year of account (2014: 2011 YOA), as the allocation to underwriters was only determined following its closure.

5. Investment income and expenses

	2015 £'000s	2014 £'000s
Investment income:		
Income from investments	**11,108**	16,028
Realised gains on investments	**1,584**	435
Unrealised gains on investments	**699**	713
Investment expenses:		
Investment management expenses, including interest	**(1,211)**	(873)
Realised losses on investments	**(2,644)**	(2,767)
Unrealised losses on investments	**(3,711)**	(4,788)
	5,825	8,748

6. Calendar year investment yield

	2015 £'000s	2014 £'000s
Average amount of syndicate funds during the year:		
Sterling fund	**106,448**	115,151
US dollar fund	**573,277**	585,115
Canadian dollar fund	**182,664**	174,897
Euro fund	**46,695**	45,142
Aggregate gross investment return:		
Before investment expenses	**7,036**	9,621
After investment expenses	**5,825**	8,748
Calendar year investment yield:	**%**	%
Before investment expenses	**0.8**	1.0
After investment expenses	**0.6**	1.0
Analysis of calendar year investment yield by fund:	**%**	%
Sterling fund	**0.4**	2.2
US dollar fund	**0.5**	0.6
Canadian dollar fund	**1.1**	1.3
Euro fund	**1.2**	0.8

The sterling fund balance includes investments held in all other non-functional currencies.

7. Other financial investments

	Fair value		Purchase price	
	2015 £'000s	2014 £'000s	2015 £'000s	2014 £'000s
Shares and other variable yield securities	**172,299**	62,502	**172,705**	62,422
Debt securities and other fixed income securities	**656,367**	737,943	**657,282**	739,037
Deposits with credit institutions	**4,091**	428	**4,091**	428
Other investments	**36**	193	–	–
	832,793	801,066	**834,078**	801,887

All financial instruments are designated as fair value through profit or loss upon initial recognition.

Other investments are comprised of forward currency contracts.

The syndicate manages the foreign exchange risk posed by writing insurance policies in certain regions by using forward currency contracts. The total notional value of these contracts at 31 December 2015 was £1,818,802 (2014: £29,670,392).

8. Reconciliation of insurance balances

The reconciliation of the opening and closing provision for unearned premiums is as follows:

	Gross		Reinsurers' share	
	2015 £'000s	2014 (Restated) £'000s	2015 £'000s	2014 (Restated) £'000s
At 1 January	**525,100**	492,615	**(92,075)**	(80,311)
Premiums written during the year	**1,162,882**	1,097,238	**(250,959)**	(257,770)
Premiums earned during the year	**(1,147,127)**	(1,083,804)	**246,969**	249,845
Foreign exchange adjustments	**14,147**	19,051	**(3,155)**	(3,839)
At 31 December	**555,002**	525,100	**(99,220)**	(92,075)

The reconciliation of the opening and closing provision for claims outstanding is as follows:

	Gross		Reinsurers' share	
	2015 £'000s	2014 £'000s	2015 £'000s	2014 £'000s
At 1 January	**1,080,595**	977,763	**(245,300)**	(217,575)
Claims incurred during the year	**506,204**	537,420	**(68,115)**	(115,663)
Claims paid during the year	**(544,692)**	(526,337)	**97,357**	119,286
Foreign exchange adjustments	**28,422**	38,153	**(7,766)**	(10,270)
Syndicate 807 run-off	**–**	53,596	**–**	(21,078)
At 31 December	**1,070,529**	1,080,595	**(223,824)**	(245,300)

9. Claims outstanding

Within the calendar year technical result, a surplus of £21.9m (2014: £21.1m) relates to the reassessment of net claims incurred for previous accident years.

The following tables show the development of gross and net claims incurred including IBNR and the claims handling provision over the last five years and include the historical development of Syndicate 807 which was reinsured to close into the 2012 year of account. The claims development tables are prepared on an underwriting year of account basis, and therefore reflect the pattern of earned premium and risk exposure over a number of years. All figures are shown converted at current year-end rates.

Gross of reinsurance

Year of Account	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m
Year 1	331.0	400.5	278.9	295.8	249.1
Year 2	602.2	644.1	570.5	576.9	
Year 3	602.4	663.8	590.2		
Year 4	592.8	660.0			
Year 5	577.0				
Cumulative claims paid	520.4	527.2	431.7	255.7	42.6
Outstanding claims reserve	56.6	132.8	158.5	321.2	206.5

Net of reinsurance

Year of Account	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m
Year 1	258.0	287.7	230.6	227.4	217.5
Year 2	509.6	504.6	471.3	473.9	
Year 3	528.6	516.7	484.3		
Year 4	501.2	512.4			
Year 5	486.7				
Cumulative claims paid	438.1	409.2	346.1	220.1	38.1
Outstanding claims reserve	48.6	103.2	138.2	253.8	179.4

10. Debtors arising out of direct insurance operations

	2015 £'000s	2014 £'000s
Amounts due from intermediaries within one year	**380,704**	353,027
Amounts due from intermediaries after one year	**10,823**	3,600
	391,527	356,627

11. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

12. Reconciliation of deferred acquisition costs

The reconciliation of the opening and closing deferred acquisition costs is as follows:

	Gross		Reinsurers' share	
	2015 £'000s	2014 (Restated) £'000s	2015 £'000s	2014 (Restated) £'000s
At 1 January	**153,302**	138,886	**(26,901)**	(20,747)
Expenses for the acquisition of insurance contracts deferred during the year	**357,634**	318,121	**(79,378)**	(71,162)
Amortisation	**(345,986)**	(308,725)	**76,468**	66,196
Foreign exchange adjustments	**3,773**	5,020	**(1,101)**	(1,188)
At 31 December	**168,723**	153,302	**(30,912)**	(26,901)

13. Creditors arising out of direct insurance operations

	2015 £'000s	2014 £'000s
Amounts due to intermediaries within one year	**87,217**	68,891
Amounts due to intermediaries after one year	**3,226**	766
	90,443	69,657

14. Other creditors

The following balances are included within other creditors:

	2015 £'000s	2014 £'000s
Forward currency contracts – held to maturity	**183**	290
	183	290

The syndicate manages the foreign exchange risk posed by writing insurance policies in certain regions by using forward currency contracts. The total notional value of these contracts at 31 December 2015 was £14,560,415 (2014: £25,119,771). The above balances are stated at fair value.

15. Related parties

Syndicate 510 accepted inwards reinsurance business from, and placed outwards reinsurance business with, other Tokio Marine Group entities, including Syndicate 1880, that are deemed to be related parties of Tokio Marine Kiln Syndicates Limited by virtue of the shareholding in Tokio Marine Kiln Group Limited by Tokio Marine Holdings, Inc. Syndicate 557 and Syndicate 510 are considered to be related parties as Tokio Marine Kiln Syndicates Limited is the managing agent of both syndicates. All transactions between these entities were conducted at arm's length and on normal commercial terms.

Syndicate 510 accepted written premium from related parties in the 2015 calendar year of £1,874,519 (2014: £3,103,066). The unpaid premiums due from related parties at the period end were £2,609,443 (2014: £1,872,029). The outstanding claims, including an element of IBNR, were £1,493,489 (2014: £692,158). Written premiums ceded by Syndicate 510 to related parties for the 2015 calendar year were £72,263,614 (2014: £86,365,042). Paid recoveries from related parties during the period were £50,157,524 (2014: £61,729,768). Unpaid recoveries at the period end amounted to £53,289,218 (2014: £36,990,943) and future recoveries on outstanding claims, including an element of IBNR, were £102,408,275 (2014: £135,409,115).

Treaty profit commission due to Syndicate 510 from related parties for the 2015 calendar year was £1,890,855 (2014: £1,824,671). Profit commissions received from related parties during the period were £1,761,996 (2014: £1,720,216). Profit commission receivable at the period end amounted to £134,118 (2014: £110,482).

The syndicate receives business through the following service and related companies whose investments are held ultimately by the managing agent: Tokio Marine Kiln Hong Kong Limited (100% owned), Tokio Marine Kiln Singapore Pte Limited (100% owned), Tokio Marine Kiln Regional Underwriting Limited (100% owned) and Ibex Insurance Services Ltd (30% owned).

The syndicate also receives business through Kiln Europe S.A. which is 100% owned by Tokio Marine Kiln Group Limited, WNC Insurance Services, Inc., whose parent WNC Holding Company, LP is 49% owned by Tokio Marine Kiln Group Limited and NAS Insurance Services, Inc. which is 49% owned by Tokio Marine Kiln Group Limited. Profit commission on inwards business of £604,111 was paid to related parties for the 2015 calendar year (2014: £174,959) and £830,321 of profit commission was payable as at the balance sheet date (2014: £721,201).

Profit commission of £22,938,077 is payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of the 2015 calendar year (2014: £23,668,990). Profit commission is accrued by the syndicate based on the interim annual accounting results of each year of account under UK GAAP and final settlement to the managing agent is paid when the year of account is closed after three years.

Managing agency fees of £7,879,087 (2014: £7,767,492) were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £48,728,218 (2014: £43,679,415) were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 20 provides further information regarding all syndicates and related parties.

16. Risk management

Details of the syndicate's risk management framework are given in the 'principal risks and uncertainties section' on pages 26 to 29.

a) Insurance risk

Further details on the management of the syndicate's insurance risk are given on page 26.

Concentrations of insurance risk

The risks assumed in the syndicate's day-to-day business activities are subject to controls over aggregation of risk. Concentration of risk is monitored by line of business, geographical location and credit quality amongst other elements.

The following tables set out the concentration of gross claims provision and reinsurance recoveries by line of business and the concentration of gross claims provision by geographical location.

2015	Gross claims provision £'000s	Reinsurance claims provision £'000s	Net claims provision £'000s
Division:			
Property & Special Lines	**458,301**	**(88,700)**	**369,601**
Marine & Special Risks	**265,186**	**(48,949)**	**216,237**
Reinsurance	**111,406**	**(19,855)**	**91,551**
Aviation	**103,019**	**(42,544)**	**60,475**
Accident & Health	**63,473**	**(3,641)**	**59,832**
Enterprise Risk	**44,373**	**(9,082)**	**35,291**
Syndicate 807 run-off	**24,771**	**(11,053)**	**13,718**
	1,070,529	**(223,824)**	**846,705**

2014	Gross claims provision £'000s	Reinsurance claims provision £'000s	Net claims provision £'000s
Division:			
Property & Special Lines	441,367	(88,816)	352,551
Marine & Special Risks	261,002	(42,464)	218,538
Reinsurance	152,958	(45,923)	107,035
Aviation	103,720	(44,817)	58,903
Accident & Health	58,744	(2,735)	56,009
Enterprise Risk	28,490	(8,369)	20,121
Syndicate 807 run-off	34,314	(12,176)	22,138
	1,080,595	(245,300)	835,295

	Gross claims provision	
	2015 £'000s	**2014 £'000s**
UK	**76,058**	56,995
Other EU countries	**135,748**	136,699
US	**490,390**	504,299
Other	**368,333**	382,602
	1,070,529	1,080,595

Earned premium sensitivity analysis

Earned premium is estimated based on assumptions of how each risk is earned according to its method of placement and class of business. Each risk falling within a class of business is earned according to the estimated pattern applying to that class of business, which takes into account the class characteristics including exposure to seasonal weather related events. This approach is applied consistently year-on-year.

A sensitivity analysis has been applied by adjusting the percentage earned of each open year of account by 1%. This indicates that an increase in earned premium of 1% would result in £11.5m (2014 (restated): £10.8m) more premium being reported (gross of acquisition costs), and applying the underlying attritional loss ratio would result in an estimated increase in the net result (after acquisition costs) of £1.7m (2014 (restated): £1.6m). A decrease of 1% would result in £11.5m (2014 (restated): £10.8m) less premium being reported and an estimated £1.7m (2014 (restated): £1.6m) reduction in the net result. The impact on the result is at the net level i.e. after the adjustment for the effect of profit commission.

Claims sensitivity analysis

The claims ratio for 2015 is 49% (2014 (restated): 51%). A sensitivity analysis has been applied by adjusting the claims ratio by 1%. This indicates that an increase in the claims ratio of 1% would result in claims increasing by £9.0m (2014 (restated): £8.3m) and the result reducing by £7.4m (2014 (restated): £6.9m).

b) Financial risk

The syndicate is exposed to a range of financial risks through its financial assets and financial liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due. The most important components of this financial risk are credit risk, liquidity risk and market risk (including interest rate risk and currency risk).

These risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The risks that the syndicate primarily faces due to the nature of its investment and liabilities are interest rate risk and currency risk.

Credit risk

For details of the management of the syndicate's credit risks please refer to page 27.

The following table provides information regarding credit risk exposures of the syndicate by classifying assets according to the credit ratings of the counterparties. For financial investments, the Standard & Poor's credit rating was used. For other assets, where a rating is provided by more than one rating agent, the highest rating was assigned to that asset. Previously, only the Standard & Poor's credit rating was used. Where a security has no credit rating the rating of the issuer is used. During the year there were no material breaches in exposure limits.

2015	**AAA £'000s**	**AA £'000s**	**A £'000s**	**<A £'000s**	**NR £'000s**	**Total £'000s**
Financial investments:						
Other financial investments	**197,903**	**329,960**	**136,999**	**25,765**	**142,166**	**832,793**
Overseas deposits	**43,637**	**32,837**	**33,198**	**7,511**	**–**	**117,183**
Deposits with ceding undertakings	**–**	**–**	**–**	**–**	**509**	**509**
Cash at bank and in hand	**–**	**–**	**8,917**	**2,010**	**–**	**10,927**
Reinsurers' share of outstanding claims including reinsurers' IBNR	**31,741**	**56,961**	**121,341**	**1,860**	**11,921**	**223,824**
Reinsurance debtors	**4,817**	**3,746**	**2,827**	**260**	**181**	**11,831**
	278,098	**423,504**	**303,282**	**37,406**	**154,777**	**1,197,067**

2014 (Restated)	**AAA £'000s**	**AA £'000s**	**A £'000s**	**<A £'000s**	**NR £'000s**	**Total £'000s**
Financial investments:						
Other financial investments	162,150	334,565	221,112	29,872	53,367	801,066
Overseas deposits	44,270	32,301	42,144	6,386	–	125,101
Deposits with ceding undertakings	–	–	–	–	71	71
Cash at bank and in hand	–	–	14,912	–	–	14,912
Reinsurers' share of outstanding claims including reinsurers' IBNR	46,752	59,505	126,778	2,605	9,660	245,300
Reinsurance debtors	6,355	7,753	7,129	414	427	22,078
	259,527	434,124	412,075	39,277	63,525	1,208,528

Of the total reinsurers' share of outstanding claims including reinsurers' IBNR, 0.4% (2014: 0.4%) is collected under Outstanding Claims Advances (OCAs) which is a form of cash deposit allowing crystallisation of an outstanding reinsurance recovery. The majority of the collateral values relating to the granting of OCAs are for US Situs losses only. Surplus reinsurance treaties allow the syndicate to call upon OCAs at its discretion.

The largest potential reinsurance credit exposure to the syndicate at 31 December 2015 was 14.3% (2014: 13.7%) with Tokio Marine & Nichido Fire Insurance Co. Ltd, which is an AAA rated security. The Reinsurance Security Committee of the managing agent reviews the level of this exposure and takes appropriate action where necessary.

An aged analysis of financial assets past due is shown below.

2015	Fully performing £'000s	Past due £'000s	Impairment £'000s	Total £'000s
Financial investments:				
Other financial investments	**832,793**	**–**	**–**	**832,793**
Overseas deposits	**117,183**	**–**	**–**	**117,183**
Deposits with ceding undertakings	**509**	**–**	**–**	**509**
Cash at bank and in hand	**10,927**	–	–	**10,927**
Reinsurers' share of outstanding claims including reinsurers' IBNR	**223,824**	–	–	**223,824**
Insurance debtors	**508,262**	**31,017**	**–**	**539,279**
Reinsurance debtors	**11,831**	**6,721**	**–**	**18,552**
Other debtors	**22,724**	–	–	**22,724**
	1,728,053	**37,738**	**–**	**1,765,791**

2014 (Restated)	Fully performing £'000s	Past due £'000s	Impairment £'000s	Total £'000s
Financial investments:				
Other financial investments	801,066	–	–	801,066
Overseas deposits	125,101	–	–	125,101
Deposits with ceding undertakings	71	–	–	71
Cash at bank and in hand	14,912	–	–	14,912
Reinsurers' share of outstanding claims including reinsurers' IBNR	245,300	–	–	245,300
Insurance debtors	480,564	28,097	–	508,661
Reinsurance debtors	22,078	7,176	–	29,254
Other debtors	19,781	–	–	19,781
	1,708,873	35,273	–	1,744,146

For assets to be classified as past-due the contractual payments are in arrears by more than 30 days. An impairment adjustment is recorded in the profit and loss account for assets impaired. The syndicate operates mainly on a 'neither past-due nor impaired basis' and when evidence is available, sufficient collateral will be obtained for 'past-due and impaired' assets. An impairment assessment will also be performed if applicable.

Liquidity risk

For details of the management of the syndicate's liquidity risks please refer to page 27.

The syndicate writes a significant proportion of US Situs and Canadian business which requires the deposit of appropriate monies into specific trust funds. Some of these trust funds are regulated, requiring quarterly assessment of the adequacy of funding. Surplus funds or additional funding requirements are settled each quarter between the regulated and non-regulated trust funds. In exceptional circumstances, and with approval from Lloyd's, inter-fund settlement can take place outside the quarterly process. As at 31 December 2015 the balance held in these trust funds was US$434.5m (2014: US$421.8m) and Canadian $313.8m (2014: Canadian $273.0m).

The following table analyses the financial liabilities and claims outstanding into their relevant maturity groups based on the remaining period at the year end date to their contractual maturities or expected settlement dates. The projected settlement of claims outstanding is modelled using actuarial techniques. These estimates assume that future claims settlement patterns will be broadly similar to those experienced in the past. Previously, assets were also included.

