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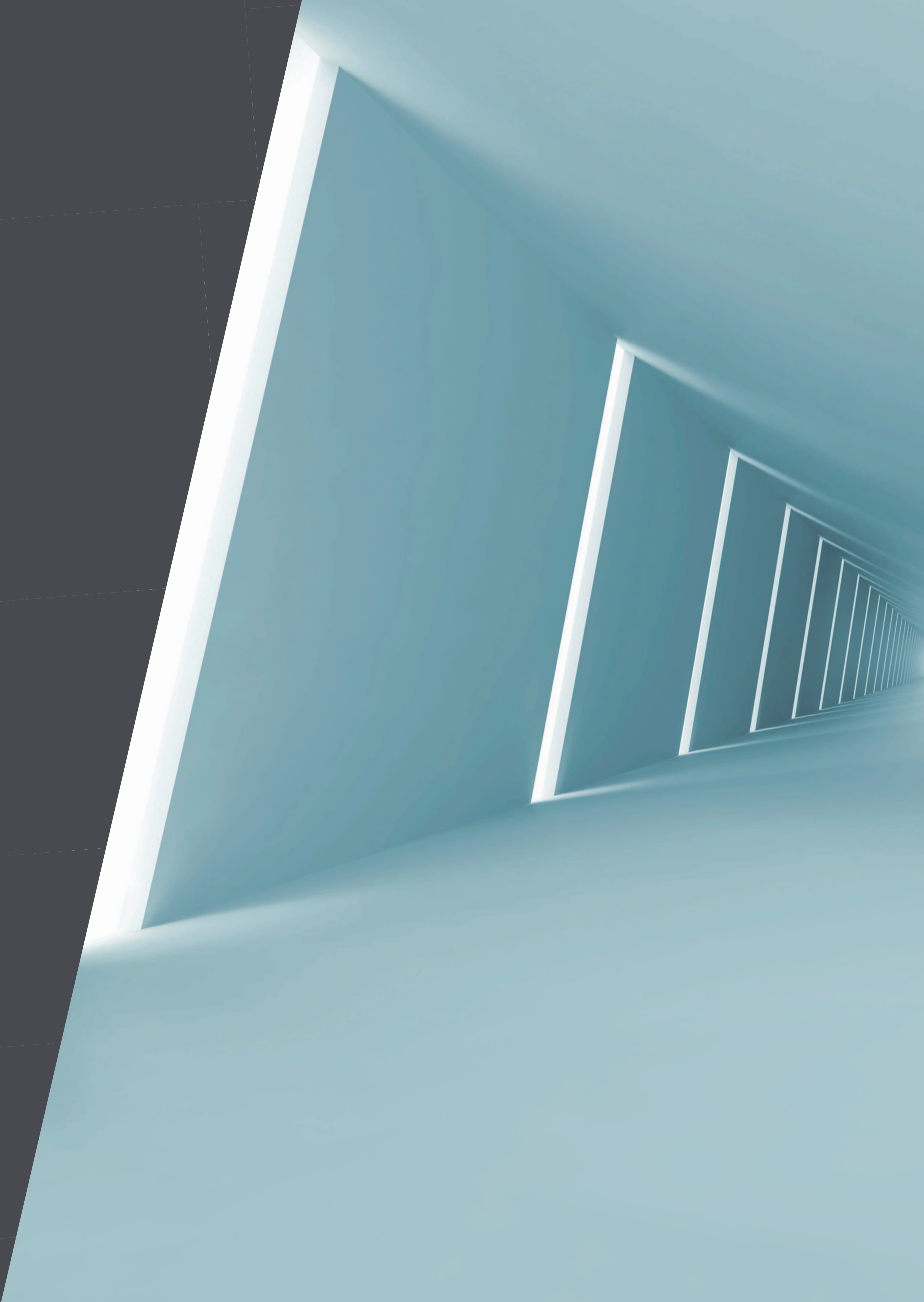
Amlin Underwriting Limited Syndicate 2001
2015 Annual Report



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Five year financial highlights

Year ended 31 December	2015 £m	2014 £m Restated	2013 £m	2012 £m	2011 £m
Syndicate allocated capacity	1,400.0	1,400.0	1,400.0	1,175.0	1,035.0
Gross written premiums	1,653.9	1,537.9	1,471.7	1,470.1	1,302.7
Net written premiums	1,217.6	1,135.0	1,043.7	1,060.2	965.2
Net earned premiums	1,107.8	1,101.9	1,007.8	1,001.4	929.1
Net claims incurred	(538.4)	(605.2)	(516.8)	(548.2)	(630.8)
Expenses	(479.4)	(425.2)	(407.5)	(390.7)	(350.8)
Foreign exchange gains/(losses)	11.5	(15.4)	(4.1)	(9.4)	3.7
Investment return	32.8	38.9	50.1	41.8	17.8
Profit/(loss) for the financial year	134.3	95.0	129.5	94.9	(31.0)
Claims ratio	49%	55%	51%	55%	68%
Expense ratio	39%	37%	38%	37%	35%
Combined ratio	88%	92%	89%	92%	103%

The Syndicate performance data shown in the table above is presented on an annual accounting basis and in accordance with Regulation 5 the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts Regulations 2008) ("the Regulations"), and in compliance with United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard Applicable in the UK and the Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103"). Years 2011 to 2013 of the above have not been restated for FRS 102 and FRS 103.

In calculating the expense and combined ratios, personal expenses payable to the managing agency of £33.6million (2014: £33.8 million) have been excluded.

Directors and administration

Managing agent
Amlin Underwriting Limited

Directors
S C W Beale
Non-executive

G A M Bonvarlet
Independent non-executive

N J C Buchanan
Independent chairman

P J Calnan
Independent non-executive

T C Clementi
Interim Chief Executive Officer

M R Clements

E C Graham

W A McKee
Independent non-executive

D G Peters

M B Rodden

H Smeets-Flier
Chief Financial Officer

M J Taffs

D Thornton
Independent non-executive

D G Turner

Company Secretary
T H Vero

Managing agent's registered office
The Leadenhall Building
122 Leadenhall Street
London EC3V 4AB

Managing agent's registered number
2323018

The directors of the managing agent, Amlin Underwriting Limited ("the Company"), present their annual report for Syndicate 2001 ("the Syndicate") for the year ended 31 December 2015.

The Syndicate is, through intermediate holding companies, a wholly aligned Syndicate of MS Amlin plc (formerly Amlin plc). On 1 February 2016 Amlin plc was acquired by Mitsui Sumitomo Insurance Company Limited and the ultimate parent became MS&AD Insurance Group Holdings, Inc. ("MSI").

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

1. Strategic Report

Principal activity and review of the business

The principal activity of Syndicate 2001 remains the transaction of general insurance and reinsurance business in the United Kingdom.

The total premium income capacity of the Syndicate for each of the years of account open during 2015 was as follows:

	£m
2013 year of account	1,400.0
2014 year of account	1,400.0
2015 year of account	1,400.0

The result for calendar year 2015 is a profit of £134.3 million (2014 restated: £95.0 million).

Underwriting contributed a profit of £90.0 million (balance on the technical account less allocated investment return) (2014 restated: £71.5 million) with the overall combined ratio decreasing to 88% (2014 restated: 92%).

Net earned premiums increased by £5.9m to £1,107.8 million (2014: £1,101.9 million).

The underwriting profit includes releases from reserves established in prior years of £38.3 million (2014: £8.2 million).

Investments (net of investment expenses) contributed returns of £32.8 million (2014: £38.9 million). Syndicate underwriting assets, held principally in bonds and cash, generated £13.5 million at a return of 1.3% (2014: £18.2 million and 1.7%). Corporate member capital contributed £19.3 million at a return of 2.9% (2014: £20.7 million and 3.5%).

The Non-technical account includes a foreign exchange gain of £11.5 million in 2015 (2014 restated: £15.4 million loss) arising from the translation of foreign currency net positions at closing rates of exchange.