2015	Up to 1 year £'000s	1–3 years £'000s	3–5 years £'000s	Over 5 years £'000s	Total £'000s
Forward currency contracts	(183)	–	–	–	(183)
Deposits received from reinsurers	(1,004)	–	–	–	(1,004)
Creditors	(253,411)	(11,664)	(10,438)	–	(275,513)
Financial liabilities	(254,598)	(11,664)	(10,438)	–	(276,700)
Claims outstanding	(446,601)	(381,150)	(134,797)	(107,981)	(1,070,529)
Financial liabilities and claims outstanding	(701,199)	(392,814)	(145,235)	(107,981)	(1,347,229)

2014 (Restated)	Up to 1 year £'000s	1–3 years £'000s	3–5 years £'000s	Over 5 years £'000s	Total £'000s
Forward currency contracts	(290)	–	–	–	(290)
Deposits received from reinsurers	(1,040)	–	–	–	(1,040)
Creditors	(234,828)	(10,086)	(9,895)	–	(254,809)
Financial liabilities	(236,158)	(10,086)	(9,895)	–	(256,139)
Claims outstanding	(459,002)	(390,675)	(132,493)	(98,425)	(1,080,595)
Financial liabilities and claims outstanding	(695,160)	(400,761)	(142,388)	(98,425)	(1,336,734)

Foreign currency market risk

For further details of the management of the syndicate's market risk please refer to page 27.

The syndicate maintains bank accounts, investment portfolios and claims reserves in pounds sterling, US dollars, and Canadian dollars (the Lloyd's closing currencies). Additionally, bank accounts and investment portfolios are maintained in Euros. Transactions arising in other currencies are translated to the Lloyd's closing currencies as they occur. Certain other currencies are held for regulatory purposes. The syndicate's financial assets are denominated in the same currencies as its insurance liabilities and thus the developing profit or loss that remains embedded within the syndicate gives rise to the main currency exposure. The profit or loss is distributed, or settled, in accordance with Lloyd's rules using a combination of pounds sterling and US dollars after deduction of the member level charges.

Foreign currency liquidity and exposure for the syndicate is the responsibility of the Finance Director. Strategy is agreed by the Finance Group and ratified by the Investment Committee. The syndicate currency exposure and future cash flows are monitored by currency and potential exposures and shortfalls addressed by foreign currency transactions, hedges or cash calls on members.

A substantial proportion of the syndicate's business is written in currencies other than pounds sterling, in particular US dollars. The syndicate's business is therefore exposed to changes in exchange rates and there is no guarantee that foreign currency risk mitigation initiatives undertaken by the syndicate will be successful in preventing any losses due to such changes.

The syndicate uses forward currency contracts to manage its exposure to foreign currency risks arising from material losses in the Canadian dollar and non-closing currencies. The use of financial derivatives is governed by the syndicate's policies approved by the Investment Committee, which provides written principles on the use of financial derivatives. More information is available in the 'fair value estimation' in part (c) of this note.

Exchange rate sensitivity analysis

The analysis below is performed for possible movements in key variables, with all other variables held constant, showing the impact on the result. The correlation of variables will have a significant effect in determining the ultimate impact. However, to isolate and demonstrate the effect due to changes in variables, each variable has been changed on an individual basis. It should be noted that movements in these variables are non-linear.

The following table shows the impact on the result and net assets of a ten percent movement in the US dollar and Canadian dollar to pounds sterling exchange rates.

	2015 £'000s	2014 (Restated) £'000s
10% increase in USD	(25,095)	(22,385)
10% increase in CAD	(2,074)	(1,460)
10% decrease in USD	30,672	27,359
10% decrease in CAD	2,535	1,785

Interest rate market risk

For further details of the management of the syndicate's market risk please refer to page 27.

The syndicate holds investments in its balance sheet and the performance of its investment portfolio may have an effect on the result. The income derived by the syndicate from its investments, and the capital value of its investments, may fall as well as rise. Therefore, changes in interest rates, credit ratings and other economic variables could substantially affect the syndicate's profitability.

The use of financial derivatives is governed by the syndicate's policies approved by the Investment Committee, which provides written principles on the use of financial derivatives. More information is available in the 'fair value estimation' in part (c) of this note.

Interest rate sensitivity analysis

The analysis below is performed for possible movements in key variables with all other variables held constant, showing the impact on the result. The correlation of variables will have a significant effect in determining the ultimate impact. However, to isolate and demonstrate the effect due to changes in variables, each variable has been changed on an individual basis. It should be noted that movements in these variables are non-linear.

The table below shows the estimated impact on the result and net assets of a 50 basis point movement in interest rates on the market value of the syndicate's investments. Last year, 100 basis points was used.

	2015 £'000s	2014 (Restated) £'000s
Impact of 50 basis point increase on result	**(3,459)**	(3,953)
Impact of 50 basis point decrease on result	**3,267**	3,200
Impact of 50 basis point increase on net assets	**(3,459)**	(3,953)
Impact of 50 basis point decrease on net assets	**3,267**	3,200

c) Fair value estimation

Financial instruments that are fair valued through profit and loss are classified using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

- Level A financial instruments comprise government bonds and securities which have been valued at fair value using quoted prices in an active market.
- Level B financial instruments are securities which have been valued at fair value using the price of a recent transaction for an identical asset. Money market and open-ended funds are included within this level.
- The fair value for level C financial instruments is derived using market variables such as yield curves, credit spreads and quoted prices of similar assets. Level C securities include government agency bonds, supranational bonds and corporate bonds.

2015	Level A £'000s	Level B £'000s	Level C £'000s	Total £'000s
Derivative financial instruments:				
Forward currency derivatives - assets	36	–	–	36
Forward currency derivatives - liabilities	(183)	–	–	(183)
Shares and other variable yield securities	–	172,299	–	172,299
Debt securities and other fixed income securities	352,740	–	303,627	656,367
Loans and deposits with credit institutions	84,259	–	37,015	121,274
	436,852	172,299	340,642	949,793

2014 (Restated)	Level A £'000s	Level B £'000s	Level C £'000s	Total £'000s
Derivative financial instruments:				
Forward currency derivatives - assets	193	–	–	193
Forward currency derivatives - liabilities	(290)	–	–	(290)
Shares and other variable yield securities	–	62,502	–	62,502
Debt securities and other fixed income securities	280,568	–	457,375	737,943
Loans and deposits with credit institutions	80,593	–	44,936	125,529
	361,064	62,502	502,311	925,877

At 31 December 2015 the syndicate held forward currency contracts, for which the fair value is a net liability of £147,987 (2014: £97,123) with the loss going through investment income in the statement of comprehensive income.

17. Transition to FRS 102

This is the first year that the syndicate has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the members' balances as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

Profit for the financial year	2014 £'000s
UK GAAP - As previously reported	**117,690**
Change in the movement of the provision for unearned premiums:	
Gross amount	(16,713)
Reinsurers' share	3,105
Change in the movement of the net provision for unearned premiums	(13,608)
Change in net operating expenses:	
Deferred acquisition costs	4,355
Reinsurance commissions and profit participations	(741)
Change in net operating expenses	3,614
Loss on exchange	(11,430)
Total adjustment to profit for the financial year	**(21,424)**
FRS 102	**96,266**

Members' balances	1 January 2014 £'000s	31 December 2014 £'000s
UK GAAP - As previously reported	**98,106**	**110,554**
Change in the provision for unearned premiums:		
Gross amount	21,019	(14,745)
Reinsurers' share	(3,445)	3,500
Change in the net provision for unearned premiums	17,574	(11,245)
Change in net deferred acquisition costs	(4,563)	2,832
Total adjustment to members' balances	**13,011**	**(8,413)**
FRS 102	**111,117**	**102,141**

Unearned premium reserves and deferred acquisition costs

FRS 103 requires that all assets and liabilities arising from an insurance contract are treated as monetary items for foreign currency translation purposes, and as such are now recorded in the balance sheet at closing rates of exchange. Previously, balances such as unearned premiums and deferred acquisition costs were treated as non-monetary items, and recorded in the balance sheet at the rate of exchange prevailing at the date of the original transaction. This change had the impact of increasing members' balances by £13.0m upon transition and decreasing profit by £21.4m for the year ended 31 December 2014.

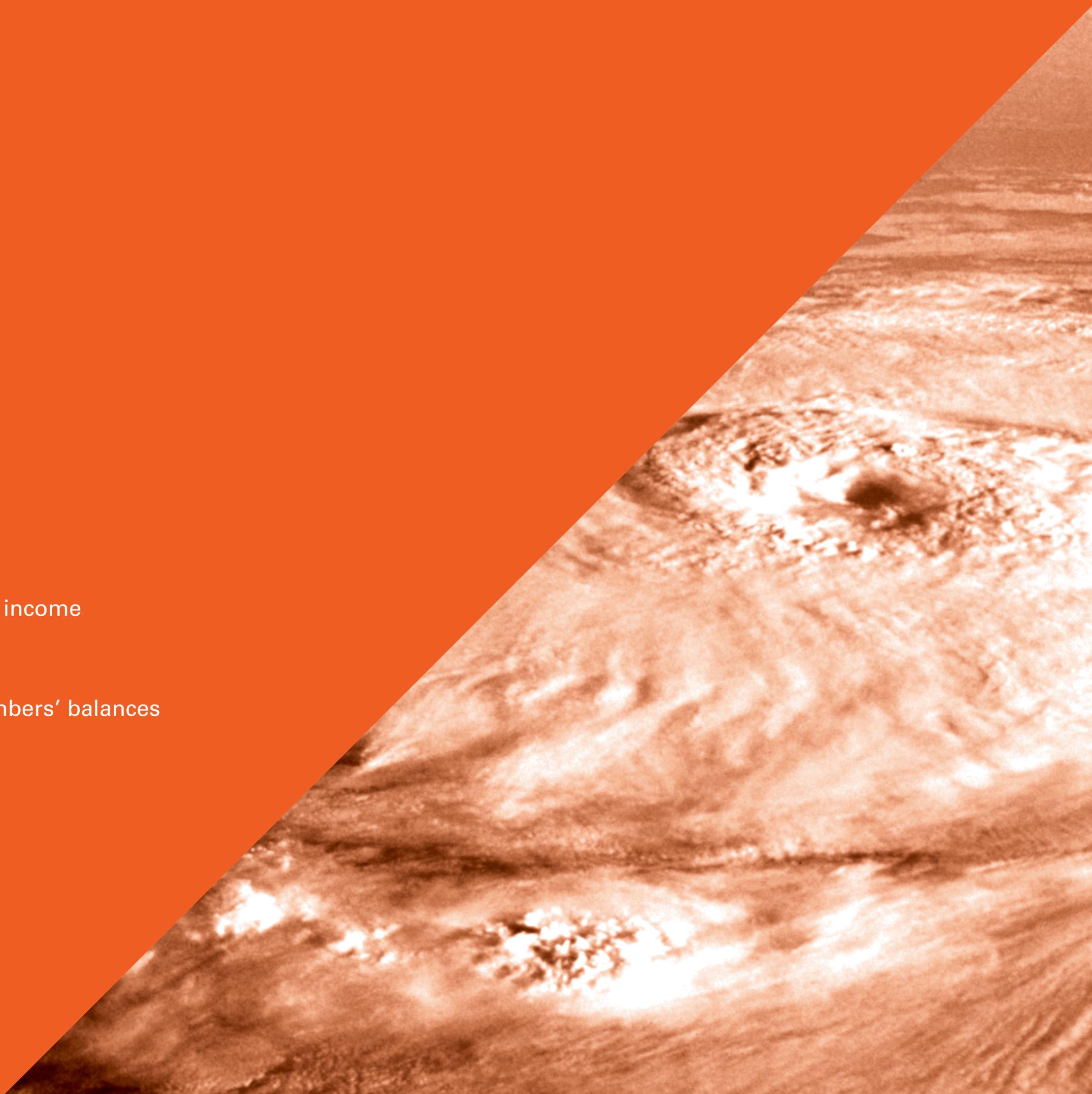
Annual report and accounts 2015

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited

Annual accounts under UK GAAP

Syndicate 557

Tokio Marine Kiln Catastrophe Syndicate
Non-marine



Independent auditors' report to the members of Syndicate 557 – 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 2015 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.

What we have audited

The syndicate annual accounts for the year ended 31 December 2015, which are prepared by the managing agent, comprise:

- the statement of comprehensive income for the year then ended;
- the balance sheet as at 31 December 2015;
- the statement of changes in members' balances;
- the cash flow statement;
- the accounting policies; and
- the notes to the syndicate annual accounts, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the syndicate annual accounts is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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 30, the managing agent is responsible for the preparation of 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 & 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 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 into 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 the disclosures in the syndicate annual 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.

Mark Bolton
Senior Statutory Auditor
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 15 March 2016

Statement of comprehensive income: technical account – general business

for the year ended 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Earned premiums, net of reinsurance			
Gross premiums written	1	**17,366**	19,949
Outward reinsurance premiums		**(1,790)**	(2,606)
Net premiums written		**15,576**	17,343
Change in the provision for unearned premiums:			
Gross amount		**329**	1,343
Reinsurers' share		**(109)**	(422)
Change in the net provision for unearned premiums		**220**	921
Earned premiums, net of reinsurance		**15,796**	18,264
Allocated investment return transferred from the non-technical account		**235**	365
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		**(12,858)**	(18,486)
Reinsurers' share		**1,185**	1,352
Net claims paid		**(11,673)**	(17,134)
Change in the provision for claims:			
Gross amount		**10,682**	11,746
Reinsurers' share		**(619)**	(1,599)
Change in the net provision for claims		**10,063**	10,147
Claims incurred, net of reinsurance		**(1,610)**	(6,987)
Members' standard personal expenses		**(2,316)**	(1,846)
Net operating expenses	2,3,4	**(2,529)**	(2,331)
Balance on the technical account for general business		**9,576**	7,465

All operations are continuing.

Statement of comprehensive income: non-technical account

for the year ended 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Balance on the general business technical account		**9,576**	7,465
Investment income	5	**759**	939
Investment expenses and charges	5	**(348)**	(288)
Net unrealised losses on investments	5	**(176)**	(286)
Allocated investment return transferred to the general business technical account	5,6	**(235)**	(365)
Profit on exchange		**292**	656
Profit for the financial year		**9,868**	8,121

There is no other comprehensive income.

Balance sheet: assets

as at 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Investments			
Other financial investments	7	**46,501**	48,455
Reinsurers' share of technical provisions			
Provision for unearned premiums	8	**372**	459
Claims outstanding	8,9	**1,294**	1,826
		1,666	2,285
Debtors			
Debtors arising out of reinsurance operations		**3,884**	4,176
Other debtors		**112**	90
		3,996	4,266
Other assets			
Cash at bank and in hand		**2,426**	1,497
Overseas deposits	10	**20**	30
		2,446	1,527
Prepayments and accrued income			
Deferred acquisition costs	11	**115**	111
Other prepayments and accrued income		**1**	1
		116	112
Total assets		**54,725**	56,645

Balance sheet: liabilities

as at 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Capital and reserves			
Members' balances		**19,541**	12,782
Technical provisions			
Provision for unearned premiums	8	**3,323**	3,511
Claims outstanding	8,9	**27,076**	36,758
		30,399	40,269
Creditors			
Creditors arising out of reinsurance operations		**179**	1,152
Other creditors	12	**4,606**	2,442
		4,785	3,594
Total liabilities		**54,725**	56,645

The annual accounts, which comprise pages 61 to 84 and the notes and principal accounting policies applicable to all syndicates on pages 31 to 36, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 10 March 2016 and were signed on its behalf by

James Dover

Finance Director
Tokio Marine Kiln Syndicates Limited
14 March 2016

Statement of changes in members' balances

for the year ended 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Members' balances brought forward at 1 January		**12,782**	10,325
Impact of change in accounting policy on adoption of FRS 102	15	–	280
Restated balance at 1 January		**12,782**	10,605
Profit for the financial year		**9,868**	8,121
Payments of profit to members' personal reserve funds		**(2,823)**	(5,635)
Members' agents' fee advances		**(286)**	(309)
Members' balances carried forward at 31 December		**19,541**	12,782

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.

Cash flow statement

for the year ended 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Cash flows from operating activities:			
Operating profit on ordinary activities		**9,868**	8,121
(Decrease) in gross technical provisions		**(9,870)**	(11,635)
Decrease in reinsurers' share of technical provisions		**619**	1,874
Decrease in debtors		**266**	2,921
Increase in creditors		**1,191**	746
Realised and unrealised investment (gains) including foreign exchange		**(1,284)**	(1,204)
Investment return		**(235)**	(365)
Net cash inflow from operating activities		**555**	458
Cash flows from investing activities:			
Sale of shares and other variable yield securities		**1,797**	5,112
Purchase of debt securities and other fixed income securities		**(73,962)**	(45,620)
Sale of debt securities and other fixed income securities		**74,551**	48,256
Sale of derivatives		**8**	22
Investment income received		**444**	690
Other		**(209)**	(322)
Net cash inflow from investing activities		**2,629**	8,138
Cash flows from financing activities:			
Transfer to members in respect of underwriting participations		**(2,823)**	(5,635)
Members' agents' fees paid on behalf of members including foreign exchange		**(311)**	(307)
Net cash (outflow) from financing activities		**(3,134)**	(5,942)
Net increase in cash and cash equivalents		**50**	2,654
Cash and cash equivalents at beginning of year		**4,466**	1,812
Cash and cash equivalents at end of year		**4,516**	4,466
Cash and cash equivalents consists of:			
Cash at bank and in hand		**2,426**	1,497
Overseas deposits	10	**20**	30
Short term deposits presented within other financial investments		**2,070**	2,939
Cash and cash equivalents at end of year		**4,516**	4,466

Notes to the accounts

as at 31 December 2015

1. Segmental analysis

An analysis of the result before investment return and profit or loss on exchange is set out below:

2015	Gross premium written £'000s	Gross premium earned £'000s	Gross incurred claims £'000s	Gross operating expenses £'000s	Reinsurance balance £'000s	Total £'000s	Net technical provisions £'000s
Direct insurance	–	–	–	–	–	–	**12**
Reinsurance acceptances	**17,366**	**17,695**	**(2,176)**	**(4,845)**	**(1,333)**	**9,341**	**28,721**
	17,366	**17,695**	**(2,176)**	**(4,845)**	**(1,333)**	**9,341**	**28,733**

2014 (Restated)	Gross premium written £'000s	Gross premium earned £'000s	Gross incurred claims £'000s	Gross operating expenses £'000s	Reinsurance balance £'000s	Total £'000s	Net technical provisions £'000s
Direct insurance	–	–	–	–	–	–	372
Reinsurance acceptances	19,949	21,292	(6,740)	(4,177)	(3,275)	7,100	37,612
	19,949	21,292	(6,740)	(4,177)	(3,275)	7,100	37,984

All premiums were concluded in the UK.