Underwriting performance

	2015 £m	2014 £m
Gross written premiums	1,653.9	1,537.9
Net written premiums	1,217.6	1,135.0
Net earned premiums	1,107.8	1,101.9
Claims ratio %	49	55
Expense ratio %	39	37
Combined ratio %	88	92

Gross written premiums increased to £1,653.9 million (2014: £1,537.9 million), an increase of 7.5% driven predominantly by the Reinsurance Strategic Business Unit in spite of challenging market conditions.

The combined ratio improved to 88% against 92% in the prior year. The Syndicate's claims ratio improved significantly to 49% (2014: 55%), reflecting the absence of a large catastrophe loss experience during the year, together with an increase of prior period reserve releases to £38.3 million (2014: £8.0 million).

The increase in the expense ratio is largely due to an uplift in project costs associated with the alignment of group-wide systems and processes.

In calculating the expense and combined ratios, personal expenses payable to the managing agency of £33.6 million (2014: £33.8 million) have been excluded.

Strategic Business Units (SBU) Performance

Following a global reorganisation in 2014, the total Syndicate operations are managed across three Strategic Business Units; Reinsurance, Property and Casualty, and Marine and Aviation. This report analyses the underwriting performance under this new structure.

It should be noted that included within the Syndicate result are certain group related activities which are unrelated to the performance of the SBU's and therefore are not included in the following SBU analysis.

Reinsurance	2015 £m	2014 £m
Gross written premiums	576.1	475.2
Net written premiums	375.8	316.5
Net earned premiums	330.4	312.8
Claims ratio %	33	51
Expense ratio %	29	32
Combined ratio %	62	83

Reinsurance generated £576.1 million of gross written premium, an increase of £100.9 million on the prior year (2014: £475.2 million), despite the continued softening rate environment reflected in an average rate decrease of 7.8% for the year (2014: decrease of 8.7%). The improvement in gross written premium was driven by increases across a number of classes. This included significant growth achieved through Amlin Reinsurance Managers Inc. writing premium of £41.3 million (2014: £4.7 million). In addition, our Miami business, launched in October 2014 to access Latin American business, has had a successful start, writing income of £8.5 million, and there was also an increase in the risk appetite shown by Leadenhall Capital Partners to write more business fronted by Syndicate 2001.

The claims ratio significantly improved to 33% (2014: 51%) as a result of a benign year in terms of catastrophe activity, a lower volume of larger losses and increased prior period reserve releases predominantly driven by releases on Catastrophe North America and Special Risk classes.

The largest loss event for the year impacting the SBU was the winter freeze in January and February 2015 amounting to £11.4 million and the Tianjin explosion in August 2015 amounting to £7.7 million. Other small catastrophe and large risk loss events amounted to £15.7 million. This compared with large catastrophe losses of £26.6 million (Nebraska PCS 45 and 48) and other small catastrophe and large risk losses of £12.0 million in 2014.

Marine and Aviation	2015 £m	2014 £m
Gross written premiums	331.0	334.4
Net written premiums	256.6	237.8
Net earned premiums	218.8	231.2
Claims ratio %	50	51
Expense ratio %	48	43
Combined ratio %	98	94

Marine and Aviation generated £331.0 million of gross written premium, a small decrease on the prior year of £3.4 million. This was driven by decreases in the Energy class due to difficult market conditions as a result of the declining oil prices reducing construction and drilling activity, together with excess capacity. These decreases were partially offset by increases in Yacht and the RaetsMarine fixed premium P&I business now written in the Syndicate.

Outward reinsurance written premium reduced to £74.4 million or 22.4% of gross written premium (2014: £95.6 million or 28.6%).

The claims ratio decreased slightly to 50% (2014: 51%) as a consequence of the lack of catastrophe activity together with increased prior period reserve releases resulting from low claims activity on longer-tailed classes such as London Marine Liability and Aviation Products. There were however a number of large claims within the Energy class.

Property and Casualty	2015 £m	2014 £m
Gross written premiums	738.0	728.3
Net written premiums	586.1	580.7
Net earned premiums	564.0	557.9
Claims ratio %	56	59
Expense ratio %	41	37
Combined ratio %	97	96

Property and Casualty generated £738.0 million of gross written premium, an increase of £9.7 million on prior year (2014: £728.3 million), driven by increases across a number of classes including Professional Lines and Professional Indemnity. Income in the UK domestic business reduced in line with efforts made during the year to re-underwrite, or curtail, poorly performing accounts. This was reflected in a retention rate of 82%. Fleet motor rates in the UK continued to rise, with an average increase of 2.9%. The London business saw a modest reduction in income as a result of increased rating pressure.

The claims ratio has improved to 56% from 59%. Although Property and Casualty was impacted by a number of losses including £6 million on UK Floods there was a lower frequency of larger losses on the Commercial Motor class than the previous year.

Investment performance

The Syndicate produced an investment return of £32.8 million in the year (2014: £38.9 million). Syndicate underwriting assets, predominantly bonds and overseas deposits, generated £13.5 million at a return of 1.3% (2014: £18.2 million and 1.7%). Corporate member capital generated a gain of £19.3 million at a return of 2.9% (2014: £20.7 million and 3.5%).

There has been significant volatility in risk assets during 2015 caused by the slowing growth in China, US and Eurozone, interest rate changes in certain jurisdictions, and deposit rate changes as well as volatile oil prices. Against this backdrop, the company posted good equity returns having taken profit when global equity markets were strong and then the decision to reduce its equity weighting towards the end of the year.

The Company reduced its asset allocation in equity and bond categories, and reallocated the proceeds towards property funds and cash.

Property funds had an exceptional year and were the best performing asset class in 2015.

Major world currencies appreciated against Sterling in the year which boosted the company's foreign currency denominated asset values. The increase in values is hedged by the Company's currency hedge programme with the objective of reducing volatility. This means upside foreign exchange gains are limited whilst downside losses are reduced.

At 31 December 2015, investments amounted to £1,673.1 million (2014: £1,664.8 million). Directly held short-dated bonds accounted for 28.4% of the portfolio (2014: 27.1%) with the residual of the portfolio held mostly in collective investment schemes and shares. The bond portfolio remains of a high quality with 22.9% of the portfolio government and government agency backed, 1.6% AAA-rated non-government and 3.5% AA or A-rated non-government.

The principal risks and uncertainties of the business are addressed within the notes to the financial statements on pages 12 to 38.

2. Directors' Report

Future developments

Syndicate 2001's underwriting capacity for 2016 is £1,400 million (2015: £1,400 million). The Syndicate will continue to transact predominantly the current classes of general insurance and reinsurance business.

Following the acquisition by MSI, management will be reviewing the operating and legal structure of the new Group as part of the integration work. MSI also participates at Lloyd's through Syndicate 3210. The allocation of business to the Syndicates and other insurance carriers in the UK Group is under review.

Disclosure of information to auditors

Each director at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Syndicate's auditors are unaware, and

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

The current directors of the managing agent are shown on page 3. Since 1 January 2015, the following changes to the Board of Directors have occurred:

Name	Date of resignation
D F Overall	18 February 2015
A J Golding	27 February 2015
T A Bowles	18 September 2015
A P Springett	8 January 2016

Name	Date of appointment
H Smeets-Flier	9 April 2015
M B Rodden	7 January 2016
T C Clementi	11 January 2016
P J Calnan	14 January 2016
W A McKee	2 March 2016

The Syndicate has considerable financial resources to meet its financial needs and manages a mature portfolio of insurance risk through an experienced and stable team. The directors believe that the Syndicate is well positioned to manage its business risks successfully in the current economic environment.

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

Independent auditors

The auditors for the year ended 2015 were PricewaterhouseCoopers LLP.