The total commission payable on direct business was nil (2014: £3,756).

The geographical analysis of premium by location of the client is as follows:

	2015 £'000s	2014 £'000s
UK	**17,366**	19,949
	17,366	19,949

2. Net operating expenses

	2015 £'000s	2014 (Restated) £'000s
Acquisition costs	**619**	670
Change in deferred acquisition costs	**(2)**	24
Administrative expenses	**1,912**	1,637
Gross and net operating expenses	**2,529**	2,331

Included within administrative expenses is auditors' remuneration:

	2015 £'000s	2014 £'000s
Audit services:		
Fees payable to the syndicate's auditor for the audit of the syndicate annual accounts	**27**	23
Other services:		
Other services pursuant to legislation	**57**	25
	84	48

In 2015 the charge incurred for other services relates to the audit and review of the syndicate's regulatory returns and the provision of statements of actuarial opinion on the reserves (2014: wholly and exclusively in relation to the audit and review of the syndicate's regulatory returns).

3. Staff numbers and costs

Staff are employed by Tokio Marine Kiln Insurance Services Limited. The following amounts were recharged to the syndicate in respect of salary costs and are included within administrative expenses:

	2015 £'000s	2014 £'000s
Wages and salaries	**1,019**	873
Social security costs	**109**	103
Other pension costs	**123**	100
	1,251	1,076

Of this amount £4,244 (2014: £3,202) was paid as consulting fees to other Tokio Marine Group companies in respect of staff working on the syndicate with the remainder recharged to the syndicate by Tokio Marine Kiln Insurance Services Limited.

Included in other pension costs are amounts related to the defined benefit pension scheme recharged by the managing agent:

	2015 £'000s	2014 £'000s
Net charge from managing agent during year	**87**	87
Amount funded in year	**87**	87

The average number of full-time employees working for the syndicate during the year was as follows:

	2015	2014
Administration and finance	**8**	8
Underwriting	**1**	1
Claims	**1**	1
	10	10

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is applied in the table above. Of this number, the equivalent of less than one full-time employee was employed by other Tokio Marine Group companies (2014: less than one).

4. Emoluments of the directors and Active Underwriter

The Tokio Marine Kiln Group of companies operates a bonus pooling arrangement such that profit-related pay is generated from the managing agency profit commission, the group's share of the underwriting result through its corporate member Kiln Underwriting Limited, and additionally through a proportion of the underwriting result of the corporate member Tokio Marine Underwriting Limited whose participations are managed by Tokio Marine Kiln Syndicates Limited. A considerable portion of the profit-related pay is therefore borne by other Tokio Marine Kiln Group entities. The directors of Tokio Marine Kiln Syndicates Limited received the following aggregate remuneration in relation to their work on the syndicate:

	2015 £'000s	2014 £'000s
Emoluments	**53**	52

Of the above amount £24,907 (2014: £25,677) was charged to the syndicate as an expense, with the remainder borne by other group entities.

The Active Underwriter received the following remuneration charged as a syndicate expense:

	2015 £'000s	2014 £'000s
Emoluments	**66**	68

The profit commission included within the emoluments is in relation to the 2012 year of account (2014: 2011 YOA), as the allocation to underwriters was only determined following its closure.

5. Investment income and expenses

	2015 £'000s	2014 £'000s
Investment income:		
Income from investments	**704**	898
Realised gains on investments	**55**	41
Unrealised gains on investments	**8**	35
Investment expenses:		
Investment management expenses, including interest	**(33)**	(39)
Realised losses on investments	**(315)**	(249)
Unrealised losses on investments	**(184)**	(321)
	235	365

6. Calendar year investment yield

	2015 £'000s	2014 £'000s
Average amount of syndicate funds during the year:		
Sterling fund	**15,346**	19,465
US dollar fund	**31,293**	32,034
Canadian dollar fund	**1,311**	1,413
Euro fund	**475**	508
Aggregate gross investment return:		
Before investment expenses	**268**	404
After investment expenses	**235**	365
Calendar year investment yield:	**%**	%
Before investment expenses	**0.6**	0.8
After investment expenses	**0.5**	0.7
Analysis of calendar year investment yield by fund:	**%**	%
Sterling fund	**0.6**	1.1
US dollar fund	**0.4**	0.4
Canadian dollar fund	**0.6**	1.0
Euro fund	–	0.1

The sterling fund balance includes investments held in all other non-functional currencies.

7. Other financial investments

	Fair value		Purchase price	
	2015 £'000s	2014 £'000s	2015 £'000s	2014 £'000s
Shares and other variable yield securities	**6,993**	8,497	**6,993**	8,497
Debt securities and other fixed income securities	**39,502**	39,945	**39,527**	40,041
Deposits with credit institutions	**6**	5	**6**	5
Other investments	**–**	8	**–**	–
	46,501	48,455	**46,526**	48,543

All financial instruments are designated as fair value through profit or loss upon initial recognition.

Other investments are comprised of forward currency contracts.

The syndicate manages the foreign exchange risk posed by writing insurance policies in certain regions by using forward currency contracts. The total notional value of these contracts at 31 December 2015 was nil (2014: £7,272,045).

8. Reconciliation of insurance balances

The reconciliation of the opening and closing provision for unearned premiums is as follows:

	Gross		Reinsurers' share	
	2015 £'000s	2014 (Restated) £'000s	2015 £'000s	2014 (Restated) £'000s
At 1 January	**3,511**	4,691	**(459)**	(853)
Premiums written during the year	**17,366**	19,949	**(1,790)**	(2,606)
Premiums earned during the year	**(17,695)**	(21,292)	**1,899**	3,028
Foreign exchange adjustments	**141**	163	**(22)**	(28)
At 31 December	**3,323**	3,511	**(372)**	(459)

The reconciliation of the opening and closing provision for claims outstanding is as follows:

	Gross		Reinsurers' share	
	2015 £'000s	2014 £'000s	2015 £'000s	2014 £'000s
At 1 January	**36,758**	47,212	**(1,826)**	(3,306)
Claims incurred during the year	**2,176**	6,740	**(566)**	247
Claims paid during the year	**(12,858)**	(18,486)	**1,185**	1,352
Foreign exchange adjustments	**1,000**	1,292	**(87)**	(119)
At 31 December	**27,076**	36,758	**(1,294)**	(1,826)

9. Claims outstanding

Within the calendar year technical result, a surplus of £2.4m (2014: £1.0m) relates to the reassessment of net claims incurred for previous accident years.

The following tables show the development of gross and net claims incurred including IBNR and the claims handling provision over the last five years. The claims development tables are prepared on an underwriting year of account basis, and therefore reflect the pattern of earned premium and risk exposure over a number of years. All figures are shown converted at current year-end rates.

Gross of reinsurance

Year of Account	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m
Year 1	22.2	26.7	13.5	7.4	3.1
Year 2	20.2	24.6	15.1	7.6	
Year 3	18.9	23.8	14.5		
Year 4	17.8	24.6			
Year 5	17.1				
Cumulative claims paid	15.8	19.0	11.7	4.8	0.2
Outstanding claims reserve	1.3	5.6	2.8	2.8	2.9

Net of reinsurance

Year of Account	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m
Year 1	22.0	26.7	13.5	7.4	3.1
Year 2	20.1	24.6	15.1	7.6	
Year 3	18.9	23.8	14.5		
Year 4	17.8	24.6			
Year 5	17.0				
Cumulative claims paid	15.9	19.0	11.7	4.8	0.2
Outstanding claims reserve	1.1	5.6	2.8	2.8	2.9

10. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

11. Reconciliation of deferred acquisition costs

The reconciliation of the opening and closing deferred acquisition costs is as follows:

	2015 £'000s	2014 (Restated) £'000s
At 1 January	**111**	132
Expenses for the acquisition of insurance contracts deferred during the year	**621**	646
Amortisation	**(619)**	(670)
Foreign exchange adjustments	**2**	3
At 31 December	**115**	111

12. Other creditors

The following balances are included within other creditors:

	2015 £'000s	2014 £'000s
Forward currency contracts – held to maturity	**40**	15
	40	15

The syndicate manages the foreign exchange risk posed by writing insurance policies in certain regions by using forward currency contracts. The total notional value of these contracts at 31 December 2015 was £8,494,096 (2014: £1,962,550). The above balances are stated at fair value.

13. Related parties

As noted on page 20, Syndicate 557 is considered to be a related party of, and accepted inwards reinsurance business from, Syndicate 510. All transactions with this entity were conducted at arm's length and on normal commercial terms.

Syndicate 557 accepted written premium from Syndicate 510 in the 2015 calendar year of £16,700,293 (2014: £19,837,926). The unpaid premiums due from Syndicate 510 at the period end were £3,430,242 (2014: £4,053,704). The outstanding claims, including an element of IBNR, were £27,075,761 (2014: £36,758,149). No business was ceded to related parties.

Profit commission of £2,054,246 is payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of the 2015 calendar year (2014: £1,551,654). Profit commission is accrued by the syndicate based on the interim annual accounting results of each year of account under UK GAAP and final settlement to the managing agent is paid when the year of account is closed after three years.

Managing agency fees of £261,527 (2014: £293,831) were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £2,153,825 (2014: £1,957,697) were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 20 provides further information regarding all syndicates and related parties.

14. Risk management

Details of the syndicate's risk management framework are given in the 'principal risks and uncertainties section' on pages 26 to 29.

a) Insurance risk

Further details on the management of the syndicate's insurance risk are given on page 26.

Concentrations of insurance risk

The risks assumed in the syndicate's day-to-day business activities are subject to controls over aggregation of risk. Concentration of risk is monitored by line of business, geographical location and credit quality amongst other elements.

The following tables set out the concentration of gross claims provision and reinsurance recoveries by line of business and the concentration of gross claims provision by geographical location.

2015	Gross claims provision £'000s	Reinsurance claims provision £'000s	Net claims provision £'000s
Direct insurance	**13**	**(1)**	**12**
Reinsurance acceptances	**27,063**	**(1,293)**	**25,770**
	27,076	**(1,294)**	**25,782**

2014	Gross claims provision £'000s	Reinsurance claims provision £'000s	Net claims provision £'000s
Direct insurance	311	–	311
Reinsurance acceptances	36,447	(1,826)	34,621
	36,758	(1,826)	34,932

	Gross claims provision 2015 £'000s	Gross claims provision 2014 £'000s
UK	**458**	–
Other EU countries	**2,887**	5,379
US	**13,696**	17,347
Other	**10,035**	14,032
	27,076	36,758

Earned premium sensitivity analysis

Earned premium is estimated based on assumptions of how each risk is earned according to its method of placement and class of business. Each risk falling within a class of business is earned according to the estimated pattern applying to that class of business, which takes into account the class characteristics including exposure to seasonal weather related events. This approach is applied consistently year-on-year.

A sensitivity analysis has been applied by adjusting the percentage earned of each open year of account by 1%. This indicates that an increase in earned premium of 1% would result in £0.2m (2014 (restated): £0.2m) more premium being reported (gross of acquisition costs), and applying the underlying attritional loss ratio would result in an estimated increase in the net result (after acquisition costs) of £0.1m (2014 (restated): £0.1m). A decrease of 1% would result in £0.2m (2014 (restated): £0.2m) less premium being reported and an estimated £0.1m (2014 (restated): £0.1m) reduction in the net result. The impact on the result is at the net level i.e. after the adjustment for the effect of profit commission.

Claims sensitivity analysis

The claims ratio for 2015 is 10% (2014 (restated): 38%). A sensitivity analysis has been applied by adjusting the claims ratio by 1%. This indicates that an increase in the claims ratio of 1% would result in claims increasing by £0.2m (2014 (restated): £0.2m) and the result reducing by £0.1m (2014 (restated): £0.2m).

b) Financial risk

The syndicate is exposed to a range of financial risks through its financial assets and financial liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due. The most important components of this financial risk are credit risk, liquidity risk and market risk (including interest rate risk and currency risk).

These risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The risks that the syndicate primarily faces due to the nature of its investment and liabilities are interest rate risk and currency risk.

Credit risk

For details of the management of the syndicate's credit risk please refer to page 27.

The following table provides information regarding credit risk exposures of the syndicate by classifying assets according to the credit ratings of the counterparties. For financial investments, the Standard & Poor's credit rating was used. For other assets, where a rating is provided by more than one rating agent, the highest rating was assigned to that asset. Previously, only the Standard & Poor's credit rating was used. Where a security has no credit rating the rating of the issuer is used. During the year there were no material breaches in exposure limits.

2015	AAA £'000s	AA £'000s	A £'000s	<A £'000s	NR £'000s	Total £'000s
Financial investments:						
Other financial investments	**16,226**	**20,378**	**4,331**	**2,971**	**2,595**	**46,501**
Overseas deposits	**2**	**14**	**3**	**1**	–	**20**
Cash at bank and in hand	–	–	**2,426**	–	–	**2,426**
Reinsurers' share of outstanding claims including reinsurers' IBNR	**1,073**	–	**163**	–	**58**	**1,294**
Reinsurance debtors	**173**	–	**34**	–	**6**	**213**
	17,474	**20,392**	**6,957**	**2,972**	**2,659**	**50,454**

2014 (Restated)	AAA £'000s	AA £'000s	A £'000s	<A £'000s	NR £'000s	Total £'000s
Financial investments:						
Other financial investments	15,052	17,308	10,672	2,203	3,220	48,455
Overseas deposits	5	21	4	–	–	30
Cash at bank and in hand	–	–	1,497	–	–	1,497
Reinsurers' share of outstanding claims including reinsurers' IBNR	1,459	–	309	–	58	1,826
Reinsurance debtors	(87)	–	(15)	–	–	(102)
	16,429	17,329	12,467	2,203	3,278	51,706

The largest potential reinsurance credit exposure to the syndicate at 31 December 2015 was 50% with a fully collateralised security (2014: 33.3% with a fully collateralised security). The Reinsurance Security Committee of the managing agent reviews the level of this exposure and takes appropriate action where necessary.

An aged analysis of financial assets past-due is shown below.

2015	Fully performing £'000s	Past due £'000s	Impairment £'000s	Total £'000s
Financial investments:				
Other financial investments	**46,501**	–	–	**46,501**
Overseas deposits	**20**	–	–	**20**
Cash at bank and in hand	**2,426**	–	–	**2,426**
Reinsurers' share of outstanding claims including reinsurers' IBNR	**1,294**	–	–	**1,294**
Insurance debtors	**3,765**	–	–	**3,765**
Reinsurance debtors	**213**	**(94)**	–	**119**
Other debtors	**112**	–	–	**112**
	54,331	**(94)**	–	**54,237**

2014 (Restated)	Fully performing £'000s	Past due £'000s	Impairment £'000s	Total £'000s
Financial investments:				
Other financial investments	48,455	–	–	48,455
Overseas deposits	30	–	–	30
Cash at bank and in hand	1,497	–	–	1,497
Reinsurers' share of outstanding claims including reinsurers' IBNR	1,826	–	–	1,826
Insurance debtors	4,238	–	–	4,238
Reinsurance debtors	(102)	40	–	(62)
Other debtors	90	–	–	90
	56,034	40	–	56,074

For assets to be classified as past-due the contractual payments are in arrears by more than 30 days. An impairment adjustment is recorded in the profit and loss account for assets impaired. The syndicate operates mainly on a 'neither past-due nor impaired basis' and when evidence is available, sufficient collateral will be obtained for 'past-due and impaired' assets. An impairment assessment will also be performed if applicable.

Liquidity risk

For details of the management of the syndicate's liquidity risks please refer to page 27.

The syndicate writes a significant proportion of US Situs business and a smaller proportion of Canadian business which require the deposit of appropriate monies into specific trust funds. Some of these trust funds are regulated, requiring quarterly assessment of the adequacy of funding. Surplus funds or additional funding requirements are settled each quarter between the regulated and non-regulated trust funds. In exceptional circumstances, and with approval from Lloyd's, inter-fund settlement can take place outside the quarterly process. As at 31 December 2015 the balance held in these trust funds was US$1.5m (2014: US$1.6m) and Canadian $12,917 (2014: Canadian $17,588).

The following table analyses the financial liabilities and claims outstanding into their relevant maturity groups based on the remaining period at the year end date to their contractual maturities or expected settlement dates. The projected settlement of claims outstanding is modelled using actuarial techniques. These estimates assume that future claims settlement patterns will be broadly similar to those experienced in the past. Previously, assets were also included.

2015	Up to 1 year £'000s	1–3 years £'000s	3–5 years £'000s	Over 5 years £'000s	Total £'000s
Forward currency contracts	**(40)**	–	–	–	**(40)**
Creditors	**(4,785)**	–	–	–	**(4,785)**
Financial liabilities	**(4,825)**	–	–	–	**(4,825)**
Claims outstanding	**(12,360)**	**(9,335)**	**(3,014)**	**(2,367)**	**(27,076)**
Financial liabilities and claims outstanding	**(17,185)**	**(9,335)**	**(3,014)**	**(2,367)**	**(31,901)**

2014 (Restated)	Up to 1 year £'000s	1–3 years £'000s	3–5 years £'000s	Over 5 years £'000s	Total £'000s
Forward currency contracts	(15)	–	–	–	(15)
Creditors	(3,594)	–	–	–	(3,594)
Financial liabilities	(3,609)	–	–	–	(3,609)
Claims outstanding	(18,319)	(11,642)	(3,837)	(2,960)	(36,758)
Financial liabilities and claims outstanding	(21,928)	(11,642)	(3,837)	(2,960)	(40,367)

Foreign currency market risk

For further details of the management of the syndicate's market risk please refer to page 27.

The syndicate maintains bank accounts, investment portfolios and claims reserves in pounds sterling, US dollars, and Canadian dollars (the Lloyd's closing currencies). Additionally, bank accounts and investment portfolios are maintained in Euros. Transactions arising in other currencies are translated to the Lloyd's closing currencies as they occur. Certain other currencies are held for regulatory purposes. The syndicate's financial assets are denominated in the same currencies as its insurance liabilities and thus the developing profit or loss that remains embedded within the syndicate gives rise to the main currency exposure. The profit or loss is distributed, or settled, in accordance with Lloyd's rules using a combination of pounds sterling and US dollars after deduction of the member level charges.

Foreign currency liquidity and exposure for the syndicate is the responsibility of the Finance Director. Strategy is agreed by the Finance Group and ratified by the Investment Committee. The syndicate currency exposure and future cash flows are monitored by currency and potential exposures and shortfalls addressed by foreign currency transactions, hedges or cash calls on members.

A substantial proportion of the syndicate's business is written in currencies other than pounds sterling, in particular US dollars. The syndicate's business is therefore exposed to changes in exchange rates and there is no guarantee that foreign currency risk mitigation initiatives which the syndicate undertakes will be successful in preventing any losses due to such changes.

The syndicate uses forward currency contracts to manage its exposure to foreign currency risks arising from material losses in non-closing currencies. The use of financial derivatives is governed by the syndicate's policies approved by the Investment Committee, which provides written principles on the use of financial derivatives. More information is available in the 'fair value estimation' in part (c) of this note.

Exchange rate sensitivity analysis

The analysis below is performed for possible movements in key variables, with all other variables held constant, showing the impact on the result. The correlation of variables will have a significant effect in determining the ultimate impact. However, to isolate and demonstrate the effect due to changes in variables, each variable has been changed on an individual basis. It should be noted that movements in these variables are non-linear.

The following table shows the impact on the result and net assets of a ten percent movement in the US dollar and Canadian dollar to pounds sterling exchange rates.

	2015 £'000s	2014 (Restated) £'000s
10% increase in USD	**(2,424)**	(1,269)
10% increase in CAD	**(35)**	(44)
10% decrease in USD	**2,963**	1,551
10% decrease in CAD	**43**	54

Interest rate market risk For further details of the management of the syndicate's market risk please refer to page 27.

The syndicate holds investments in its balance sheet and the performance of its investment portfolio may have an effect on the result. The income derived by the syndicate from its investments, and the capital value of its investments, may fall as well as rise. Therefore, changes in interest rates, credit ratings and other economic variables could substantially affect the syndicate's profitability.

The use of financial derivatives is governed by the syndicate's policies approved by the Investment Committee, which provides written principles on the use of financial derivatives. More information is available in the 'fair value estimation' in part (c) of this note.

Interest rate sensitivity analysis

The analysis below is performed for possible movements in key variables with all other variables held constant, showing the impact on the result. The correlation of variables will have a significant effect in determining the ultimate impact. However, to isolate and demonstrate the effect due to changes in variables, each variable has been changed on an individual basis. It should be noted that movements in these variables are non-linear.

The table below shows the estimated impact on the result and net assets of a 50 basis point movement in interest rates on the market value of the syndicate's investments. Last year, 100 basis points was used.

	2015 £'000s	2014 (Restated) £'000s
Impact of 50 basis point increase on result	**(186)**	(195)
Impact of 50 basis point decrease on result	**171**	160
Impact of 50 basis point increase on net assets	**(186)**	(195)
Impact of 50 basis point decrease on net assets	**171**	160

c) Fair value estimation

Financial instruments that are fair valued through profit and loss are classified using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

- Level A financial instruments comprise government bonds and securities which have been valued at fair value using quoted prices in an active market.
- Level B financial instruments are securities which have been valued at fair value using the price of a recent transaction for an identical asset. Money market and open-ended funds are included within this level.
- The fair value for level C financial instruments is derived using market variables such as yield curves, credit spreads and quoted prices of similar assets. Level C securities include government agency bonds, supranational bonds and corporate bonds.

2015	Level A £'000s	Level B £'000s	Level C £'000s	Total £'000s
Derivative financial instruments:				
Forward currency derivatives – liabilities	**(40)**	–	–	**(40)**
Shares and other variable yield securities	–	**6,993**	–	**6,993**
Debt securities and other fixed income securities	**26,123**	–	**13,379**	**39,502**
Loans and deposits with credit institutions	**20**	–	**6**	**26**
	26,103	**6,993**	**13,385**	**46,481**

2014 (Restated)	Level A £'000s	Level B £'000s	Level C £'000s	Total £'000s
Derivative financial instruments:				
Forward currency derivatives – assets	8	–	–	8
Forward currency derivatives – liabilities	(15)	–	–	(15)
Shares and other variable yield securities	–	8,497	–	8,497
Debt securities and other fixed income securities	17,529	–	22,416	39,945
Loans and deposits with credit institutions	24	–	11	35
	17,546	8,497	22,427	48,470

At 31 December 2015 the syndicate held forward currency contracts, for which the fair value is a net liability of £39,630 (2014: £7,059) with the loss going through investment income in the statement of comprehensive income.

15. Transition to FRS 102

This is the first year that the syndicate has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the members' balances as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

Profit for the financial year	2014 £'000s
UK GAAP - As previously reported	**8,567**
Change in the movement of the provision for unearned premiums:	
Gross amount	(324)
Reinsurers' share	2
Change in the movement of the net provision for unearned premiums	(322)
Change in net operating expenses:	
Deferred acquisition costs	7
Change in net operating expenses	7
Loss on exchange	(131)
Total adjustment to profit for the financial year	**(446)**
FRS 102	**8,121**

Members' balances	1 January 2014 £'000s	31 December 2014 £'000s
UK GAAP - As previously reported	**10,325**	**12,948**
Change in the provision for unearned premiums:		
Gross amount	286	(201)
Reinsurers' share	–	30
Change in the net provision for unearned premiums	286	(171)
Change in net deferred acquisition costs	(6)	5
Total adjustment to members' balances	**280**	**(166)**
FRS 102	**10,605**	**12,782**

Unearned premium reserves and deferred acquisition costs

FRS 103 requires that all assets and liabilities arising from an insurance contract are treated as monetary items for foreign currency translation purposes, and as such are now recorded in the balance sheet at closing rates of exchange. Previously, balances such as unearned premiums and deferred acquisition costs were treated as non-monetary items, and recorded in the balance sheet at the rate of exchange prevailing at the date of the original transaction. This change had the impact of increasing members' balances by £0.3m upon transition and decreasing profit by £0.4m for the year ended 31 December 2014.

Annual report and accounts 2015

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited

Annual accounts under UK GAAP

Syndicate 308

Tokio Marine Kiln Life Syndicate

Life

Independent auditors' report to the members of Syndicate 308 – 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 2015 and of its loss 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.

What we have audited

The syndicate annual accounts for the year ended 31 December 2015, which are prepared by the managing agent, comprise:

- the statement of comprehensive income for the year then ended;
- the balance sheet as at 31 December 2015;
- the statement of changes in members' balances
- the cash flow statement;
- the accounting policies; and
- the notes to the syndicate annual accounts, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the syndicate annual accounts is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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 30, the managing agent is responsible for the preparation of 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 & 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 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 into 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 the disclosures in the syndicate annual 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.

Mark Bolton
Senior Statutory Auditor
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 15 March 2016

Statement of comprehensive income: technical account – long-term business

for the year ended 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Earned premiums, net of reinsurance			
Gross premiums written	1	**27,576**	26,736
Outward reinsurance premiums		**(1,851)**	(1,476)
Net premiums written		**25,725**	25,260
Change in the provision for unearned premiums:			
Gross amount		**542**	(132)
Reinsurers' share		**99**	–
Change in the net provision for unearned premiums		**641**	(132)
Earned premiums, net of reinsurance		**26,366**	25,128
Investment income	6,7	**28**	37
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		**(16,054)**	(13,937)
Reinsurers' share		**–**	(117)
Net claims paid		**(16,054)**	(14,054)
Change in the long-term business provision:			
Gross amount		**(1,964)**	(355)
Reinsurers' share		**813**	(23)
Change in the net long-term business provision	2	**(1,151)**	(378)
Claims incurred, net of reinsurance		**(17,205)**	(14,432)
Members' standard personal expenses		**(511)**	(590)
Net operating expenses	3,4,5	**(10,732)**	(9,650)
Investment expenses and charges	6	**(9)**	(11)
Net unrealised losses on investments	6	**(5)**	(3)
Balance on the technical account for long-term business and (loss)/profit for the year		**(2,068)**	479

There are no non-technical items.

All operations are continuing.

There is no other comprehensive income.

Balance sheet: assets

as at 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Investments			
Other financial investments	8	**2,472**	3,589
Deposits with ceding undertakings		**223**	–
		2,695	3,589
Reinsurers' share of technical provisions			
Provision for unearned premiums	9	**100**	–
Long-term business provision	9,10	**1,014**	194
		1,114	194
Debtors			
Debtors arising out of direct insurance operations	11	**11,430**	12,503
Debtors arising out of reinsurance operations		**3,288**	3,864
Other debtors		**114**	78
		14,832	16,445
Other assets			
Cash at bank and in hand		**1,706**	1,706
Overseas deposits	12	**136**	191
		1,842	1,897
Prepayments and accrued income			
Deferred acquisition costs	13	**4,082**	3,993
Total assets		**24,565**	26,118

Balance sheet: liabilities

as at 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Capital and reserves			
Members' balances		**(6,111)**	(2,577)
Technical provisions			
Provision for unearned premiums	9	**12,557**	12,888
Long-term business provision	9,10	**10,154**	8,047
		22,711	20,935
Creditors			
Creditors arising out of direct insurance operations	14	**5,645**	5,565
Creditors arising out of reinsurance operations		**1,823**	1,787
Other creditors		**462**	408
		7,930	7,760
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs	13	**35**	–
Total liabilities		**24,565**	26,118

The annual accounts, which comprise pages 85 to 110, and the notes and principal accounting policies applicable to all syndicates on pages 31 to 36, were approved by the Board of Tokio Marine Syndicates Limited on 10 March 2016 and were signed on its behalf by

James Dover

Finance Director
Tokio Marine Kiln Syndicates Limited
14 March 2016

Statement of changes in members' balances

for the year ended 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Members' balances brought forward at 1 January		**(2,577)**	(1,299)
Impact of change in accounting policy on adoption of FRS 102	18	**–**	130
Restated balance at 1 January		**(2,577)**	(1,169)
(Loss)/profit for the financial year		**(2,068)**	479
Payments of profit to members' personal reserve funds		**(1,350)**	(1,775)
Members' agents' fee advances		**(116)**	(112)
Members' balances carried forward at 31 December		**(6,111)**	(2,577)

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.

Cash flow statement

for the year ended 31 December 2015

	Note	2015 £'000s	2014 (Restated) £'000s
Cash flows from operating activities:			
Operating (loss)/profit on ordinary activities		**(2,068)**	479
Increase in gross technical provisions		**1,776**	713
(Increase)/decrease in reinsurers' share of technical provisions		**(920)**	22
Decrease/(increase) in debtors		**1,524**	(642)
Increase in creditors		**205**	406
Realised and unrealised investment (gains) including foreign exchange		**(70)**	(68)
Investment return		**(14)**	(23)
Net cash inflow from operating activities		**433**	887
Cash flows from investing activities:			
Purchase of shares and other variable yield securities		**–**	(64)
Sale of shares and other variable yield securities		**1,106**	–
Purchase of debt securities and other fixed income securities		**(4,050)**	(3,982)
Sale of debt securities and other fixed income securities		**4,218**	5,137
Investment income received		**23**	29
Other		**(312)**	(4)
Net cash inflow from investing activities		**985**	1,116
Cash flows from financing activities:			
Transfer to members in respect of underwriting participations		**(1,350)**	(1,775)
Members' agents' fees paid on behalf of members including foreign exchange		**(123)**	(106)
Net cash (outflow) from financing activities		**(1,473)**	(1,881)
Net (decrease)/increase in cash and cash equivalents		**(55)**	122
Cash and cash equivalents at beginning of year		**1,897**	1,775
Cash and cash equivalents at end of year		**1,842**	1,897
Cash and cash equivalents consists of:			
Cash at bank and in hand		**1,706**	1,706
Overseas deposits	12	**136**	191
Cash and cash equivalents at end of year		**1,842**	1,897

Notes to the accounts

as at 31 December 2015

1. Segmental analysis

An analysis of the gross written premium and reinsurance balances is set out below:

	2015		2014	
	Gross premiums written £'000s	Reinsurance balance £'000s	Gross premiums written £'000s	Reinsurance balance £'000s
Direct insurance	**23,391**	**(831)**	23,343	(1,389)
Reinsurance acceptances	**4,185**	**(108)**	3,393	(227)
	27,576	**(939)**	26,736	(1,616)

The direct gross written premium can be further analysed as follows:

	2015 £'000s	2014 £'000s
Individual premiums	**3,961**	3,965
Premiums under group contracts	**19,430**	19,378
	23,391	23,343
Periodic premiums	**14,042**	13,801
Single premiums	**9,349**	9,542
	23,391	23,343

An analysis of the gross new business premium is set out below:

	2015 Gross premiums written £'000s	2014 Gross premiums written £'000s
Direct insurance	**1,401**	2,568
Reinsurance acceptances	**116**	638
	1,517	3,206

Outwards reinsurance placed in relation to new business written is not material.

The direct gross new business premium can be further analysed as follows:

	2015 £'000s	2014 £'000s
Individual premiums	**85**	655
Premiums under group contracts	**1,316**	1,913
	1,401	2,568
Periodic premiums	**85**	1,209
Single premiums	**1,316**	1,359
	1,401	2,568

The geographical analysis of premium by location of the client is as follows:

	2015 £'000s	2014 £'000s
UK	**18,451**	18,774
Other EU countries	**3,561**	3,161
US	**4,345**	4,189
Other	**1,219**	612
	27,576	26,736

2. Long-term business provision

The following methodologies have been used in valuing the long-term business provision:

- For group life business or business written under a delegated authority where individual data is not available, claims IBNR is estimated using those statistical and past experience methodologies described in the accounting policy for claims provisions and related recoveries.
- For individual business where individual data is available, a gross premium valuation method has been used as described in the accounting policy for earned premium.

The principal assumptions for the gross premium valuation method are:

- Valuation interest rate and claims discount rate is 0% (2014: 0%);
- Renewal expenses are 8% of regular premiums (2014: 8%) and 1% p.a. of the initial premium paid on single premium business (2014: 1%);
- Mortality is 95% (2014: 95%) of the TM/F00 ultimate tables. Where business was priced on a smoker/non-smoker basis the TM/FS00 and TM/FN00 tables were used. 95% of TM/FS00 was used where smoker status was unknown (2014: 95%). The exception was for a single binder where a significant number of the policies did not have a smoker status recorded. In this case 95% of TM/FN00 was used (2014: 95% TM/FC00) in line with expected smoker status for these policies.

3. Net operating expenses

	2015 £'000s	2014 (Restated) £'000s
Acquisition costs	**7,624**	7,137
Change in deferred acquisition costs	**53**	(41)
Administrative expenses	**2,839**	2,589
Loss/(profit) on exchange	**278**	(3)
Gross operating expenses	**10,794**	9,682
Reinsurance commissions and profit participations	**(62)**	(32)
	10,732	9,650

Included within administrative expenses is auditors' remuneration:

	2015 £'000s	2014 £'000s
Audit services:		
Fees payable to the syndicate's auditors for the audit of the syndicate annual accounts	**36**	32
Other services:		
Other services pursuant to legislation	**37**	34
	73	66

The charge incurred for other services is wholly and exclusively in relation to the audit and review of the syndicate's regulatory returns.

4. Staff numbers and costs

Staff are employed by Tokio Marine Kiln Insurance Services Limited. The following amounts were recharged to the syndicate in respect of salary costs and are included within administrative expenses:

	2015 £'000s	2014 £'000s
Wages and salaries	**1,467**	1,342
Social security costs	**144**	149
Other pension costs	**90**	62
	1,701	1,553

Of this amount £3,370 (2014: £2,575) was paid as consulting fees to other Tokio Marine Group companies in respect of staff working on the syndicate with the remainder recharged to the syndicate by Tokio Marine Kiln Insurance Services Limited.

Included in other pension costs are amounts related to the defined benefit pension scheme recharged by the managing agent:

	2015 £'000s	2014 £'000s
Net charge from managing agent during year	**40**	40
Amount funded in year	**40**	40

The average number of full-time employees working for the syndicate during the year was as follows:

	2015	2014
Administration and finance	**11**	9
Underwriting	**6**	8
Claims	**1**	1
	18	18

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is applied in the table above. Of this number, the equivalent of less than one full-time employee was employed by other Tokio Marine Group companies (2014: less than one).

5. Emoluments of the directors and Active Underwriter

The Tokio Marine Kiln Group of companies operates a bonus pooling arrangement such that profit-related pay is generated from the managing agency profit commission, the group's share of the underwriting result through its corporate member Kiln Underwriting Limited, and additionally through a proportion of the underwriting result of the corporate member Tokio Marine Underwriting Limited whose participations are managed by Tokio Marine Kiln Syndicates Limited. A considerable portion of the profit-related pay is therefore borne by other Tokio Marine Kiln Group entities. The directors of Tokio Marine Kiln Syndicates Limited received the following aggregate remuneration in relation to their work on the syndicate:

	2015 £'000s	2014 £'000s
Emoluments	**70**	69

Of the above amount £33,131 (2014: £34,168) was charged to the syndicate as an expense, with the remainder borne by other group entities.

The Active Underwriter received the following remuneration charged as a syndicate expense:

	2015 £'000s	2014 £'000s
Emoluments	**30**	231

Following the appointment of Tim Prifti as the Active Underwriter for both Syndicate 308 and the Accident & Health division in Syndicate 510, his remuneration is shared between these syndicates.

The profit commission included within the emoluments is in relation to the 2012 year of account (2014: 2011 YOA), as the allocation to underwriters was only determined following its closure.

6. Investment income and expenses

	2015 £'000s	2014 £'000s
Investment income:		
Income from investments	**28**	36
Realised gains on investments	**–**	1
Investment expenses:		
Investment management expenses, including interest	**(4)**	(3)
Realised losses on investments	**(5)**	(8)
Unrealised losses on investments	**(5)**	(3)
	14	23

7. Calendar year investment yield

	2015 £'000s	2014 £'000s
Average amount of syndicate funds during the year:		
Sterling fund	**3,175**	2,730
US dollar fund	**1,908**	2,056
Euro fund	**248**	897
Aggregate gross investment return:		
Before investment expenses	**18**	26
After investment expenses	**14**	23
Calendar year investment yield:	**%**	%
Before investment expenses	**0.3**	0.5
After investment expenses	**0.3**	0.4
Analysis of calendar year investment yield by fund:	**%**	%
Sterling fund	**0.5**	0.5
US dollar fund	**0.0**	0.4
Euro fund	**0.0**	0.1

The sterling fund balance includes investments held in all other non-functional currencies.