3. Statement of managing agent's responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations") require the managing agent to prepare Syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland", FRS 103 "Insurance Contracts" and applicable law). The annual accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

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

- select suitable accounting policies which are applied consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable UK accounting standards, including FRS 102 and FRS 103, subject to any material departures disclosed and explained in the annual report; and
- prepare the financial statements on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

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

By order of the Board

T C Clementi
Interim Chief Executive Officer

15 March 2016

Independent auditors' report
to the member of Syndicate 2001

Report on the syndicate annual accounts

Our Opinion
In our opinion, Syndicate 2001's syndicate annual accounts (the "syndicate annual accounts"):

- 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, included within the annual report (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2015;
- the statement of profit or loss for the year then ended;
- the statement of changes in member's balances;
- the statement of cash flows; and
- the notes to the syndicate annual accounts, which include a summary of significant accounting policies and 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 6, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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.

James Bichard (Senior statutory auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

15 March 2016

Statement of profit or loss
For the year ended 31 December 2015

Technical account – general business	Note	2015 £m	2014 £m Restated
Earned premiums, net of reinsurance			
Gross written premiums	2	1,653.9	1,537.9
Outward reinsurance premiums		(436.3)	(402.9)
Net written premiums		1,217.6	1,135.0
Change in the provision for unearned premiums			
Gross amount	9(c)	(129.9)	(38.1)
Reinsurers' share	9(c)	20.1	5.0
Change in the net provision for unearned premiums	9(c)	(109.8)	(33.1)
Earned premiums, net of reinsurance		1,107.8	1,101.9
Allocated investment return transferred from the non-technical account		13.5	18.2
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	9(a)	(792.2)	(737.0)
Reinsurers' share	9(a)	185.0	162.2
Net claims paid	9(a)	(607.2)	(574.8)
Change in the provision for claims			
Gross amount	9(a)	91.9	(70.5)
Reinsurers' share	9(a)	(23.1)	40.1
Change in the net provision for claims	9(a)	68.8	(30.4)
Claims incurred, net of reinsurance	9(a)	(538.4)	(605.2)
Net operating expenses	3	(479.4)	(425.2)
Balance on the technical account for general business		103.5	89.7

All operations of the Syndicate are continuing.

Non-technical account – general business	Notes	2015 £m	2014 £m Restated
Balance on the general business technical account		103.5	89.7
Investment income	6	20.3	14.1
Realised gain on investments	6	22.6	17.8
Unrealised (losses)/gain on investments	6	(9.0)	8.4
Investment expenses and charges	6	(1.1)	(1.4)
Allocated investment return transferred to general business technical account		(13.5)	(18.2)
Foreign exchange gains/(losses)		11.5	(15.4)
Profit for the financial year		134.3	95.0

There were no amounts recognised in other comprehensive income in the current or preceding year other than those included in the Statement of profit or loss. Therefore no Statement of other comprehensive income has been presented.

Statement of financial position
At 31 December 2015

	Note	2015 £m	2014 £m Restated
Investments			
Financial investments	8(b)	1,673.1	1,664.8
Reinsurers' share of technical provisions			
Provision for unearned premiums	9(c)	183.0	153.5
Claims outstanding	9(a)	422.9	430.8
		605.9	584.3
Debtors			
Debtors arising out of direct insurance operations		241.8	120.0
Debtors arising out of reinsurance operations		573.5	550.5
Other debtors	8(c)	238.9	277.5
		1,054.2	948.0
Other assets			
Cash at bank and in hand	8(a)	4.6	4.7
Overseas deposits	10	101.5	111.6
		106.1	116.3
Prepayments and accrued income			
Deferred acquisition costs	9(d)	236.8	202.6
Other prepayments and accrued income		27.8	26.6
		264.6	229.2
Total assets		3,703.9	3,542.6
Capital and reserves			
Member's balances	12	767.7	651.6
Technical provisions			
Provision for unearned premiums	9(c)	946.6	817.4
Claims outstanding	9(a)	1,601.0	1,657.7
		2,547.6	2,475.1
Creditors			
Creditors arising out of direct insurance operations		51.9	2.8
Creditors arising out of reinsurance operations		197.7	223.4
Other creditors	8(d)	139.0	189.7
		388.6	415.9
Total liabilities		3,703.9	3,542.6

The financial statements on pages 8 to 38 were approved and authorised for issue by the Board of Directors of Amlin Underwriting Limited and signed on its behalf by:

H Smeets-Flier
Chief Financial Officer

15 March 2016

Statement of cash flows
For the year ended 31 December 2015

	Note	2015 £m	2014 £m Restated
Operating result		134.3	95.0
Increase in gross technical provisions		72.5	202.0
Increase in reinsurers' share technical provisions		(21.7)	(47.4)
Increase in debtors		(145.5)	(51.1)
Decrease in creditors		(23.3)	(54.7)
Investment return		(32.8)	(38.9)
Net cash (outflow)/inflow from operating activities		(16.5)	104.9
Cash flows from investing activities			
Purchase of debt instruments		(628.7)	(560.3)
Sale of debt instruments		648.2	568.2
Sale/(purchase) of derivatives		2.4	(20.0)
Investment income and movements in equity investments		12.3	(45.7)
Other - Participation in group hedging arrangement		23.8	-
Net cash inflow/(outflow) from investing activities		58.0	(57.8)
Cash flows from financing activities			
Distribution profit		(70.3)	(60.7)
FIS additions		80.9	16.3
FIS released to member		(52.6)	-
Other – Foreign exchange losses		(0.2)	(0.8)
Net cash outflow from financing activities		(42.2)	(45.2)
Net (decrease)/increase in cash and cash equivalents		(0.7)	1.9
Cash and cash equivalents at the beginning of the year		4.7	2.8
Cash and cash equivalents at the end of the year		4.0	4.7
Cash at bank and in hand	8(a)	4.6	4.7
Short term deposits with credit institutions		(0.6)	-
Cash and cash equivalents at the end of the year		4.0	4.7

Statement of changes in member's balances
For the year ended 31 December 2015

	Note	2015 £m	2014 £m
At 1 January (as previously reported)		79.2	40.7
Effect of changes in accounting policy		(11.8)	13.0
Balance at 1 January (restated)		67.4	53.7
Balance on technical account for the financial year		103.5	89.7
Foreign exchange gains/(losses) recognised in non-technical account		11.5	(15.4)
Transfer to member in respect of underwriting participations		(70.3)	(60.6)
At 31 December		112.1	67.4
Funds deposited by Amlin Corporate Member Limited			
At 1 January		584.2	547.3
Profit for the financial year		19.3	20.7
Funds deposited in financial year		52.1	16.2
Amounts owed to Amlin Corporate Member Limited	12	655.6	584.2
At 31 December		767.7	651.6

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. Amlin Corporate Member Limited is a wholly owned subsidiary of MS Amlin plc.

1. Basis of preparation
These financial statements have been prepared on a going concern basis, under the historical cost convention except for certain financial assets which are measured at their fair value, using the annual basis of accounting in accordance with Regulation 5 the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts Regulations 2008) ("the Regulations"), and in compliance with United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard Applicable in the UK and the Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103"). FRS 102 and FRS 103 have been consistently applied to all years presented.

The Syndicate transitioned to FRS 102 and FRS 103 on 1 January 2014. This is the first set of financial statements in which the Syndicate has applied FRS 102 and FRS 103. An explanation of how the transition to FRS 102 and FRS 103 has affected the reported financial position and financial performance of the Syndicate is provided in note 13.

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

Insurance contract liabilities
The most significant estimate made in the financial statements relates to unpaid insurance claim reserves and related loss adjustment expenses of the Syndicate.

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

The Syndicate applies an actuarial-led reserving process, based on an actuarial best estimate plus an explicit management margin, which reflects the risk premium relating to the uncertainty of the actual level of claims incurred. The move to an actuarial-led reserving process has refined the judgement about the profile of risk over the coverage period applied to certain classes of business. Consequently, changes in the estimate of claims should be considered in conjunction with the impact on earned premium, described below.

Although it is possible that claims could develop and exceed the reserves carried, there is therefore a reasonable chance of release of reserves from one year to the next. The estimated provision for the total level of claims incurred changes as more information becomes known about the actual losses for which the initial provisions were set up. The change in claims costs for prior period insurance claims represents the claims development of earlier reported years incurred in the current accounting period. The carrying value of the Syndicate's net outstanding claims reserves at 31 December 2015 is £1,178.1 million (2014: £1,226.9 million).