8. Other financial investments

	Fair value		Purchase price	
	2015 £'000s	2014 £'000s	2015 £'000s	2014 £'000s
Shares and other variable yield securities	**1,127**	2,231	**1,127**	2,231
Debt securities and other fixed income securities	**1,263**	1,357	**1,266**	1,359
Deposits with credit institutions	**82**	1	**82**	1
	2,472	3,589	**2,475**	3,591

All financial instruments are designated as fair value through profit or loss upon initial recognition.

9. Reconciliation of insurance balances

The reconciliation of the opening and closing provision for unearned premiums is as follows:

	Gross		Reinsurers' share	
	2015 £'000s	2014 £'000s	2015 £'000s	2014 £'000s
At 1 January	**12,888**	12,784	**–**	–
Premiums written during the year	**27,576**	26,736	**(1,851)**	(1,476)
Premiums earned during the year	**(28,118)**	(26,604)	**1,752**	1,476
Foreign exchange adjustments	**211**	(28)	**(1)**	–
At 31 December	**12,557**	12,888	**(100)**	–

The reconciliation of the opening and closing provision for claims outstanding is as follows:

	Gross		Reinsurers' share	
	2015 £'000s	2014 (Restated) £'000s	2015 £'000s	2014 £'000s
At 1 January	**8,047**	7,438	**(194)**	(216)
Claims incurred during the year	**18,018**	14,292	**(813)**	140
Claims paid during the year	**(16,054)**	(13,937)	**–**	(117)
Foreign exchange adjustments	**143**	124	**(7)**	(1)
FRS102 adjustment	**–**	130	**–**	–
At 31 December	**10,154**	8,047	**(1,014)**	(194)

10. Claims outstanding

Within the calendar year technical result, a surplus of £1.0m (2014: deficit of £1.2m) relates to the reassessment of net claims incurred for previous accident years.

The following tables show the development of gross and net claims incurred including IBNR and the claims handling provision over the last five years. The claims development tables are prepared on an underwriting year of account basis, and therefore reflect the pattern of earned premium and risk exposure over a number of years. All figures are shown converted at current year-end rates.

As noted in the 308 underwriter's report, the syndicate is required to hold additional reserves under rules for syndicates with long-term insurance liabilities. The total outstanding claims reserve shown in the tables below includes the allowance made for these additional reserves which are accounted for in the net claims outstanding amount shown on the balance sheet.

Gross of reinsurance

Year of Account	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m
Year 1	6.5	7.2	9.4	6.7	9.7
Year 2	14.5	15.1	17.3	16.1	
Year 3	13.8	15.3	16.8		
Year 4	14.0	15.5			
Year 5	14.0				
Cumulative claims paid	13.9	15.0	16.4	12.0	4.9
Outstanding claims reserve	0.1	0.5	0.4	4.1	4.8

Net of reinsurance

Year of Account	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m
Year 1	6.1	7.1	8.9	6.7	9.7
Year 2	14.5	14.9	16.8	15.2	
Year 3	13.8	15.1	16.3		
Year 4	14.0	15.3			
Year 5	14.0				
Cumulative claims paid	13.9	14.8	15.9	12.0	4.9
Outstanding claims reserve	0.1	0.5	0.4	3.2	4.8

11. Debtors arising out of direct insurance operations

	2015 £'000s	2014 £'000s
Amounts due from intermediaries within one year	**11,430**	12,503

In 2014 amounts due from intermediaries included a bad debt provision of £0.1m. There is no provision for 2015.

12. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

13. Reconciliation of deferred acquisition costs

The reconciliation of the opening and closing deferred acquisition costs is as follows:

	Gross		Reinsurers' share	
	2015 £'000s	2014 £'000s	2015 £'000s	2014 £'000s
At 1 January	**3,993**	3,895	**–**	–
Expenses for the acquisition of insurance contracts deferred during the year	**7,579**	7,306	**(42)**	(68)
Amortisation	**(7,632)**	(7,265)	**52**	50
Foreign exchange adjustments	**90**	94	**(45)**	(27)
FRS102 adjustment	**52**	(37)	**–**	45
At 31 December	**4,082**	3,993	**(35)**	–

14. Creditors arising out of direct insurance operations

	2015 £'000s	2014 £'000s
Amounts due to intermediaries within one year	**5,645**	5,565

15. Management of insurance risk

a) Capital management

The managing agent maintains an efficient capital structure in Syndicate 308, consistent with its risk profile and the regulatory and market requirements of the syndicate's business.

The managing agent's objectives in managing the capital of the syndicate 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.

b) Regulatory capital requirements

The members maintain Funds at Lloyd's determined in accordance with Lloyd's ECA and also in accordance with the PRA's SCR. These funds are deposited at Lloyd's by the members and therefore are off balance sheet. The syndicate's capital requirement is £15.7m as at 31 December 2015 (2014: £17.4m).

c) Restrictions on available capital resource

The available resource of the syndicate's trust funds is described in the following tables. Members' balances are distributed 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.

Other UK life business	2015 £'000s	2014 (Restated) £'000s
Members' balances	**(6,111)**	(2,577)
Other disallowance under GENPRU – overdue premium and sundry debtors	**73**	17
Solvency adjustments:		
Expense run-off reserve	**(424)**	(509)
Currency mismatch reserve	**(490)**	(454)
Total solvency adjustments	**(914)**	(963)
Deferred acquisition costs	**(4,082)**	(3,993)
Total available capital resource	**(11,034)**	(7,516)
Provision for unearned premiums	**(12,557)**	(12,888)
Long-term business provision	**(10,154)**	(8,047)
Gross technical provisions in the balance sheet	**(22,711)**	(20,935)

During 2014 a change in mortality assumptions led to a £370,000 increase in gross technical provisions. There was no such change during 2015.

Movements in capital resource	2015 £'000s	2014 (Restated) £'000s
Balance at 1 January	**(7,603)**	(5,992)
Other disallowance under GENPRU – increase in overdue premium and sundry debtors	**56**	(22)
Solvency adjustments:		
Expense run-off reserve	**85**	12
Currency mismatch reserve	**(36)**	(95)
Total solvency adjustments	**49**	(83)
Deferred acquisition costs	**(89)**	(98)
Movement in members' balances	**(3,534)**	(1,408)
Balance as at 31 December	**(11,121)**	(7,603)

d) 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 experiences 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 which support this business were lower than that assumed for reserving (currently the valuation interest rate is assumed to be 0%), and
- mortality risk, which would arise if mortality of the lives insured were heavier than that assumed, possibly because of an epidemic or catastrophe.

The timing of any impact on capital would depend on the interaction of assumptions and past experience about future experience. In general, if experience was worse 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. In this way, liabilities would be increased to anticipate the future impact of the worse experience with immediate impact on the capital position.

16. Related parties

Syndicate 308 did not accept inwards reinsurance business from, or place outwards reinsurance business with, other Tokio Marine Group entities that are deemed to be related parties of Tokio Marine Kiln Syndicates Limited by virtue of the shareholding in Tokio Marine Kiln Group Limited by Tokio Marine Holdings, Inc.

Profit commission of £66,900 is payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of the 2015 calendar year (2014: £129,069). Profit commission is accrued by the syndicate based on the interim annual accounting results of each year of account under UK GAAP and final settlement to the managing agent is paid when the year of account is closed after three years.

Managing agency fees of £235,890 (2014: £235,740) were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £3,185,012 (2014: £2,977,533) were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 20 provides further information regarding all syndicates and related parties.

17. Risk management

Details of the syndicate's risk management framework are given in the 'principal risks and uncertainties section' on pages 26 to 29.

a) Insurance risk

Further details on the management of the syndicate's insurance risk are given on page 26.

Concentrations of insurance risk

The risks assumed in the syndicate's day-to-day business activities are subject to controls over aggregation of risk. Concentration of risk is monitored by line of business, geographical location and credit quality amongst other elements.

The following tables set out the concentration of gross claims provision and reinsurance recoveries by line of business and the concentration of gross claims provision by geographical location.

2015	Gross claims provision £'000s	Reinsurance claims provision £'000s	Net claims provision £'000s
Life	**10,154**	**(1,014)**	**9,140**

2014 (Restated)	Gross claims provision £'000s	Reinsurance claims provision £'000s	Net claims provision £'000s
Life	8,047	(194)	7,853

	Gross claims provision	
	2015 **£'000s**	**2014 (Restated) £'000s**
UK	**3,634**	5,149
Other EU countries	**1,308**	1,157
US	**797**	1,447
Other	**4,415**	294
	10,154	8,047

Earned premium sensitivity analysis

For business not reserved using long-term methodologies, premium is earned on a straight line basis. This approach is applied consistently year-on-year.

A sensitivity analysis has been applied by adjusting the percentage earned of each open year of account by 1%. This indicates that an increase in earned premium of 1% would result in £0.3m (2014 (restated): £0.3m) more premium being reported (gross of acquisition costs), and applying the underlying attritional loss ratio would result in an estimated increase in the net result (after acquisition costs) of £0.04m (2014 (restated): £0.04m). A decrease of 1% would result in £0.3m (2014 (restated): £0.3m) less premium being reported and an estimated £0.04m reduction in the net result (2014 (restated): £0.04m). The impact on the result is at the net level i.e. after the adjustment for the effect of profit commission.

Claims sensitivity analysis

The claims ratio for 2015 is 65% (2014 (restated): 57%). A sensitivity analysis has been applied by adjusting the claims ratio by 1%. This indicates that an increase in the claims ratio of 1% would result in claims increasing by £0.3m (2014 (restated): £0.3m) and result reducing by £0.3m (2014 (restated): £0.2m).

b) Financial risk

The syndicate is exposed to a range of financial risks through its financial assets and financial liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are credit risk, liquidity risk and market risk (including interest rate risk and currency risk).

These risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The risks that the syndicate primarily faces due to the nature of its investment and liabilities are interest rate risk and currency risk.

Credit risk

For details of the management of the syndicate's credit risk please refer to page 27.

The following table provides information regarding credit risk exposures of the syndicate by classifying assets according to the credit ratings of the counterparties. For financial investments, the Standard & Poor's credit rating was used. For other assets, where a rating is provided by more than one rating agent, the highest rating was assigned to that asset. Previously, only the Standard & Poor's credit rating was used. Where a security has no credit rating the rating of the issuer is used. During the year there were no material breaches in exposure limits.

2015	AAA £'000s	AA £'000s	A £'000s	<A £'000s	NR £'000s	Total £'000s
Financial investments:						
Other financial investments	**1,047**	**1,153**	**156**	**–**	**116**	**2,472**
Overseas deposits	**44**	**88**	**2**	**2**	**–**	**136**
Deposits with ceding undertakings	**–**	**–**	**–**	**–**	**223**	**223**
Cash at bank and in hand	**–**	**–**	**1,706**	**–**	**–**	**1,706**
Reinsurers' share of outstanding claims including reinsurers' IBNR	**–**	**134**	**880**	**–**	**–**	**1,014**
	1,091	**1,375**	**2,744**	**2**	**339**	**5,551**

2014 (Restated)	AAA £'000s	AA £'000s	A £'000s	<A £'000s	NR £'000s	Total £'000s
Financial investments:						
Other financial investments	2,235	1,230	94	–	30	3,589
Overseas deposits	–	113	78	–	–	191
Cash at bank and in hand	–	–	1,706	–	–	1,706
Reinsurers' share of outstanding claims including reinsurers' IBNR	–	–	(76)	270	–	194
	2,235	1,343	1,802	270	30	5,680

The largest potential reinsurance credit exposure to the syndicate at 31 December 2015 was 40.5% with an A+ rated security (2014: 40.5% with a B rated security). The Reinsurance Security Committee of the managing agent reviews the level of this exposure and takes appropriate action where necessary.

An aged analysis of financial assets past due is shown below.

2015	Fully performing £'000s	Past due £'000s	Impairment £'000s	Total £'000s
Financial investments:				
Other financial investments	**2,472**	**–**	**–**	**2,472**
Overseas deposits	**136**	**–**	**–**	**136**
Deposits with ceding undertakings	**223**	**–**	**–**	**223**
Cash at bank and in hand	**1,706**	**–**	**–**	**1,706**
Reinsurers' share of outstanding claims including reinsurers' IBNR	**1,014**	**–**	**–**	**1,014**
Insurance debtors	**12,829**	**1,889**	**–**	**14,718**
Other debtors	**114**	**–**	**–**	**114**
	18,494	**1,889**	**–**	**20,383**

2014 (Restated)	Fully performing £'000s	Past due £'000s	Impairment £'000s	Total £'000s
Financial investments:				
Other financial investments	3,589	–	–	3,589
Overseas deposits	191	–	–	191
Cash at bank and in hand	1,706	–	–	1,706
Reinsurers' share of outstanding claims including reinsurers' IBNR	194	–	–	194
Insurance debtors	15,285	1,040	–	16,325
Reinsurance debtors	–	42	–	42
Other debtors	78	–	–	78
	21,043	1,082	–	22,125

For assets to be classified as past-due the contractual payments are in arrears by more than 30 days. An impairment adjustment is recorded in the profit and loss account for assets impaired. The syndicate operates mainly on a 'neither past-due nor impaired basis' and when evidence is available, sufficient collateral will be obtained for 'past-due and impaired' assets. An impairment assessment will also be performed if applicable.

Liquidity risk

For details of the management of the syndicate's liquidity risks please refer to page 27. The following table analyses the financial liabilities and claims outstanding into their relevant maturity groups based on the remaining period at the year end date to their contractual maturities or expected settlement dates. The projected settlement of claims outstanding is modelled using actuarial techniques. These estimates assume that future claims settlement patterns will be broadly similar to those experienced in the past. Previously, assets were also included.

2015	Up to 1 year £'000s	1–3 years £'000s	3–5 years £'000s	Over 5 years £'000s	Total £'000s
Creditors	**(7,930)**	–	–	–	**(7,930)**
Financial liabilities	**(7,930)**	–	–	–	**(7,930)**
Long-term business provision	**(7,826)**	**(2,121)**	**(158)**	**(49)**	**(10,154)**
Financial liabilities and long-term business provision	**(15,756)**	**(2,121)**	**(158)**	**(49)**	**(18,084)**

2014 (Restated)	Up to 1 year £'000s	1–3 years £'000s	3–5 years £'000s	Over 5 years £'000s	Total £'000s
Creditors	(7,760)	–	–	–	(7,760)
Financial liabilities	(7,760)	–	–	–	(7,760)
Long-term business provision	(5,764)	(2,034)	(204)	(45)	(8,047)
Financial liabilities and long-term business provision	(13,524)	(2,034)	(204)	(45)	(15,807)

Foreign currency market risk

For further details of the management of the syndicate's market risk please refer to page 27.

The syndicate maintains bank accounts, investment portfolios and claims reserves in pounds sterling, US dollars, and Canadian dollars (the Lloyd's closing currencies). Additionally, bank accounts and investment portfolios are maintained in Euros. Transactions arising in other currencies are translated to the Lloyd's closing currencies as they occur. Certain other currencies are held for regulatory purposes. The syndicate's financial assets are denominated in the same currencies as its insurance liabilities and thus the developing profit or loss that remains embedded within the syndicate gives rise to the main currency exposure. The profit or loss is distributed, or settled, in accordance with Lloyd's rules using a combination of pounds sterling and US dollars after deduction of the member level charges.

Foreign currency liquidity and exposure for the syndicate is the responsibility of the Finance Director. Strategy is agreed by the Finance Group and ratified by the Investment Committee. The syndicate currency exposure and future cash flows are monitored by currency and potential exposures and shortfalls addressed by foreign currency transactions, hedges or cash calls on members.

A sizeable proportion of the syndicate's business is written in currencies other than pounds sterling, in particular US dollars. The syndicate's business is therefore exposed to changes in exchange rates and there is no guarantee that foreign currency risk mitigation initiatives which the syndicate undertakes will be successful in preventing any losses due to such changes.

Exchange rate sensitivity analysis

The analysis below is performed for possible movements in key variables, with all other variables held constant, showing the impact on the result. The correlation of variables will have a significant effect in determining the ultimate impact. However, to isolate and demonstrate the effect due to changes in variables, each variable has been changed on an individual basis. It should be noted that movements in these variables are non-linear.

The following table shows the impact on the result and net assets of a ten percent movement in the US dollar to pounds sterling exchange rate.

	2015 £'000s	2014 (Restated) £'000s
10% increase in USD	**177**	88
10% decrease in USD	**(216)**	(107)

Interest rate market risk

For further details of the management of the syndicate's market risk please refer to page 27.

The syndicate holds investments in its balance sheet, and the performance of its investment portfolio may have an effect on the result. The income derived by the syndicate from its investments, and the capital value of its investments, may fall as well as rise. Therefore, changes in interest rates, credit ratings and other economic variables could substantially affect the syndicate's profitability.

Interest rate sensitivity analysis

The analysis below is performed for possible movements in key variables with all other variables held constant, showing the impact on the result. The correlation of variables will have a significant effect in determining the ultimate impact. However, to isolate and demonstrate the effect due to changes in variables, each variable has been changed on an individual basis. It should be noted that movements in these variables are non-linear.

The table below shows the estimated impact on the result and net assets of a 50 basis point movement in interest rates on the market value of the syndicate's investments. Last year, 100 basis points was used.

	2015 £'000s	2014 (Restated) £'000s
Impact of 50 basis point increase on result	**(6)**	(4)
Impact of 50 basis point decrease on result	**6**	2
Impact of 50 basis point increase on net assets	**(6)**	(4)
Impact of 50 basis point decrease on net assets	**6**	2

c) Fair value estimation

Financial instruments that are fair valued through profit and loss are classified using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

- Level A financial instruments comprise government bonds and securities which have been valued at fair value using quoted prices in an active market.
- Level B financial instruments are securities which have been valued at fair value using the price of a recent transaction for an identical asset. Money market and open-ended funds are included within this level.
- The fair value for level C financial instruments is derived using market variables such as yield curves, credit spreads and quoted prices of similar assets. Level C securities include government agency bonds, supranational bonds and corporate bonds.