Insurance contract premium
Gross written premium is recognised on insurance contracts incepting during the financial year and includes an estimate of the total premium expected to be received under each contract. Revenue recognised on policies written through contracts with third parties, such as binding authorities and line slips, is deemed to be written in full at the inception of such contracts and therefore this estimate is particularly judgemental. Adjustments to estimates from previous years are included in the reported premium.

With over supply of capital, particularly in the reinsurance market, clients have increasingly requested multi-year placements of their reinsurance programme. A number of contracts include cancellation clauses which can be enforced by the client. Judgement is therefore required to be applied in calculating the estimated total premium at the inception of these contracts.

The Syndicate has recognised estimated premium income (EPI) for the current year and a negative EPI adjustment for prior years totalling £848.7 million and £9.5 million respectively (2014: £676.5 million and £27.3 million, positive).

The calculation of EPI is inherently subjective and attained through a combination of underwriters' best estimates at a policy level and actuarial techniques at a portfolio level, based on observable historical trends. These estimates are reviewed on a quarterly basis by underwriters and independently assessed by the actuarial and finance teams. The estimation of earned premium uses judgement about the profile of risk over the coverage period of (re)insurance contracts.

If the estimation of EPI had been 10% lower than management's estimates at 31 December 2015, the Syndicate's result on the underwriting activities would decrease by £9.7 million (2014: £6.0 million).

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

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

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

Financial assets and financial liabilities
The Company uses pricing vendor sources in determining the fair value of financial assets and financial liabilities. Depending on the methods and assumptions used (for example, in the fair valuation of Level B and Level C financial assets), the fair valuation of financial assets and financial liabilities can be subject to estimation uncertainty. Details of these methods and assumptions are described in note 8. The carrying values of the Syndicate's financial assets and financial liabilities at 31 December 2015 are £1,679.9 million (2014: £1,669.2 million) and £6.8 million (2014: £4.4 million) respectively. These include £182.9 million (2014: £189.1 million) of Level C investments, principally comprising property funds.

1. Basis of preparation - continued

Significant accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the current and prior years as restated for FRS 102 and FRS 103.

Insurance contracts premiums

Gross written premiums comprise premiums on insurance contracts incepting during the financial year together with adjustments to premium written in previous accounting years. The estimated premium income in respect of facility contracts, for example binding authorities and line slips is deemed to be written in full at the inception of the contract.

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

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

The estimation of earned premium uses judgement about the profile of risk over the coverage period of (re)insurance contracts and reflects the seasonal nature of certain classes of business. This more closely aligns the earning of premium with the seasonal basis of reserving claims.

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

Acquisition costs

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

Reinsurance premiums ceded

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

Insurance contracts liabilities: claims

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

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

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

Any changes to the amounts held are adjusted through the income statement. Provisions are established above an actuarial best estimate so there is a reasonable chance of release from one underwriting year to the next.

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

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

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

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

Reinsurance recoveries

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

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

1. Basis of preparation - continued

Financial assets

The Syndicate's financial assets are classified at fair value through profit and loss (FVPL). This classification requires all fair value changes to be recognised immediately within the investment return line in the statement of profit or loss.

Within the FVPL category, fixed income securities, equity securities, property funds and certain derivatives are classified as 'trading' as the Syndicate buys with the intention to resell.

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

Purchases and sales of investments are recognised on the trade date, which is the date the Syndicate commits to purchase or sell the assets. These are initially recognised at fair value, and are subsequently re-measured at fair value based on quoted bid prices. Transaction costs are recognised directly in the statement of profit or loss when incurred. Changes in the fair value of investments are included in the statement of profit or loss in the year in which they arise. The uncertainty around valuation is discussed further in note 8.

Derivative financial instruments

Derivative financial instruments primarily include currency forwards. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into. They are subsequently measured at fair value, with their fair values obtained from quoted market prices or, where these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. Changes in the fair value of derivative instruments are recognised immediately in the statement of profit or loss. Changes in the fair value of derivatives held to hedge against unmatched foreign exchange exposure are hedge accounted within other operating expenses where they offset foreign exchange gains and losses.

The Syndicate documents at the inception of each hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Syndicate also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Investment return

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

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

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

Taxation

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

Foreign currencies

The Syndicate maintains seven separate currency funds, namely Sterling, US dollars, Euros, Canadian dollars, New Zealand dollars, Australian dollars and Japanese yen.

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Loans and receivables

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

Other payables

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

Insurance debtors and creditors

In the normal course of business, for the majority of contracts, settlement is required to be made with Lloyd's Central Accounting, the market settlement bureau, on the basis of the net balance due to or from insurance brokers in total rather than the amounts due to or from the individual parties which they represent. The legal status of this practice of net settlement is uncertain and in the event of an insolvency it is generally abandoned. Accordingly, insurance debtors and creditors, as presented, in respect of both Lloyd's Central Accounting settled business and business that is settled direct with brokers and service companies, comprise respectively the totals of all the Syndicate's individual outstanding debit and credit transactions before any offset. The resultant totals give no indication of future net cash flows.

Syndicate operating expenses

Costs incurred by the managing agent exclusively for the Syndicate are charged to the Syndicate on an accruals basis.

Expenses incurred jointly by the managing agent and the Syndicate are charged to the Syndicate and reflect the costs of services provided and does not include any profit element. The managing agent charges a further management fee of 2.5% of syndicate capacity.

Retirement benefit costs

Pension contributions are charged to the statement of profit or loss when due.

2. Technical account analysis

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

2015	Gross written premiums £m	Gross earned premiums £m	Gross claims incurred £m	Net operating expenses £m	Reinsurance balance £m	Total £m	Net technical provisions £m	Commissions on gross premiums earned £m
Direct insurance								
Accident and health	23.4	23.0	(5.8)	(6.1)	(6.8)	4.3	22.6	(4.8)
Motor (third party liability)	50.7	44.0	(25.1)	(13.3)	(3.0)	2.6	52.0	(9.5)
Motor (other classes)	210.0	172.6	(114.0)	(59.5)	(2.9)	(3.8)	210.9	(37.4)
Marine, aviation and transport	174.0	163.5	(61.4)	(55.8)	(31.4)	14.9	165.6	(34.7)
Fire and other damage to property	278.7	270.8	(116.0)	(94.7)	(48.4)	11.7	295.9	(58.4)
Third party liability	126.6	123.9	(56.8)	(44.6)	(20.9)	1.6	137.3	(27.1)
Miscellaneous	110.6	103.4	(42.2)	(32.0)	(20.7)	8.5	111.8	(21.9)
	974.0	901.2	(421.3)	(306.0)	(134.1)	39.8	996.1	(193.8)
Reinsurance	679.9	622.8	(279.0)	(173.4)	(120.2)	50.2	708.8	(132.7)
Total	1,653.9	1,524.0	(700.3)	(479.4)	(254.3)	90.0	1,704.9	(326.5)

2014	Gross written premiums £m	Gross earned premiums £m	Gross claims incurred £m	Net operating expenses £m Restated	Reinsurance balance £m	Total £m Restated	Net technical provisions £m Restated	Commissions on gross premiums earned £m
Direct insurance								
Accident and health	20.0	19.1	(8.8)	(4.4)	(4.6)	1.3	19.5	(3.9)
Motor (third party liability)	46.9	44.1	(29.5)	(13.1)	(0.4)	1.1	56.3	(9.8)
Motor (other classes)	203.8	195.0	(130.8)	(54.5)	(5.2)	4.5	244.9	(43.0)
Marine, aviation and transport	155.8	148.5	(63.3)	(45.5)	(33.4)	6.3	152.5	(30.7)
Fire and other damage to property	271.3	270.6	(135.5)	(89.3)	(40.0)	5.8	293.4	(57.2)
Third party liability	115.5	115.3	(39.4)	(39.7)	(23.4)	12.8	131.8	(24.7)
Miscellaneous	97.4	87.2	(28.3)	(29.2)	(18.8)	10.9	91.6	(18.0)
	910.7	879.8	(435.6)	(275.7)	(125.8)	42.7	990.0	(187.3)
Reinsurance	627.2	620.0	(371.9)	(149.5)	(69.8)	28.8	698.2	(128.2)
Total	1,537.9	1,499.8	(807.5)	(425.2)	(195.6)	71.5	1,688.2	(315.5)

All premiums are concluded in the UK.

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

	2015 £m	2014 £m
UK	559.5	504.0
Other EU countries	136.1	123.2
USA	682.7	652.8
Other	275.6	257.9
Total	1,653.9	1,537.9

3. Net operating expenses

	2015 £m	2014 £m
Acquisition costs	360.5	329.8
Change in deferred acquisition costs (note 9(d))	(34.0)	(14.3)
Administrative expenses	135.2	95.1
Managing agent's fees	33.6	33.8
Lloyd's charges	10.0	9.6
Reinsurance commission and profit participation	(25.9)	(28.8)
	479.4	425.2
Administrative expenses include:		
Fees payable to the Syndicate's auditor for:		
– Audit of the Syndicate's annual report	(0.3)	(0.3)
– Other audit-related services	(0.1)	(0.1)

For Amlin Underwriting Limited the auditors' remuneration was £15,225 (2014: £15,000).

4. Staff numbers and costs

All staff are employed by Amlin Corporate Services Limited, a wholly owned subsidiary of MS Amlin plc and the immediate parent company of the managing agency. The following amounts were recharged to the Syndicate in respect of salary costs:

	2015 £m	2014 £m
Wages and salaries	45.1	38.3
Social security costs	5.0	4.6
Other pension costs	4.6	3.9
	54.7	46.8

Pension costs reflect contributions paid to MS Amlin group defined benefit scheme and defined contribution schemes. The defined benefit scheme covers a number of MS Amlin group entities and is therefore expensed based contributions paid.

The average number of employees employed by Amlin Corporate Services Limited and provided services to the Syndicate during the year was as follows:

	2015 Number	2014 Number
Senior underwriters	85	81
Other underwriters	74	67
Underwriting support	247	280
Claims staff	50	48
Claims Support	179	180
Operational	294	308
Operational support	188	185
	1,117	1,149

5. Directors' emoluments

The directors of Amlin Underwriting Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2015 £'000	2014 £'000
Executive and non-executive directors' emoluments	2,591	2,841
Accrued defined benefit scheme pension	81	78
Defined contribution scheme	181	175
Fees to non-executive directors	129	101
	2,982	3,195

Payments were made to 6 directors (2014: 6) in respect of defined benefit pension schemes and to 11 directors (2014: 10) in respect of defined contribution schemes. 2 directors exercised share options during the year (2014: 5) and 11 directors were members of long-term incentive schemes (2014: 10).

5. Directors' emoluments continued

The highest paid director of Amlin Underwriting Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2015 £'000	2014 £'000
Executive directors' emoluments	519	484
Accrued defined benefit scheme pension	18	18
Defined contribution scheme	21	21
	558	523

The highest paid director has (2014: has) exercised share options during the year and amounts under long-term incentive schemes were (2014: were) receivable.

The 3 (2014: 5) active underwriters during the year received the following remuneration charged as a Syndicate expense for the period they were appointed:

	2015 £'000	2014 £'000
Executive directors' emoluments	808	423
Accrued defined benefit scheme pension	34	23
Defined contribution scheme	70	35
	912	481

6. Investment return

	2015 £m	2014 £m
Interest income on cash and cash equivalents	0.9	0.9
Income from financial assets at fair value through profit and loss	19.4	13.2
Investment Income	20.3	14.1
Net realised gains/(losses) on financial assets measured at fair value through profit or loss	22.6	17.8
Net unrealised gains/(losses) on financial assets measured at fair value through profit or loss	(9.0)	8.4
Investment expenses and charges	(1.1)	(1.4)
Total investment return	32.8	38.9

The above figures include investment return of £19.3 million (2014: £20.7 million) on cash, bonds, equity and property investments deposited by Amlin Corporate Member Limited into the Syndicate's Premium Trust Fund.

Calendar year investment yield

	2015 £m	2014 £m
Average Syndicate funds available for investment during the year		
Sterling	229.0	176.9
Euro	88.8	104.8
US dollars	577.7	647.9
Canadian dollars	94.8	85.6
Australian dollars	54.9	65.5
New Zealand dollars	40.3	44.1
Japanese yen	5.7	9.6
Combined	1,091.2	1,134.4
Aggregate gross investment return on Syndicate investments for the year (excludes expenses and charges)	13.2	17.8
Gross calendar year investment yield:		
Sterling	0.6%	0.3%
Euro	2.3%	2.0%
US dollars	1.1%	1.5%
Canadian dollars	1.2%	1.3%
Australian dollars	1.9%	6.0%
New Zealand dollars	4.1%	2.9%
Japanese yen	0.2%	(0.1)%
Combined	1.2%	1.6%

The average amount of underwriting Syndicate funds available for investment has been calculated as the monthly average balance of investments and overseas deposits. The yield percentages exclude immaterial sources of income.

7. Foreign exchange risk

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

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

Foreign exchange risk arises until non-Sterling profits are converted into Sterling. It is Amlin Underwriting Limited's policy to mitigate foreign exchange risk by systematically converting non-Sterling profits into Sterling. Given the inherent volatility in some of our business a cautious approach is adopted on the speed and level of sales, but we seek to extinguish all currency risk on earned profit during the second year after the commencement of any underwriting year. The intention is to time the currency transactions in order to optimise the conversion rates. This approach is part of risk management strategy as it avoids the inherent dangers of bulky sales. It is not the intention to take speculative currency positions in order to make currency gains.

The Syndicate will also occasionally transact currencies on a forward basis particularly when trust fund requirements of a particular country require the value of the currency held to be in excess of the liabilities denominated in that currency. Such forward contracts are designated as fair value hedges following an assessment that they will be highly-effective on an ongoing basis. All forward contracts are carried out with a selection of well-rated banks, so as to limit the counterparty risk. The investment managers also held forward foreign exchange contracts in their portfolios at the year-end in order to hedge non-base currency investments. These are marked to market in their valuations.

The table below presents the Syndicate's member's balances by major base currency before the effect of any hedging instruments. The amounts are stated in the sterling equivalent of the local currency using the exchange rates as disclosed above.

	31 December 2015				
Currency risk	Sterling £m	US$ £m	CAN$ £m	Euro £m	Total £m
Net assets	651.2	57.1	52.9	6.5	767.7

	31 December 2014				
Currency risk	Sterling £m	US$ £m	CAN$ £m	Euro £m	Total £m
Net assets	584.2	31.9	40.7	(5.2)	651.6

If the foreign currencies were to strengthen/weaken by 10% against Sterling, the movement in the monetary net assets and liabilities of the Syndicate would result in the following gains/(losses) in the statement of profit or loss at 31 December 2015:

	31 December 2015	
Currency	10% strengthening of currency against GBP £m	10% weakening of currency against GBP £m
US dollars	6.3	(5.2)
Canadian dollars	5.9	(4.8)
Euro	0.7	(0.6)
	12.9	(10.6)

8. Financial assets and liabilities

a) Cash and cash equivalents

	2015 £m	2014 £m
Cash and cash in hand	4.6	4.7

Cash and cash equivalents represent cash at bank and in hand, short-term bank deposits and other short-term highly liquid investments that are subject to insignificant risk of changes in fair value.