2015	Level A £'000s	Level B £'000s	Level C £'000s	Total £'000s
Shares and other variable yield securities	**–**	**1,127**	**–**	**1,127**
Debt securities and other fixed income securities	**1,070**	**–**	**193**	**1,263**
Loans and deposits with credit institutions	**218**	**–**	**–**	**218**
	1,288	**1,127**	**193**	**2,608**

2014 (Restated)	Level A £'000s	Level B £'000s	Level C £'000s	Total £'000s
Shares and other variable yield securities	–	2,231	–	2,231
Debt securities and other fixed income securities	1,078	–	279	1,357
Loans and deposits with credit institutions	192	–	–	192
	1,270	2,231	279	3,780

18. Transition to FRS 102

This is the first year that the syndicate has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the members' balances as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

Profit for the financial year	2014 £'000s
UK GAAP - As previously reported	**727**
Change in the movement of the provision for unearned premiums, net of reinsurance	(28)
Change in the movement of the net long term business provision	(118)
Change in deferred acquisition costs	54
Loss on exchange	(156)
Total adjustment to profit for the financial year	**(248)**
FRS 102	**479**

Members' balances	1 January 2014 £'000s	31 December 2014 £'000s
UK GAAP - As previously reported	**(1,299)**	**(2,459)**
Long-term business provision	130	(118)
Total adjustment to members' balances	**130**	**(118)**
FRS 102	**(1,169)**	**(2,577)**

Unearned premium reserves and deferred acquisition costs

FRS 103 requires that all assets and liabilities arising from an insurance contract are treated as monetary items for foreign currency translation purposes, and as such are now recorded in the balance sheet at closing rates of exchange. Previously, balances such as unearned premiums and deferred acquisition costs were treated as non-monetary items, and recorded in the balance sheet at the rate of exchange prevailing at the date of the original transaction. This change had the impact of increasing members' balances by £0.1m upon transition and decreasing profit by £0.2m for the year ended 31 December 2014.

Annual report and accounts 2015

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited

Underwriting year accounts for the closed year of account 2013

Report of the directors of the managing agent

The managing agent presents its report at 31 December 2015 for the 2013 closed year of account for the following syndicates:

Tokio Marine Kiln Combined Syndicate 510 – Composite
Tokio Marine Kiln Catastrophe Syndicate 557 – Non-marine
Tokio Marine Kiln Life Syndicate 308 – Life

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No. 1950 of 2008, Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

2013 closed year of account

The 2013 year of account closed for Tokio Marine Kiln syndicates with the following results:

510	£'000s	% of capacity
Profit after standard personal expenses	**115,688**	**10.88**

The underwriting surplus (excluding investment return and operating expenses, other than acquisition costs) attributable to the reinsurance to close (RITC) of the 2012 year of account was £36,940,625.

557	£'000s	% of capacity
Profit after standard personal expenses	**7,022**	**15.32**

The underwriting surplus (excluding investment return and operating expenses, other than acquisition costs) attributable to the RITC of the 2012 year of account was £1,270,216.

308	£'000s	% of capacity
Profit after standard personal expenses	**325**	**1.23**

The underwriting surplus (excluding investment return and operating expenses, other than acquisition costs) attributable to the RITC of the 2012 year of account was £13,776.

The underwriters' reports on pages 10 to 18 and the report of the directors of the managing agent on pages 24 to 29 provide further commentary.

Transition to FRS 102

As noted in the report of the directors of the managing agent on page 24 of the annual accounts under UK GAAP, the syndicates transitioned to FRS 102 on 1 January 2014. It should be noted that the transition to FRS 102 affects the open years of account only and has no effect on the underwriting result.

Disclosure of information to the auditors

As 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, which is information needed by the auditors in connection with their report, of which the auditors are unaware. Having made enquiries of fellow directors of the managing agent and the syndicates' auditors, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Reappointment of auditors

The Board approved the reappointment of PricewaterhouseCoopers LLP as auditors on an ongoing basis for the managed syndicates, managing agent and other Tokio Marine Kiln Group entities.

Approved by the Board of directors

Fiona Molloy

Company Secretary
Tokio Marine Kiln Syndicates Limited
14 March 2016

Statement of managing agent's responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('2008 Regulations') require the managing agent to prepare syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by RITC which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

In preparing the syndicate underwriting year accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the RITC shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the underwriting year accounts.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of each syndicate and enable it to ensure that each syndicate underwriting year accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of each syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on its website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors of the managing agent confirm that they have complied with the above requirements in preparing the syndicate underwriting year accounts.

Notes and principal accounting policies applying to all syndicates

as at 31 December 2015

1. Basis of preparation

These underwriting year accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005) and applicable Accounting Standards in the United Kingdom, comprising Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These underwriting year accounts relate to the 2013 year of account which has been closed by RITC as at 31 December 2015. Consequently the balance sheet represents the assets and liabilities of the 2013 year of account at the date of closure. The underwriting account reflects the transactions for that year of account during the three year period until closure.

These underwriting year accounts cover the three years from the date of inception of the 2013 year of account to the date of closure. Accordingly, this is the only reporting period and so comparative amounts are not shown.

2. Critical accounting judgements and estimation uncertainty

In preparing the syndicates' underwriting accounts the managing agent has made judgements and estimates that affect the application of the syndicates' accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements and estimates are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are those listed below. The judgements and estimation uncertainty are explained within the individual accounting policies:

- Premiums written - general and life business
- Earned premiums - general and life business
- Claims provisions and related recoveries - general and life business
- Acquisition costs
- Investments
- Pension costs

3. Accounting policies

The underwriting accounts for each year of account are normally kept open for three years before the result for that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a RITC premium to the successor year of account.

a) Inwards and outwards premiums written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority, line slip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums on a risk by risk basis, representing the difference between the written and signed premium, which is held on the balance sheet as an asset.

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Reinstatement premiums arise when a loss has been incurred on a policy and there is a clause which allows the reinstatement of the policy with the payment of a further premium by the policyholder. Reinstatement premiums payable or recoverable in the event of a claim being made are charged to the same year of account as that to which the underlying loss is allocated.

Single premium life 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 individuals' contracts are also included within single premiums.

Periodic premium life 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.

b) Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy.

An estimate of the future cost of indirect claims handling is calculated as a percentage of the claims reserves held at the balance sheet date.

The net RITC premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs, including claims Incurred But Not Reported (IBNR), net of estimated collectible reinsurance recoveries and net of future net premium, relating to the closed year of account and all previous years of account reinsured therein.

The estimate of claims outstanding 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. It also includes the estimated cost of claims IBNR at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and where material, reported as an asset.

The reinsurers' share is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

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

The directors consider that the estimates of gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the RITC premium so determined.

c) Foreign currencies

Income and expenses, other than RITC premium receivable, in US dollars and Canadian dollars are re-measured into pounds sterling at the rates prevailing at the balance sheet date. RITC premium receivable and underwriting transactions denominated in other foreign currencies are included at the rate of exchange prevailing at the transaction date.

Where currency transactions are entered into by a syndicate relating to the settlement of the profit or loss of the closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where currency transactions relating to the profit or loss of a closed underwriting account are entered into by members on that year (or by Lloyd's on behalf of the members), any exchange profit or loss accrues to those members.

For business written in currencies other than pounds sterling, assets and liabilities are re-measured into pounds sterling at the rates of exchange at the balance sheet date. Differences arising on re-measurement of foreign currency amounts in syndicates are included in the non-technical account for general business and the technical account for long-term business.

d) Investments

The syndicates have chosen to apply the provisions of FRS 102 in full in respect of financial instruments.

The syndicates classify their financial assets into 'shares and other variable-yield securities', 'debt securities and other fixed-income securities' and 'deposits with credit institutions' – all at fair value through profit or loss. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

A financial asset is classified into these categories as fair value through profit or loss at inception if it is acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities.

Financial assets designated as at fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to key management personnel. The investment strategy is to invest in listed government and corporate bonds, fixed interest rate debt securities and absolute return funds designated upon initial recognition as fair value through profit or loss.

The fair values of financial instruments traded in active markets are based on quoted bid prices on the balance sheet date and include interest accrued at that date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The syndicates do not hold any financial instruments that are not traded in an active market (for example, unlisted equities).

Net gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are presented in the statement of comprehensive income within 'unrealised gains on investments' or 'unrealised losses on investments' in the period in which they arise.

e) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the statement of comprehensive income. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

f) 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. The returns on the Joint Asset Trust Funds and Illinois Deposit are allocated to the year of account as notified by Lloyd's. The returns on other assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

Realised gains and losses, on investments carried at fair value through profit or loss are calculated as the difference between sale proceeds and purchase price or where forming consideration for RITC receivable the fair value at the date of transfer. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at transfer as consideration for RITC receivable, together with the reversal of unrealised gains and losses recognised in the accounting period in respect of investment disposals.

Investment return on general business is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account. Investment return on long-term business is recorded directly in the technical account.

g) Operating expenses

Where expenses are incurred by, or on behalf of, the managing agent on the administration of Syndicates 510, 557 and 308, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the Tokio Marine Kiln Group of companies and managed syndicates are apportioned between the Tokio Marine Kiln Group companies and the syndicates on bases depending on the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred.

h) Taxation

Under Schedule 19 of the Finance Act 1993 the syndicates do not pay UK taxation, their profits being allocated and assessed to tax on their members in direct proportion to their capacity.

The syndicates pay various overseas direct and premium based taxes, the majority of which are allocable to their members in direct proportion to their capacity and which can be claimed by members either as double tax relief or as an expense against tax liabilities.

i) Pension costs

Tokio Marine Kiln Syndicates Limited operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicates and included within net operating expenses.

Tokio Marine Kiln Syndicates Limited also operates a defined benefit scheme through the R J Kiln & Co. Limited Pension and Assurance Scheme (closed to future benefit accruals from 1 May 2003). The level of funding is agreed between the Tokio Marine Kiln Group of companies and the scheme actuary. This annual funding contribution is charged as a syndicate expense when incurred.

An algorithm is used to allocate the annual funding charge to Tokio Marine Kiln Group entities and Syndicates 510, 557 and 308. The algorithm was based on the working patterns of the scheme's active members as at the date of the closure of the scheme. The algorithm is also used to allocate the charges and benefits which are allocated to years of account on an equitable basis and are included within net operating expenses.

j) Profit commission

Profit commission is charged by the managing agent at a rate of 12.5% of profit for Syndicate 510 and 17.5% for Syndicates 557 and 308, subject to the operation of a two year deficit clause. Syndicate 510's profit commission is also subject to a two year deficit brought across as a result of the acceptance of the RITC of Syndicate 807's 2011 and prior years of account. This deficit was scaled in proportion to the externally calculated merger ratio and is applicable for up to two years. Where profit commission is charged, it is included within members' standard personal expenses. Syndicate 510's profit commission is calculated after the deduction of a 5% divisional profit share payable to underwriting staff, again subject to the operation of a divisional two year deficit clause. Final settlement is made when the year of account closes; normally at 36 months. Divisional profit share does not become payable until after the appropriate year of account closes; normally at 36 months.

k) Seven year summary – unaudited

The seven year summary has been prepared from the audited accounts of the syndicates. For the illustrative share, gross and net premiums after reinsurance are stated net of brokerage and commissions. Syndicate operating expenses includes members' standard personal expenses and administrative expenses. Investment expenses for all years of account have been deducted from investment return and are not included in syndicate operating expenses. Personal expenses have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the syndicate irrespective of any minimum charge applicable. Corporate members may be charged at different rates. Foreign tax, which may be treated as a credit for personal tax purposes has been excluded. Where necessary, the results have been adjusted to comply with the current underwriting year accounting policies of the syndicate. The adjustments arising are not material and have not been separately disclosed.

Annual report and accounts 2015

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited

Underwriting year accounts for the 2013 closed year of account

Syndicate 510

Tokio Marine Kiln Combined Syndicate

Composite

Independent auditors' report to the members of Syndicate 510 on the 2013 closed underwriting year of account

Our opinion

In our opinion the syndicate underwriting year accounts for the 2013 year of account for the 36 months ended 31 December 2015 (the "syndicate underwriting year accounts"):

- give a true and fair view of the state of the syndicate's profit for the 2013 closed year of account; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

What we have audited

The syndicate underwriting year accounts, included within Syndicate 510 underwriting year accounts (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the statement of comprehensive income for the 36 months then ended;
- the cash flow statement for the 36 months then ended;
- the accounting policies; and
- the notes to the syndicate underwriting year accounts, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the syndicate underwriting year accounts is applicable law and United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

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.

Other matters on which we are required to report by exception

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

- the managing agent in respect of the syndicate has not kept proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Responsibilities for the syndicate underwriting year 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 113, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the financial reporting framework described above and for being satisfied that they give a true and fair view of the result for the 2013 closed year of account.

Our responsibility is to audit and express an opinion on the syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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 part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) 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 into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of syndicate underwriting year 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 underwriting year accounts sufficient to give reasonable assurance that the syndicate underwriting year 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 underwriting year 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 year 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 underwriting year 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.

Mark Bolton
Senior Statutory Auditor
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 15 March 2016

Statement of comprehensive income: technical account – general business

for the 36 months ended 31 December 2015

	Note	2013 £'000s
Syndicate allocated capacity		1,063,666
Earned premiums, net of reinsurance		
Gross premiums written	1	1,160,972
Outward reinsurance premiums		(247,145)
Earned premiums, net of reinsurance		913,827
Reinsurance to close premium receivable, net of reinsurance	2	426,182
Allocated investment return transferred from the non-technical account		7,853
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		(572,536)
Reinsurers' share		108,032
Reinsurance to close premium payable, net of reinsurance	3	(427,438)
Claims incurred, net of reinsurance		(891,942)
Members' standard personal expenses		(32,901)
Net operating expenses	4,5,6	(301,496)
Balance on the technical account for general business	7	121,523

Statement of comprehensive income: non-technical account

for the 36 months ended 31 December 2015

	Note	2013 £'000s
Balance on the general business technical account		121,523
Investment income	8	16,067
Investment expenses and charges	8	(4,229)
Net unrealised losses on investments	8	(3,985)
Allocated investment return transferred to the general business technical account	8	(7,853)
(Loss) on exchange		(5,835)
Profit for the 2013 closed year of account		115,688

There is no other comprehensive income

Balance sheet

for the 2013 closed year of account as at 31 December 2015

Assets	Note	2013 £'000s
Investments		
Other financial investments	9	375,951
Deposits with ceding undertakings		50
Debtors	10	151,876
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	3	117,092
Other assets		
Cash at bank and in hand		4,745
Overseas deposits	11	71,473
Prepayments and accrued income		93
Total assets		721,280

Liabilities	Note	2013 £'000s
Amounts due to members	12	55,173
Reinsurance to close premium payable to close the account – gross amount	3	544,530
Deposits received from reinsurers		808
Creditors	13	120,599
Accruals and deferred income		170
Total liabilities		721,280

The underwriting year accounts, which comprise pages 117 to 130 and the notes and principal accounting policies applicable to all syndicates on pages 114 to 116, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 10 March 2016 and were signed on its behalf by

James Dover

Finance Director
Tokio Marine Kiln Syndicates Limited
14 March 2016

Cash flow statement

for the 36 months ended 31 December 2015

	Note	2013 £'000s
Cash flows from operating activities:		
Operating profit on ordinary activities		115,688
Non-cash consideration of net RITC receivable		(349,108)
Net RITC premium payable	3	427,438
(Increase) in debtors		(10,079)
Increase in creditors		19,969
Realised and unrealised investment (gains) including foreign exchange		5,671
Net cash inflow from operating activities		**209,579**
Cash flows from investing activities:		
Increase in shares and other variable yield securities		(82,655)
Purchase of debt securities and other fixed income securities		(868,518)
Sale of debt securities and other fixed income securities		883,427
Other investments		(35)
Overseas deposits		(4,759)
Net cash (outflow) from investing activities		**(72,540)**
Cash flows from financing activities:		
Transfer to members in respect of underwriting participations	12	(56,825)
Members' agents' fees paid on behalf of members including foreign exchange		(3,690)
Net cash (outflow) from financing activities		**(60,515)**
Net increase in cash and cash equivalents		**76,524**
Cash and cash equivalents at beginning of the 36 months		–
Cash and cash equivalents at end of the 36 months		76,524
Cash and cash equivalents consists of:		
Cash at bank and in hand		4,745
Overseas deposits	11	71,473
Short term deposits presented within other financial investments		306
Cash and cash equivalents at end of the 36 months		**76,524**

Notes to the accounts

for the 36 months ended 31 December 2015

1. Segmental analysis

An analysis of the underwriting result before investment return and loss on exchange is set out below:

	Gross premiums written (notes i & iv) £'000s	Gross claims incurred (note ii) £'000s	Gross operating expenses £'000s	Reinsurance balance (note iii) £'000s	Total £'000s
Division:					
Property & Special Lines	550,679	(279,053)	(206,653)	(25,852)	39,121
Marine & Special Risks	229,496	(127,934)	(69,299)	(10,221)	22,042
Reinsurance	161,576	(66,621)	(37,056)	(48,508)	9,391
Aviation	62,510	(47,462)	(20,332)	7,756	2,472
Accident & Health	122,142	(67,217)	(46,089)	(3,062)	5,774
Enterprise Risk	34,569	(20,870)	(14,810)	(960)	(2,071)
	1,160,972	(609,157)	(394,239)	(80,847)	76,729
RITC received	542,271	(507,909)	-	2,579	36,941
	1,703,243	(1,117,066)	(394,239)	(78,268)	113,670

Of the above divisions the following have accepted inwards reinsurance business: Reinsurance (100%); Aviation (47.9%); Accident & Health (29.8%); Marine & Special Risks (27.9%); Property & Special Lines (17.3%) and Enterprise Risk (13.0%).

i. Gross premiums earned are identical to gross premiums written.

ii. Gross claims incurred comprise gross claims paid and gross RITC premium payable.

iii. The reinsurance balance comprises reinsurance recoveries on claims paid, reinsurance recoveries anticipated on RITC payable, reinsurance commissions receivable less reinsurance premiums ceded and reinsurance recoveries anticipated on RITC receivable.

iv. All premiums are concluded in the UK.

The geographical analysis of premium by location of the client is as follows:

	£'000s
UK	626,282
Other EU countries	104,936
US	463,527
Other	508,498
	1,703,243

2. Reinsurance to close premium receivable

	£'000s
Gross reinsurance to close premium receivable	542,271
Reinsurance recoveries anticipated	(116,089)
	426,182

3. Reinsurance to close premium payable

	£'000s
Gross notified outstanding claims	338,792
Reinsurance recoveries anticipated	(78,747)
Net notified outstanding claims	260,045
Provision for gross claims IBNR	205,738
Reinsurance recoveries anticipated on IBNR	(38,345)
Provision for net IBNR	167,393
	427,438

The reinsurance to close is effected to the 2014 year of account of Syndicate 510.

4. Net operating expenses

	£'000s
Acquisition costs	306,947
Administrative expenses	54,391
Gross operating expenses	361,338
Reinsurance commissions and profit participations	(59,842)
	301,496

Included within administrative expenses is auditors' remuneration:

	£'000s
Audit services:	
Fees payable to the syndicate's auditors for the audit of the syndicate accounts	148
Other services:	
Other services pursuant to legislation	102
	250

The charge incurred for other services is wholly and exclusively in relation to the audit and review of the syndicate's regulatory returns.

5. Staff numbers and costs

Staff were employed by Tokio Marine Kiln Insurance Services Limited. The following amounts were recharged to the 2013 year of account in respect of salary costs and are included within administrative expenses:

	£'000s
Wages, salaries and social security costs	20,432
Other pension costs	1,138
	21,570

Of this amount £39,719 was paid as consulting fees to other Tokio Marine Group companies in respect of staff working on the syndicate with the remainder recharged to the syndicate by Tokio Marine Kiln Insurance Services Limited.

The average number of full-time employees working for the syndicate on the 2013 year of account was as follows:

Administration and finance	105
Underwriting	85
Claims	35
	225

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is applied in the table above. Of this number 223 were employed by Tokio Marine Kiln Insurance Services Limited and the remainder by other Tokio Marine Group companies.

6. Emoluments of the directors and Active Underwriters

The Tokio Marine Kiln Group of companies operate a bonus pooling arrangement such that profit-related pay is generated from the managing agency profit commission, the group's share of the underwriting result through its corporate member Kiln Underwriting Limited, and additionally through a proportion of the underwriting result of the corporate member Tokio Marine Underwriting Limited whose participations are managed by Tokio Marine Kiln Syndicates Limited. A considerable portion of the profit-related pay is therefore borne by other Tokio Marine Kiln Group entities. The directors of Tokio Marine Kiln Syndicates Limited received the following aggregate remuneration in relation to their work on the syndicate, of which £928,542 was charged as an expense to the 2013 year of account:

	£'000s
Emoluments	1,748

The Active Underwriters received the following remuneration charged to the 2013 year of account as a syndicate expense:

	£'000s
Emoluments	2,952

7. Analysis of technical result

	2012 & prior years of account £'000s	2013 pure year of account £'000s	Total 2013 £'000s
Technical account balance excluding investment return and operating expenses	36,941	411,126	448,067
Brokerage and commission on gross premium	–	(306,947)	(306,947)
Reinsurance commissions receivable	–	59,842	59,842
	36,941	164,021	200,962
Allocated investment return transferred from the non-technical account	–	7,853	7,853
Net operating expenses other than acquisition costs	–	(87,292)	(87,292)
	36,941	84,582	121,523

All acquisition costs are attributable to business allocated to the 2013 pure year of account.

8. Investment income and expenses

	£'000s
Investment income:	
Income from investments	14,891
Realised gains on investments	1,176
Unrealised gains on investments	899
Investment expenses:	
Investment management expenses, including interest	(1,034)
Realised losses on investments	(3,195)
Unrealised losses on investments	(4,884)
	7,853

9. Other financial investments

	Fair value £'000s	Purchase price £'000
Shares and other variable yield securities	110,503	110,797
Debt securities and other fixed income securities	261,417	261,781
Deposits with credit institutions	3,995	3,995
Other investments	36	–
	375,951	376,573

All financial instruments are designated as fair value through profit or loss upon initial recognition.

Other investments are comprised of forward currency contracts and a futures initial margin fund.

The syndicate manages the foreign exchange risk posed by writing insurance policies in certain regions by using forward currency contracts. The total notional value of these contracts at 31 December 2015 was £1,359,263.

10. Debtors

	£'000s
Due within one year:	
Arising out of direct insurance operations:	
Due from intermediaries	59,371
Inter-year loans	1,208
Arising out of reinsurance operations	74,000
Other debtors	9,163
	143,742
Due after one year:	
Arising out of direct insurance operations	29
Other debtors	8,105
	8,134
	151,876

11. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

12. Amounts due to members

	£'000s
Profit for the 2013 closed year of account	115,688
Transfer to members in respect of underwriting participations	(56,825)
Members' agents' fee advances	(3,690)
Amounts due to members at 31 December 2015	55,173

13. Creditors

	£'000s
Due within one year:	
Arising out of direct insurance operations:	
Due to intermediaries	52,505
Inter-year loans	312
Arising out of reinsurance operations	49,219
Other creditors	18,537
	120,573
Due after one year:	
Arising out of direct insurance operations	26
	120,599

14. Related parties

Syndicate 510 accepted inwards reinsurance business from, and placed outwards reinsurance business with, other Tokio Marine Group entities including Syndicate 1880, that are deemed to be related parties of Tokio Marine Kiln Syndicates Limited by virtue of the shareholding in Tokio Marine Kiln Group Limited by Tokio Marine Holdings, Inc. Syndicate 557 and Syndicate 510 are considered to be related parties as Tokio Marine Kiln Syndicates Limited is the managing agent of both syndicates. All transactions between these entities were conducted at arm's length and on normal commercial terms.

Syndicate 510 accepted written premium from related parties for the 2013 year of account of £5,582,554. Net return premium of £125,680 was due to related parties at the period end. The outstanding claims, including an element of IBNR, were £744,347.

Written premiums ceded by Syndicate 510 to related parties for the 2013 year of account were £114,060,455. Paid recoveries from related parties during the period were £46,669,952. Unpaid recoveries at the period end amounted to £26,169,451 and future recoveries on outstanding claims, including an element of IBNR, were £11,818,663.

Treaty profit commission due to Syndicate 510 from related parties for the 2013 year of account was £1,840,846. Profit commission received from related parties during the period was £1,761,996. Profit commission receivable at the period end amounted to £82,068.

The syndicate received business through the following service and related companies whose investments are held ultimately by the managing agent: Tokio Marine Kiln Hong Kong Limited (100% owned), Tokio Marine Kiln Singapore Pte Limited (100% owned), Tokio Marine Kiln Regional Underwriting Limited (100% owned) and Ibex Insurance Services Limited (30% owned).

The syndicate also received business through Kiln Europe S.A. which is 100% owned by Tokio Marine Kiln Group Limited, WNC Insurance Services, Inc., whose parent WNC Holding Company, LP is 49% owned by Tokio Marine Kiln Group Limited and NAS Insurance Services, Inc. which is 49% owned by Tokio Marine Kiln Group Limited. Profit commission on inwards business of £604,111 was paid to related parties for the 2013 year of account and £384,996 of profit commission was payable at the period end.

Profit commission of £23,466,206 is payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of profits for the 2013 year.

Managing agency fees of £7,748,254 were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £41,962,933 were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 20 provides further information regarding all syndicates and related parties.

Seven year summary (unaudited)

	2007	2008	2009	2010	2011	2012	2013
Syndicate allocated capacity £m	733.72	587.52	629.65	922.53	922.31	1,062.27	1,063.67
Number of underwriting members	1,477	1,459	1,460	1,540	1,577	1,647	1,661
Aggregate net premiums £m	560.64	595.70	666.33	707.01	739.10	906.73	913.83
Result £m	96.96	98.66	119.93	24.88	69.05	90.43	115.69
Results for an illustrative share of £10,000							
Gross premiums written and earned	6,941	9,958	10,577	7,403	7,532	8,143	8,029
– as a percentage of allocated capacity	69%	100%	106%	74%	75%	81%	80%
Net premiums written and earned	5,574	7,346	7,811	5,548	5,778	6,156	6,268
– as a percentage of allocated capacity	56%	73%	78%	55%	58%	62%	63%
RITC from an earlier year of account	4,025	5,017	5,052	3,596	3,701	3,529	4,007
Net claims incurred	(4,434)	(6,190)	(5,194)	(4,586)	(4,261)	(4,140)	(4,367)
RITC the year of account	(4,017)	(5,483)	(5,269)	(3,700)	(3,706)	(4,012)	(4,019)
Underwriting result	1,148	690	2,400	858	1,512	1,533	1,889
Profit/(loss) on exchange	612	1,459	268	(106)	(120)	1	(55)
Syndicate operating expenses	(498)	(589)	(557)	(450)	(475)	(524)	(511)
Balance on the technical account	1,262	1,560	2,091	302	917	1,010	1,323
Investment return	473	531	264	155	90	87	74
Result before personal expenses	1,735	2,091	2,355	457	1,007	1,097	1,397
Illustrative personal expenses	(414)	(412)	(450)	(187)	(259)	(245)	(309)
Result	1,321	1,679	1,905	270	748	852	1,088

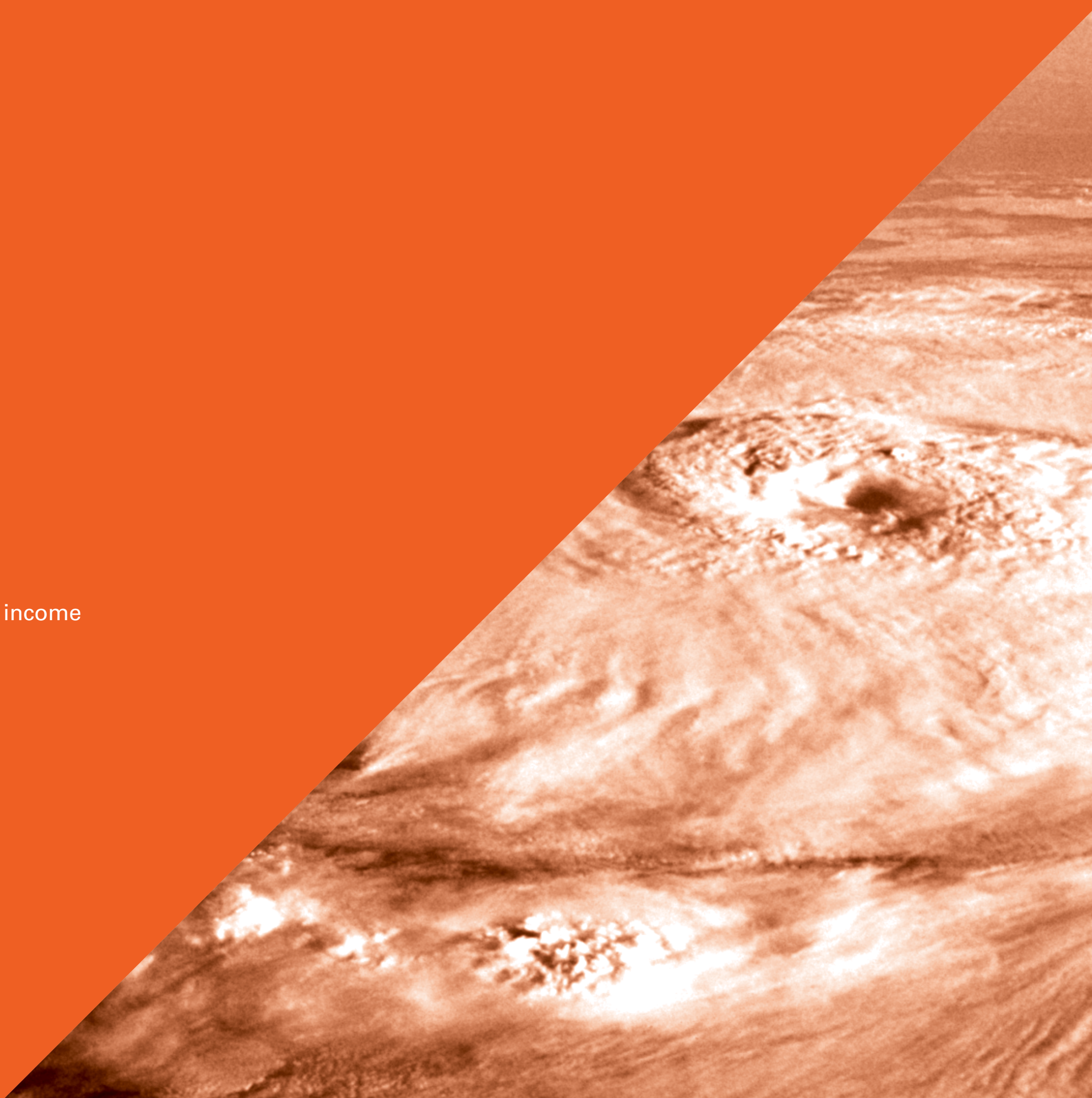
Annual report and accounts 2015

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited

Underwriting year accounts for the 2013 closed year of account

Syndicate 557

Tokio Marine Kiln Catastrophe Syndicate
Non-marine



Independent auditors' report to the members of Syndicate 557 on the 2013 closed underwriting year of account

Our opinion

In our opinion, the syndicate underwriting year accounts for the 2013 year of account for the 36 months ended 31 December 2015 (the "syndicate underwriting year accounts"):

- give a true and fair view of the state of the syndicate's profit for the 2013 closed year of account; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

What we have audited

The syndicate underwriting year accounts, included within Syndicate 557 underwriting year accounts (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the statement of comprehensive income for the 36 months then ended;
- the cash flow statement for the 36 months then ended;
- the accounting policies; and
- the notes to the syndicate underwriting year accounts, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the syndicate underwriting year accounts is applicable law and United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

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.

Other matters on which we are required to report by exception

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

- the managing agent in respect of the syndicate has not kept proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Responsibilities for the syndicate underwriting year 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 113, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the financial reporting framework described above and for being satisfied that they give a true and fair view of the result for the 2013 closed year of account.

Our responsibility is to audit and express an opinion on the syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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 part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) 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 into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of syndicate underwriting year 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 underwriting year accounts sufficient to give reasonable assurance that the syndicate underwriting year 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 underwriting year 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 year 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 underwriting year 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.

Mark Bolton
Senior Statutory Auditor
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 15 March 2016

Statement of comprehensive income: technical account – general business

for the 36 months ended 31 December 2015

	Note	2013 £'000s
Syndicate allocated capacity		45,823
Earned premiums, net of reinsurance		
Gross premiums written	1	31,316
Outward reinsurance premiums		(5,260)
Earned premiums, net of reinsurance		26,056
Reinsurance to close premium receivable, net of reinsurance	2	21,319
Allocated investment return transferred from the non-technical account		322
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		(17,788)
Reinsurers' share		1,233
Reinsurance to close premium payable, net of reinsurance	3	(19,054)
Claims incurred, net of reinsurance		(35,609)
Members' standard personal expenses		(1,829)
Net operating expenses	4,5,6	(2,908)
Balance on the technical account for general business	7	7,351

Statement of comprehensive income: non-technical account

for the 36 months ended 31 December 2015

	Note	2013 £'000s
Balance on the general business technical account		7,351
Investment income	8	952
Investment expenses and charges	8	(338)
Net unrealised losses on investments	8	(292)
Allocated investment return transferred to the general business technical account	8	(322)
(Loss) on exchange		(329)
Profit for the 2013 closed year of account		7,022

There is no other comprehensive income.

Balance sheet

for the 2013 closed year of account as at 31 December 2015

Assets	Note	2013 £'000s
Investments		
Other financial investments	9	25,356
Debtors	10	392
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	3	1,192
Other assets		
Cash at bank and in hand		1,794
Overseas deposits	11	19
Prepayments and accrued income		1
Total assets		28,754

Liabilities	Note	2013 £'000s
Amounts due to members	12	6,660
Reinsurance to close premium payable to close the account – gross amount	3	20,246
Creditors	13	1,848
Total liabilities		28,754

The underwriting year accounts, which comprise pages 131 to 142 and the notes and principal accounting policies applicable to all syndicates on pages 114 to 116, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 10 March 2016 and were signed on its behalf by

James Dover

Finance Director
Tokio Marine Kiln Syndicates Limited
14 March 2016

Cash flow statement

for the 36 months ended 31 December 2015

	Note	2013 £'000s
Cash flows from operating activities:		
Operating profit on ordinary activities		7,022
Non-cash consideration for net RITC receivable		(21,289)
Net RITC premium payable	3	19,054
(Increase) in debtors		(290)
Increase in creditors		1,112
Realised and unrealised investment (gains) including foreign exchange		(1,497)
Net cash inflow from operating activities		**4,112**
Cash flows from investing activities:		
Increase in shares and other variable yield securities		(31)
Purchase of debt securities and other fixed income securities		(54,765)
Sale of debt securities and other fixed income securities		54,350
Overseas deposits		(11)
Net cash (outflow) from investing activities		**(457)**
Cash flows from financing activities:		
Members' agents' fees paid on behalf of members including foreign exchange		(362)
Net cash (outflow) from financing activities		**(362)**
Net increase in cash and cash equivalents		**3,293**
Cash and cash equivalents at beginning of the 36 months		–
Cash and cash equivalents at end of the 36 months		3,293
Cash and cash equivalents consists of:		
Cash at bank and in hand		1,794
Overseas deposits	11	19
Short term deposits presented within other financial investments		1,480
Cash and cash equivalents at end of the 36 months		**3,293**

Notes to the accounts

for the 36 months ended 31 December 2015

1. Segmental analysis

An analysis of the underwriting result before investment return and loss on exchange is set out below:

	Gross premiums written (notes i & iv) £'000s	Gross claims incurred (note ii) £'000s	Gross operating expenses £'000s	Reinsurance balance (note iii) £'000s	Total £'000s
Reinsurance acceptances	31,316	(17,524)	(4,737)	(3,296)	5,759
RITC received	23,171	(20,510)	–	(1,391)	1,270
	54,487	(38,034)	(4,737)	(4,687)	7,029

i. Gross premiums earned are identical to gross premiums written.

ii. Gross claims incurred comprise gross claims paid and gross RITC premium payable.

iii. The reinsurance balance comprises reinsurance recoveries on claims paid, reinsurance recoveries anticipated on RITC payable, less reinsurance premiums ceded and reinsurance recoveries anticipated on RITC receivable.

iv. All premiums are concluded in the UK. The client location for all premiums is the UK.

2. Reinsurance to close premium receivable

	£'000s
Gross reinsurance to close premium receivable	23,171
Reinsurance recoveries anticipated	(1,852)
	21,319

3. Reinsurance to close premium payable

	£'000s
Gross notified outstanding claims	11,908
Reinsurance recoveries anticipated	(900)
Net notified outstanding claims	11,008
Provision for gross claims IBNR	8,338
Reinsurance recoveries anticipated on IBNR	(292)
Provision for net IBNR	8,046
	19,054

The reinsurance to close is effected to the 2014 year of account of Syndicate 557.