8. Financial assets and liabilities continued

b) Net financial investments

	At Valuation		At Cost	
	2015 £m	2014 £m	2015 £m	2014 £m
Financial assets at fair value through profit or loss				
Debt securities and other fixed income securities	475.4	451.1	476.9	452.1
Shares and other variable yield securities	367.5	357.4	333.4	321.0
Participation in investment pools	106.3	85.4	106.3	85.4
Holdings in collective investment schemes	727.8	771.8	708.6	760.4
Other investments	2.9	3.5	2.9	3.5
Total financial assets at fair value through profit or loss	1,679.9	1.669.2	1,628.1	1,622.4
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	(6.8)	(4.4)	–	–
Net financial investments	1,673.1	1,664.8	1,628.1	1,622.4
Listed investments included above:				
Debt securities and other fixed income securities	475.4	451.1	476.9	452.1
Shares and other variable yield securities	236.5	254.8	211.2	218.7

Policyholders funds are matched by bonds, investment pools, collective investment schemes and cash. Other more volatile assets, including equities, represent capital. Included above are funds of £655.6 million (2014: £584.2 million) deposited by Amlin Corporate Member Limited and held as capital assets (Funds in Syndicate (FIS)).

The reconciliation of opening and closing net financial investments is as follows:

	2015 £m	2014 £m
At 1 January	1,664.8	1,538.4
Foreign exchange gains	12.7	34.5
Net (sales)/purchases	(18.0)	65.7
Net realised gains on assets	22.6	17.8
Net unrealised (losses)/gains on assets	(9.0)	8.4
At 31 December	1,673.1	1,664.8

c) Other debtors

	2015 £m	2014 £m
Receivable from MS Amlin Group companies	220.7	260.6
Other	18.2	16.9
	238.9	277.5

Other debtors are all current.

d) Other creditors

	2015 £m	2014 £m
Payable to MS Amlin Group companies	117.0	176.6
Accruals and deferred income	9.6	5.9
Other	12.4	7.2
	139.0	189.7

Other creditors include non-current balances of £0.1million (2014: £0.3 million).

e) Fair value hierarchy

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

Level A – Quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide readily and regularly available quoted prices.

Level B – When quoted prices are unavailable the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

8. Financial assets and liabilities continued

Level C – If there is no active market and no suitable recent transaction available, then a valuation technique is used to determine the arms' length price for the investment.

There were no changes to the valuation techniques during the year.

Shares and other variable yield securities
Listed equities traded on a primary exchange in an active market are classified as Level A.

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

Where there is an active market for these assets and their fair value is the unadjusted quoted market price, these are classified as Level A. This is typically the case for government bonds. Level A also includes bond funds, where fair value is based upon quoted prices. Where the quoted prices are unavailable but the price of recent transactions of identical assets are available, then these are considered to be Level B. This is typically the case for government agency debt, corporate debt, mortgage and asset-backed securities and catastrophe bonds. Certain assets, for which prices are either unobservable or are determined using evaluation techniques, are classified as Level C.

Participation in investment pools
These are units held in money market funds and the value is based upon unadjusted, quoted and executable prices provided by the fund manager and these are classified as Level A.

Derivatives
Listed derivative contracts, such as futures, that are actively traded are valued using quoted prices from the relevant exchange and are classified as Level A. Over the counter currency options are valued by the counterparty using quantitative models with multiple market inputs such as foreign exchange rate volatility. The market inputs are observable and the valuation can be validated through external sources. These are classified as Level C.

Net financial investments by fair value grouping:

	Fair value hierarchy				Fair value hierarchy			
	Level A £m	Level B £m	Level C £m	Total 2015 £m	Level A £m	Level B £m	Level C £m	Total 2014 £m
Assets								
Financial assets held for trading at fair value through profit or loss								
Debt and other fixed income securities	380.3	38.3	56.8	475.4	331.1	31.5	88.5	451.1
Shares and other variable yield securities	236.5	-	131.0	367.5	254.8	-	102.6	357.4
Other financial assets at fair value through profit or loss								
Participation in investment pools	106.3	-	-	106.3	85.4	-	-	85.4
Holdings in collective investment schemes	727.8	-	-	727.8	771.8	-	-	771.8
Other	1.0	-	1.9	2.9	1.1	-	2.4	3.5
Total financial assets	1,451.9	38.3	189.7	1,679.9	1,444.2	31.5	193.5	1,669.2
Liabilities								
Financial liabilities held for trading at fair value through profit or loss								
Derivative financial instruments	-	-	(6.8)	(6.8)	-	-	(4.4)	(4.4)
Total financial liabilities	-	-	(6.8)	(6.8)	-	-	(4.4)	(4.4)
Net financial investments	1,451.9	38.3	182.9	1,673.1	1,444.2	31.5	189.1	1,664.8

The table above excludes the Syndicate's holdings of cash and cash equivalents of £4.6 million (2014: £4.7 million). These are measured at fair value and are categorised as Level A.

8. Financial assets and liabilities continued

The majority of the Syndicate's investments are valued based on quoted market information or other observable market data. The Syndicate holds 10.9% (2014: 11.4%) of its net financial investments at a fair value based on estimates and recorded as Level C investments. Where estimates are used, these are based on a combination of independent third party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions might result in a higher or lower fair value measurement, though this is unlikely to be significant.

There have been no significant transfers between the different levels during the year.

f) Financial risk management

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

The Syndicate has two main categories of assets:

- Underwriting assets – premium received and held to meet future insurance claims.
- Capital assets – capital required by Lloyd's to support the underwriting business. These represent funds by Amlin Corporate Member Limited as Funds in Syndicate (FIS) deposited plus working capital and surplus funds. Apart from the outstanding borrowings, these assets do not have specific current liabilities attached to them.

Investment governance

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

The Investment Management Committee comprises the MS Amlin Group Chief Executive, Chief Finance & Operations Officer and Chief Investment Officer, and meets quarterly to consider whether the strategic asset allocation and tactical asset allocation ranges are appropriate to optimise investment returns within the risk tolerances set by the Boards. The Investment Team, led by the Chief Investment Officer, is responsible for tactical asset allocation and the appointment of external investment managers and custodians.

Risk tolerance

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

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

Strategic asset allocation

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

The strategic asset allocations for capital assets are set by using a Value at Risk (VaR1) model to determine the optimum asset allocation for the current risk tolerance, which ensures that appropriate solvency levels are maintained.

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

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

Investment management

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

8. Financial assets and liabilities continued

Asset allocation

The total value of investments in the following tables is reconciled to note 8(b), financial assets and financial liabilities, as follows:

	2015 £m	2014 £m
Net financial investments per note 8(b)	1,673.1	1,664.8
Assets/(liabilities) shown separately in the notes to the financial statements:		
Accrued income	1.2	1.8
Net unsettled (payables)/receivables for investments (purchased)/sold	(0.5)	1.7
Cash funds held by financial institutions	-	6.4
Assets not analysed in the investment asset allocation tables:		
Liquid investments	(0.7)	0.1
Unlisted equities	(6.3)	(8.6)
Margin and collateral relating to derivative instruments	(0.7)	0.7
Total investments in asset allocation tables below	1,666.1	1,666.9

The asset allocation of the Syndicate's investments is set out below.

	31 December 2015				31 December 2014			
	Underwriting assets £m	Capital assets £m	Total assets £m	Total %	Underwriting assets £m	Capital assets £m	Total assets £m	Total %
Government securities	381.7	-	381.7	22.9	331.9	-	331.9	19.9
Government agencies/guaranteed bonds	0.7	-	0.7	0.0	0.7	-	0.7	0.0
Asset-backed securities	10.0	-	10.0	0.6	8.0	-	8.0	0.5
Mortgage-backed securities – Prime	17.9	-	17.9	1.1	38.1	-	38.1	2.3
Corporate bonds	66.2	-	66.2	4.0	74.0	-	74.0	4.4
Pooled vehicles	434.0	286.3	720.3	43.2	542.5	226.9	769.4	46.2
Total bonds	910.5	286.3	1,196.8	71.8	995.2	226.9	1,222.1	73.3
Global equities	5.8	236.7	242.5	14.6	4.0	256.9	260.9	15.7
Property funds	-	119.1	119.1	7.1	-	90.4	90.4	5.4
Other liquid investments	97.9	9.8	107.7	6.5	78.6	14.9	93.5	5.6
Total	1,014.2	651.9	1,666.1	100.0	1,077.8	589.1	1,666.9	100.0

Pooled vehicles held are represented by 34.5% government/agency bonds (2014: 35.7%), 27.9% corporate bonds (2014: 42.0%), 9.4% mortgage backed and asset backed securities (2014: 8.8%), 0.2% equities (2014: Nil) and 28.0% other liquid investments (2014: 13.5%).

g) Market risk

Market risk concerns the risks associated with valuation, interest rates, liquidity and counterparty credit. Foreign exchange risk is described in note 7.

Valuation risk

The Syndicate's earnings are directly affected by changes in the valuations of the investments held in the portfolios. These valuations vary according to the movements in the underlying markets. The Syndicate's assets are marked to market at bid price. Prices are supplied by the custodians, whose pricing processes are covered by their published annual audits. In accordance with their pricing policies, prices are sourced from market recognised pricing vendor sources. These pricing sources use closing trades, or where more appropriate in illiquid markets, pricing models. Property funds are based on the most recent price available, which in some instances may be a quarter in arrears. Where a property transaction has taken place the transaction price is used if it is the most recent price available.

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

8. Financial assets and liabilities continued

As an additional level of governance over pricing, the managing agent validates the prices provided by pricing vendor sources against information obtained from Bloomberg where available. A review of stale prices was also conducted at 31 December 2015, though the impact of stale prices on the Syndicate's investment valuation is considered immaterial. Further details of the fair value measurement of financial assets and financial liabilities are included in note 8(e).

The valuation of investments is sensitive to equity risk. The impact on profit before tax of a 5% improvement/deterioration in the total market value of shares and other variable yield securities would be a £11.2 million gain/loss (2014: £11.5 million gain/ £11.4 million loss).

Interest rate risk

Investors' expectations for interest rates will impact bond yields. The value of the Syndicate's bond holdings is therefore subject to fluctuation as bond yields rise and fall. If the yield falls the capital value will rise, and vice versa. The sensitivity of the price of a bond is indicated by its duration. The greater the duration of a security the greater its price volatility. Typically the longer the maturity of a bond the greater its duration.

The maturity bands of the Syndicate's bond holdings as at 31 December 2015 are shown below.

	31 December 2015	31 December 2014
	Underwriting assets £m	Underwriting assets £m
Less than 1 year	137.0	34.1
1-2 years	283.1	102.0
2-3 years	13.2	147.6
3-4 years	12.1	62.5
4-5 years	7.3	62.4
Over 5 years	23.8	44.1
	476.5	452.7

The duration of underwriting assets is set with reference to the duration of the underlying liabilities. It should be noted that the liabilities are not currently discounted and therefore their value is not impacted by interest rate movements. Cash is raised, or the duration of the portfolio reduced, if it is believed that yields may rise and therefore capital values will fall.

The average durations of the bond and cash portfolios for the underwriting assets and associated insurance liabilities as at 31 December 2015 were as follows:

	31 December 2015		31 December 2014	
Underwriting assets/liabilities	Assets Years	Liabilities Years	Assets Years	Liabilities Years
Sterling	1.2	3.8	0.5	3.8
US dollar	0.2	3.3	0.3	3.3
Euro	0.1	4.3	0.5	4.3
Canadian dollar	0.8	4.0	1.0	4.0

The asset durations above are calculated by the custodian and are checked against those reported by the fund managers. Liabilities durations are calculated by the Amlin Group Actuarial team.

An indication of the potential sensitivity of the value of the bond and cash funds to changes in yield is shown below.

Shift in yield (basis points)	U/wtg Sterling%	U/wtg US$%	U/wtg CAN$%	U/wtg Euro%	Capital Sterling%
100	(1.1)	(0.3)	(0.5)	(0.8)	(0.7)
75	(0.8)	(0.2)	(0.4)	(0.6)	(0.6)
50	(0.5)	(0.1)	(0.2)	(0.4)	(0.4)
25	(0.3)	(0.1)	(0.1)	(0.2)	(0.2)
-25	0.3	0.1	0.1	0.2	0.2
-50	0.5	0.1	0.2	0.4	0.4
-75	0.8	0.2	0.4	0.6	0.6
-100	1.1	0.3	0.5	0.8	0.7

8. Financial assets and liabilities continued

Liquidity risk

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

The following table indicates the contractual timing of cash flows arising from assets and liabilities for management of insurance contracts at 31 December 2015:

	Contractual cash flows (undiscounted)					
31 December 2015 Financial assets	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Debt and other fixed income securities	-	389.9	129.6	13.6	23.1	475.4
Shares and other variable yield securities	367.1	0.4	-	-	-	367.5
Participation in investment pools	106.3	-	-	-	-	106.3
Holdings in collective investment schemes	727.8	-	-	-	-	727.8
Other investments	2.9	-	-	-	-	2.9
Total financial assets	1,204.1	390.3	129.6	13.6	23.1	1,679.9
Financial liabilities						
Derivative financial instruments	-	(6.8)	-	-	-	(6.8)
Total financial liabilities	-	(6.8)	-	-	-	(6.8)
Net financial assets	1,204.1	383.5	129.6	13.6	23.1	1,673.1

	Expected cash flows (undiscounted)					
Insurance liabilities	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Outstanding claims	-	607.6	539.0	227.0	227.4	1,601.0
Less reinsurers' share of outstanding claims	-	(149.6)	(151.7)	(66.1)	(55.5)	(422.9)
Total	-	458.0	387.3	160.9	171.9	1,178.1
Difference in contractual cash flows	1,204.1	(74.5)	(257.7)	(147.3)	(148.8)	495.0

	Contractual cash flows (undiscounted)					
31 December 2014 Financial assets	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Debt and other fixed income securities	–	63.4	230.8	152.7	31.1	451.1
Shares and other variable yield securities	357.2	0.2	–	–	–	357.4
Participation in investment pools	85.4	–	–	–	–	85.4
Holdings in collective investment schemes	771.8	–	–	–	–	771.8
Other investments	1.1	–	–	–	3.1	3.5
Total financial assets	1,215.5	63.6	230.8	152.7	34.2	1,669.2
Financial liabilities						
Derivative financial instruments	–	(4.4)	–	–	–	(4.4)
Total financial liabilities	–	(4.4)	–	–	–	(4.4)
Net financial assets	1,215.5	59.2	230.8	152.7	34.2	1,664.8

	Expected cash flows (undiscounted)					
Insurance liabilities	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Outstanding claims	–	631.0	555.9	235.5	235.3	1,657.7
Less reinsurers' share of outstanding claims	–	(152.4)	(154.5)	(67.3)	(56.5)	(430.8)
Total	–	478.6	401.4	168.2	178.8	1,226.9
Difference in contractual cash flows	1,215.5	(419.4)	(170.6)	(15.5)	(144.6)	437.9

8. Financial assets and liabilities continued

Liquidity in the event of a major disaster is tested regularly using internal cash flow forecasts and realistic disaster scenarios. In addition, the policyholders' funds investment guidelines require at least 25% of the funds to be held in government bonds and/or cash equivalents, which are highly liquid. If a major insurance event occurs the investment strategy is reviewed to ensure that sufficient liquidity is also available in the corporate funds.

The current and non-current portions of the other non-derivative financial liabilities is available in notes 8(d) and 9(f).

Credit risk

Credit risk is the risk that the Syndicate becomes exposed to loss if a specific counterparty fails to perform its contractual obligations in a timely manner impacting the Syndicate's ability to meet its claims as they fall due. Credit risk can also arise from underlying causes that have an impact upon the creditworthiness of all counterparties of a particular description or geographical location. The Syndicate's credit risk is mitigated by the collateral received from counterparties, details of which are given in note 8(i). The Syndicate is exposed to credit risk in its investment portfolio and with its premium and reinsurance debtors.