4. Net operating expenses

	£'000s
Acquisition costs	907
Administrative expenses	2,001
Gross operating expenses	2,908
Reinsurance commissions and profit participations	–
	2,908

Included within administrative expenses is auditors' remuneration:

	£'000s
Audit services:	
Fees payable to the syndicate's auditors for the audit of the syndicate accounts	28
Other services:	
Other services pursuant to legislation	20
	48

The charge incurred for other services is wholly and exclusively in relation to the audit and review of the syndicate's regulatory returns.

5. Staff numbers and costs

Staff were employed by Tokio Marine Kiln Insurance Services Limited. The following amounts were recharged to the 2013 year of account in respect of salary costs and are included within administrative expenses:

	£'000s
Wages, salaries and social security costs	1,143
Other pension costs	87
	1,230

Of this amount £4,437 was paid as consulting fees to other Tokio Marine Group companies in respect of staff working on the syndicate with the remainder recharged to the syndicate by Tokio Marine Kiln Insurance Services Limited.

The average number of full-time employees working for the syndicate on the 2013 year of account was as follows:

Administration and finance	8
Underwriting	2
Claims	1
	11

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is applied in the table above. Of this number, the equivalent of less than one full-time employee was employed by other Tokio Marine Group companies.

6. Emoluments of the directors and Active Underwriter

The Tokio Marine Kiln Group of companies operates a bonus pooling arrangement such that profit-related pay is generated from the managing agency profit commission, the group's share of the underwriting result through its corporate member Kiln Underwriting Limited, and additionally through a proportion of the underwriting result of the corporate member Tokio Marine Underwriting Limited whose participations are managed by Tokio Marine Kiln Syndicates Limited. A considerable portion of the profit-related pay is therefore borne by other Tokio Marine Kiln Group entities. The directors of Tokio Marine Kiln Syndicates Limited received the following aggregate remuneration in relation to their work on the syndicate, of which £31,492 was charged as an expense to the 2013 year of account:

	£'000s
Emoluments	57

The Active Underwriter received the following remuneration charged to the 2013 year of account as a syndicate expense:

	£'000s
Emoluments	125

7. Analysis of technical result

	2012 & prior years of account £'000s	2013 pure year of account £'000s	Total 2013 £'000s
Technical account balance excluding investment return and operating expenses	1,270	10,496	11,766
Brokerage and commission on gross premium	–	(907)	(907)
	1,270	9,589	10,859
Allocated investment return transferred from the non-technical account	–	322	322
Net operating expenses other than acquisition costs	–	(3,830)	(3,830)
	1,270	6,081	7,351

All acquisition costs are attributable to business allocated to the 2013 pure year of account.

8. Investment income and expenses

	£'000s
Investment income:	
Income from investments	897
Realised gains on investments	55
Unrealised gains on investments	22
Investment expenses:	
Investment management expenses, including interest	(35)
Realised losses on investments	(303)
Unrealised losses on investments	(314)
	322

9. Other financial investments

	Fair value £'000s	Purchase price £'000s
Shares and other variable yield securities	3,138	3,138
Debt securities and other fixed income securities	22,215	22,229
Deposits with credit institutions	3	3
	25,356	25,370

All financial instruments are designated as fair value through profit or loss upon initial recognition.

10. Debtors

	£'000s
Arising out of direct insurance operations:	
Inter-year loans	7
Arising out of reinsurance operations	382
Other debtors	3
	392

All amounts are due within one year.

11. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

12. Amounts due to members

	£'000s
Profit for the 2013 closed year of account	7,022
Members' agents' fee advances	(362)
Amounts due to members at 31 December 2015	6,660

13. Creditors

	£'000s
Arising out of direct insurance operations	
Inter-year loans	182
Arising out of reinsurance operations	28
Other creditors	1,638
	1,848

All amounts are due within one year.

14. Related parties

Syndicate 557 is considered to be a related party of, and accepted inwards reinsurance business from Syndicate 510. All transactions with this entity were conducted at arm's length and on normal commercial terms.

Syndicate 557 accepted written premium from Syndicate 510 for the 2013 year of account of £31,316,163. The unpaid premiums due from Syndicate 510 at the period end were £193,403. The outstanding claims, including an element of IBNR, were £2,829,228. No business was ceded to related parties.

Profit commission of £1,485,795 is payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of profits for the 2013 year.

Managing agency fees of £342,995 were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £2,238,102 were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 20 provides further information regarding all syndicates and related parties.

Seven year summary (unaudited)

	2007	2008	2009	2010	2011	2012	2013
Syndicate allocated capacity £m	119.67	119.34	119.44	119.54	59.87	56.27	45.82
Number of underwriting members	981	1,038	1,077	1,129	1,144	1,086	932
Aggregate net premiums £m	29.19	34.86	43.33	34.57	25.72	28.06	26.06
Result £m	19.88	17.08	18.42	(30.35)	6.12	3.27	7.02
Results for an illustrative share of £10,000							
Gross premiums written and earned	2,155	2,611	3,225	2,737	4,876	5,954	6,637
– as a percentage of allocated capacity	22%	26%	32%	27%	49%	60%	66%
Net premiums written and earned	1,904	2,300	2,810	2,349	4,151	4,819	5,488
– as a percentage of allocated capacity	19%	23%	28%	23%	42%	48%	55%
RITC from an earlier year of account	1,042	749	858	885	4,535	3,328	4,653
Net claims incurred	(330)	(905)	(815)	(3,264)	(4,150)	(3,510)	(3,613)
RITC the year of account	(746)	(859)	(886)	(2,271)	(3,128)	(3,789)	(4,158)
Underwriting result	1,870	1,285	1,967	(2,301)	1,408	848	2,370
Profit/(loss) on exchange	212	401	(29)	(53)	(43)	27	(72)
Syndicate operating expenses	(98)	(178)	(161)	(171)	(332)	(309)	(437)
Balance on the technical account	1,984	1,508	1,777	(2,525)	1,033	566	1,8621
Investment return	255	302	167	60	64	91	70
Result before personal expenses	2,239	1,810	1,944	(2,465)	1,097	657	1,931
Illustrative personal expenses	(577)	(378)	(402)	(75)	(75)	(75)	(399)
Result	1,662	1,432	1,542	(2,540)	1,022	582	1,532

Annual report and accounts 2015

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited

Underwriting year accounts for the 2013 closed year of account

Syndicate 308

Tokio Marine Kiln Life Syndicate
Life

Independent auditors' report to the members of Syndicate 308 on the 2013 closed underwriting year of account

Our opinion

In our opinion, the syndicate underwriting year accounts for the 2013 year of account for the 36 months ended 31 December 2015 (the "syndicate underwriting year accounts"):

- give a true and fair view of the state of the syndicate's profit for the 2013 closed year of account; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

What we have audited

The syndicate underwriting year accounts, included within Syndicate 308 underwriting year accounts (the "Annual Report"), comprise:

- the balance sheet as at 31 December 2015;
- the statement of comprehensive income for the 36 months then ended;
- the cash flow statement for the 36 months then ended;
- the accounting policies; and
- the notes to the syndicate underwriting year accounts, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the syndicate underwriting year accounts is applicable law and United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

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.

Other matters on which we are required to report by exception

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

- the managing agent in respect of the syndicate has not kept proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Responsibilities for the syndicate underwriting year 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 113, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the financial reporting framework described above and for being satisfied that they give a true and fair view of the result for the 2013 closed year of account.

Our responsibility is to audit and express an opinion on the syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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 part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) 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 into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of syndicate underwriting year 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 underwriting year accounts sufficient to give reasonable assurance that the syndicate underwriting year 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 underwriting year 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 year 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 underwriting year 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.

Mark Bolton
Senior Statutory Auditor
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 15 March 2016

Statement of comprehensive income: technical account – long-term business

for the 36 months ended 31 December 2015

	Note	2013 £'000s
Syndicate allocated capacity		26,500
Earned premiums, net of reinsurance		
Gross premiums written	1	29,817
Outward reinsurance premiums		(1,964)
Earned premiums, net of reinsurance		27,853
Reinsurance to close premium receivable, net of reinsurance	2	921
Investment income	8	33
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		(17,044)
Reinsurers' share		508
Reinsurance to close premium payable, net of reinsurance	3	(1,444)
Claims incurred, net of reinsurance		(17,980)
Members' standard personal expenses		(480)
Net operating expenses	4,5,6	(10,003)
Investment expenses and charges	8	(11)
Net unrealised (losses) on investments	8	(8)
Balance on the technical account for long-term business and profit for the 2013 closed year of account	7	325

There are no non-technical items.

There is no other comprehensive income.

Balance sheet

for the 2013 closed year of account as at 31 December 2015

Assets	Note	2013 £'000s
Investments		
Other financial investments	9	954
Debtors	10	3,606
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	3	222
Other assets		
Cash at bank and in hand		444
Overseas deposits	11	4
Total assets		5,230

Liabilities	Note	2013 £'000s
Amounts due to members	12	240
Reinsurance to close premium payable to close the account – gross amount	3	1,666
Creditors	13	3,324
Total liabilities		5,230

The underwriting year accounts, which comprise pages 143 to 154 and the notes and principal accounting policies applicable to all syndicates on pages 114 to 116, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 10 March 2016 and were signed on its behalf by

James Dover

Finance Director
Tokio Marine Kiln Syndicates Limited
14 March 2016

Cash flow statement

for the 36 months ended 31 December 2015

	Note	2013 £'000s
Cash flows from operating activities:		
Operating profit on ordinary activities		325
Non-cash consideration for net RITC receivable		(833)
Net RITC premium payable	3	1,444
(Increase) in debtors		(161)
Increase in creditors		115
Realised and unrealised investment (gains) including foreign exchange		(53)
Net cash inflow from operating activities		**837**
Cash flows from investing activities:		
Decrease in shares and other variable yield securities		238
Purchase of debt securities and other fixed income securities		(4,406)
Sale of debt securities and other fixed income securities		3,948
Overseas deposits		(84)
Net cash (outflow) from investing activities		**(304)**
Cash flows from financing activities:		
Members' agents' fees paid on behalf of members including foreign exchange		(85)
Net cash (outflow) from financing activities		**(85)**
Net increase in cash and cash equivalents		**448**
Cash and cash equivalents at beginning of the 36 months		–
Cash and cash equivalents at end of the 36 months		448
Cash and cash equivalents consists of:		
Cash at bank and in hand		444
Overseas deposits	11	4
Cash and cash equivalents at end of the 36 months		**448**

Notes to the accounts

for the 36 months ended 31 December 2015

1. Segmental analysis

An analysis of the gross written premium and reinsurance balances is set out below:

	Gross premiums written (note i) £'000s	Reinsurance balance (note ii) £'000s
Direct insurance	25,139	(995)
Reinsurance acceptances	4,678	(185)
RITC received	1,161	(240)
	30,978	(1,420)

i. Gross premiums written comprise gross premium written and the gross RITC premium receivable.

ii. The reinsurance balance comprises reinsurance recoveries on claims paid, reinsurance recoveries anticipated on RITC payable, reinsurance commissions receivable less reinsurance premiums ceded and reinsurance recoveries anticipated on RITC receivable.

The direct gross written premium can be further analysed as follows:

	£'000s
Individual premiums	3,293
Premiums under group contracts	21,846
	25,139
Periodic premiums	14,136
Single premiums	11,003
	25,139

All premiums were concluded in the UK.

In the opinion of the directors Syndicate 308 operates in a single business segment, being that of long-term insurance business.

An analysis of the gross new business premium is set out below:

	Gross premiums written £'000s
Direct insurance	1,650
Reinsurance acceptances	263
	1,913

Outwards reinsurance placed in relation to new business written is not material.

The direct gross new business written premium can be further analysed as follows:

	£'000s
Individual premiums	555
Premiums under group contracts	1,095
	1,650
Periodic premiums	555
Single premiums	1,095
	1,650

The geographical analysis of premium by location of the client is as follows:

	£'000s
UK	20,737
Other EU countries	2,454
US	4,131
Other	3,656
	30,978

2. Reinsurance to close premium receivable

	£'000s
Gross reinsurance to close premium receivable	1,161
Reinsurance recoveries anticipated	(240)
	921

3. Reinsurance to close premium payable

	£'000s
Gross notified outstanding claims	786
Reinsurance recoveries anticipated	(131)
Net notified outstanding claims	655
Provision for gross claims IBNR	880
Reinsurance recoveries anticipated on IBNR	(91)
Provision for net IBNR	789
	1,444

The reinsurance to close is effected to the 2014 year of account of Syndicate 308.

4. Net operating expenses

	£'000s
Acquisition costs	7,662
Administrative expenses	2,254
Loss on exchange	141
Gross operating expenses	10,057
Reinsurance commissions and profit participations	(54)
	10,003

Included within administrative expenses is auditors' remuneration:

	£'000s
Audit services:	
Fees payable to the syndicate's auditors for the audit of the syndicate accounts	36
Other services:	
Other services pursuant to legislation	25
	61

The charge incurred for other services is wholly and exclusively in relation to the audit and review of the syndicate's regulatory returns.

5. Staff numbers and costs

Staff were employed by Tokio Marine Kiln Insurance Services Limited. The following amounts were recharged to the 2013 year of account in respect of salary costs and are included within administrative expenses:

	£'000s
Wages, salaries and social security costs	1,433
Other pension costs	40
	1,473

Of this amount £3,134 was paid as consulting fees to other Tokio Marine Group companies in respect of staff working on the syndicate with the remainder recharged to the syndicate by Tokio Marine Kiln Insurance Services Limited.

The average number of full-time employees working for the syndicate on the 2013 year of account was as follows:

Administration and finance	9
Underwriting	7
Claims	1
	17

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is applied in the table above. Of this number, the equivalent of less than one full-time employee was employed by other Tokio Marine Group companies.

6. Emoluments of the directors and Active Underwriter

The Tokio Marine Kiln Group of companies operates a bonus pooling arrangement such that profit-related pay is generated from the managing agency profit commission, the group's share of the underwriting result through its corporate member Kiln Underwriting Limited, and additionally through a proportion of the underwriting result of the corporate member Tokio Marine Underwriting Limited whose participations are managed by Tokio Marine Kiln Syndicates Limited. A considerable portion of the profit-related pay is therefore borne by other Tokio Marine Kiln Group entities. The directors of Tokio Marine Kiln Syndicates Limited received the following aggregate remuneration in relation to their work on the syndicate, of which £46,468 was charged as an expense to the 2013 year of account:

	£'000s
Emoluments	86

The Active Underwriter received the following remuneration charged to the 2013 year of account as a syndicate expense:

	£'000s
Emoluments	181

7. Analysis of technical result

	2012 & prior years of account £'000s	2013 pure year of account £'000s	Total 2013 £'000s
Technical account balance excluding investment return and operating expenses	14	10,780	10,794
Brokerage and commission on gross premium	–	(7,662)	(7,662)
Reinsurance commissions receivable	–	54	54
	14	3,172	3,186
Allocated investment return	–	14	14
Net operating expenses other than acquisition costs	–	(2,875)	(2,875)
	14	311	325

All acquisition costs are attributable to business allocated to the 2013 pure year of account.

8. Investment income and expenses

	£'000s
Investment income:	
Income from investments	32
Realised gains on investments	1
Unrealised gains on investments	–
Investment expenses:	
Investment management expenses, including interest	(5)
Realised losses on investments	(6)
Unrealised losses on investments	(8)
	14

9. Other financial investments

	Fair value £'000s	Purchase price £'000s
Shares and other variable yield securities	335	335
Debt securities and other fixed income securities	540	541
Deposits with credit institutions	79	79
	954	955

All financial instruments are designated as fair value through profit or loss upon initial recognition.

10. Debtors

	£'000s
Arising out of direct insurance operations:	
Due from intermediaries	2,393
Inter-year loans	331
Arising out of reinsurance operations	866
Other debtors	16
	3,606

All amounts are due within one year.

11. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

12. Amounts due to members

	£'000s
Profit for the 2013 closed year of account	325
Members' agents' fee advances	(85)
Amounts due to members at 31 December 2015	240

13. Creditors

	£'000s
Arising out of direct insurance operations:	
Due to intermediaries	2,182
Inter-year loans	15
Arising out of reinsurance operations	955
Other creditors	172
	3,324

All amounts are due within one year.

14. Related parties

Syndicate 308 did not accept inwards reinsurance business from, or place outwards reinsurance business with, other Tokio Marine Group entities that are deemed to be related parties of Tokio Marine Kiln Syndicates Limited by virtue of the shareholding in Tokio Marine Kiln Group Limited by Tokio Marine Holdings, Inc.

Profit commission of £66,900 is payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of profits for the 2013 year.

Managing agency fees of £195,346 were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £2,668,161 were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 20 provides further information regarding all syndicates and related parties.

Seven year summary (unaudited)

	2007	2008	2009	2010	2011	2012	2013
Syndicate allocated capacity £m	14.66	14.66	14.66	20.00	20.00	22.50	26.50
Number of underwriting members	25	30	35	46	84	96	108
Aggregate net premiums £m	11.17	14.69	16.88	17.30	24.09	26.44	27.85
Result £m	0.76	2.57	0.93	2.68	1.83	1.42	0.33
Results for an illustrative share of £10,000							
Gross premiums written and earned	6,059	7,464	9,330	8,977	9,549	9,279	8,360
– as a percentage of allocated capacity	61%	75%	93%	90%	95%	93%	84%
Net premiums written and earned	4,502	6,582	8,090	6,068	8,759	8,504	7,640
– as a percentage of allocated capacity	45%	66%	81%	61%	88%	85%	76%
RITC from an earlier year of account	1,521	2,551	2,135	1,256	535	278	348
Net claims incurred	(3,160)	(4,561)	(6,597)	(4,075)	(6,781)	(6,398)	(6,240)
RITC the year of account	(2,551)	(2,135)	(1,712)	(535)	(313)	(409)	(545)
Underwriting result	312	2,437	1,916	2,714	2,200	1,975	1,203
Profit/(loss) on exchange	1,309	897	(24)	(69)	7	31	(53)
Syndicate operating expenses	(979)	(1,197)	(988)	(890)	(945)	(1,112)	(851)
Balance on the technical account	642	2,137	904	1,755	1,262	894	299
Investment return	210	128	35	26	19	12	5
Result before personal expenses	852	2,265	939	1,781	1,281	906	304
Illustrative personal expenses	(331)	(515)	(305)	(444)	(364)	(276)	(181)
Result	521	1,750	634	1,337	917	630	123