31 December 2015	Debt securities £m	%	Participation in investment pools £m	%	Insurance and reinsurance receivables £m	%	Reinsurers' share of outstanding claims £m	%
AAA	397.8	83.7	106.3	100.0	2.0	0.3	2.5	0.6
AA	32.0	6.7	–	–	25.6	3.1	52.0	12.3
A	32.4	6.8	–	–	113.1	13.9	361.6	85.5
BBB	12.0	2.5	–	–	-		0.7	0.1
Other	1.2	0.3	–	–	674.6	82.7	6.1	1.5
	475.4	100.0	106.3	100.0	815.3	100.0	422.9	100.0

31 December 2014	Debt securities £m	%	Participation in investment pools £m	%	Insurance and reinsurance receivables £m	%	Reinsurers' share of outstanding claims £m	%
AAA	361.3	80.1	85.4	100.0	-	-	1.9	0.4
AA	28.2	6.3	-	-	1.0	0.1	39.6	9.2
A	47.9	10.6	-	-	76.1	11.3	384.8	89.3
BBB	11.9	2.6	-	-	-	-	0.4	0.1
Other	1.8	0.4	-	-	593.4	88.6	4.1	1.0
	451.1	100.0	85.4	100.0	670.5	100.0	430.8	100.0

Insurance and reinsurance

The table above includes premium receivables, representing amounts due from policyholders. The quality of these receivables is not graded, but based on historical experience there is limited default risk relating to these amounts. Credit risk in respect of premium debt is overseen by the Syndicate's Broker Committee and managed through a number of controls that include broker approval, annual financial review and internal rating of brokers and regular monitoring of premium settlement performance.

Also included are reinsurance receivables, which represent the amounts due at 31 December 2015, as well as amounts expected to be recovered on unpaid outstanding claims (including IBNR) in respect of earned risks. These are stated net of provisions for impairment. The credit risk in respect of reinsurance receivables, including reinsurers' share of outstanding claims, is primarily managed by review and approval of reinsurance security by the Reinsurance Security Committee prior to the purchase of the reinsurance contract. Guidelines are set, and monitored, that restrict the purchase of reinsurance security based on the internal ratings for each reinsurer and Standard & Poor's ratings. The Syndicate holds collateral from certain reinsurers including those that are non-rated as security against potential default. The details of reinsurance collaterals held and placed with third party trust funds are provided in note 8(i). Provisions are made against the amounts due from certain reinsurers, depending on the age of the debt and the current rating assigned to the reinsurer. The impact on profit before tax of a 1% variation in the reinsurance assets would be £5.3 million (2014: £5.4 million). The details of overdue reinsurance assets and insurance receivables are provided in notes 9(a) and 9(e).

Investments

As well as actual failure of a counterparty to perform its contractual obligations, the price of corporate bond holdings will be affected by investors' perception of a borrower's credit worthiness. Credit risk within the investment funds is managed through the credit research carried out by the investment managers. The investment guidelines are designed to mitigate credit risk by ensuring diversification of the holdings. For each portfolio there are limits to the exposure to single issuers and to the total amount that can be held in each credit quality rating category, as determined by reference to credit rating agencies. At 31 December 2015, investments amounted to £1,673.1 million (2014: £1,664.8 million). Directly held bonds accounted for 28.4% of the portfolio (2014: 27.1%). The residual of the portfolio was held mostly in collective investment schemes and shares. The credit ratings on debt securities are State Street composite ratings based on Standard & Poor's, Moody's and Fitch.

8. Financial assets and liabilities continued

h) Offsetting financial assets and financial liabilities

The Syndicate's derivative transactions with respect to over-the-counter options and currency forwards are subject to International Swaps and Derivatives Association (ISDA) master netting agreements. Transactions under such agreements meet the criteria for offsetting in the Syndicate's statement of financial position. The Syndicate also receives and pledges collateral in the form of cash in respect of the derivative transactions. The fair value of the Syndicate's options and currency forwards are not offset by such collaterals as they create a right of set-off that is enforceable only following an event of default, insolvency or bankruptcy of the Syndicate or the counterparties.

The Syndicate listed futures are transacted under Global Principal Clearing agreements and are not subject to offsetting in the consolidated statement of financial position. In addition, the Syndicate and its counterparties do not intend to settle on a net basis or to realise the assets and the liabilities simultaneously.

The disclosure provided in the tables below include derivatives that are set off in the Syndicate's statement of financial position.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

31 December 2015	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the statement of financial position £m	Net amounts of financial assets presented in the statement of financial position £m	Related amounts not set off in the statement of financial position: Financial instruments £m	Cash collateral received £m	Net Amount £m
Derivative instruments held for trading	287.8	(287.3)	0.5	-	-	0.5
Derivative instruments in designated hedge accounting relationships	3.2	-	3.2	-	(2.9)	0.3
	291.0	(287.3)	3.7	-	(2.9)	0.8

31 December 2015	Gross amounts of recognised financial liabilities £m	Gross amounts of recognised financial assets set off in the statement of financial position £m	Net amounts of financial liabilities presented in the statement of financial position £m	Related amounts not set off in the statement of financial position: Financial instruments £m	Cash collateral pledged £m	Net Amount £m
Derivative instruments held for trading	(297.3)	287.3	(10.0)	–	–	(10.0)
Derivative instruments in designated hedge accounting relationships	(0.5)	–	(0.5)	–	–	(0.5)
	(297.8)	287.3	(10.5)	–	–	(10.5)

Net	(6.8)	–	(6.8)	–	(2.9)	(9.7)

31 December 2014	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the statement of financial position £m	Net amounts of financial assets presented in the statement of financial position £m	Related amounts not set off in the statement of financial position: Financial instruments £m	Cash collateral received £m	Net Amount £m
Derivative instruments held for trading	250.9	(249.3)	1.6	–	–	1.6
Derivative instruments in designated hedge accounting relationships	71.3	(70.2)	1.1	–	(0.1)	1.0
	322.2	(319.5)	2.7	–	(0.1)	2.6

8. Financial assets and liabilities continued

31 December 2014	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the statement of financial position £m	Net amounts of financial assets presented in the statement of financial position £m	Related amounts not set off in the statement of financial position: Financial instruments £m	Related amounts not set off in the statement of financial position: Cash collateral received £m	Net Amount £m
Derivative instruments held for trading	(255.7)	249.3	(6.4)	-	-	(6.4)
Derivative instruments in designated hedge accounting relationships	(70.9)	70.2	(0.7)	-	-	(0.7)
	(326.6)	319.5	(7.1)	-	-	(7.1)
Net	(4.4)	-	(4.4)	-	(0.1)	(4.5)

i) Restricted funds held by the Syndicate

At 31 December 2015, the Syndicate holds restricted funds in the form of trust fund investments, letter of credit (LOC) collaterals, initial margin calls on derivative financial instruments and collateral received from reinsurance counterparties.

Trust funds
Syndicate 2001 holds gross assets of £3,703.9 million (2014: £3,542.6 million), offset by gross liabilities of £2,936.2 million (2014: £2,891.0 million), which are held within individual trust funds. The assets cannot be obtained or used until such time as each Syndicate underwriting year is closed and profits are distributed, or an advance profit release is made. The Funds in Syndicate, as set out on page 11 in the Statement of changes in members' balances as funds deposited by Amlin Corporate members limited, represent the restricted capital for regulatory purposes. Furthermore, £34.0 million (2014: £17.7 million) of Amlin Singapore Pte Ltd's assets are held within trust funds and restricted from use within the working capital of the Group until settlement has been made to Syndicate 2001.

Letter of Credit (LOC) facilities
At 31 December 2015, Syndicate 2001 recognised £1.0 million (2014: £1.2 million) of cash drawn down from LOC facilities as a liability on the statement of financial position. This has been received from reinsurance counterparties as a guarantee for business written and is included within total funds held by Syndicate 2001.

Derivative margins and collateral
Derivative instruments traded across the Group give rise to collateral being placed with, or received from, external counterparties. At 31 December 2015, included in other receivables and other payables are £1.6 million (2014: £0.8 million) margins and collaterals pledged and £2.9 million (2014: £0.4 million) margins and collaterals held in relation to listed futures margins and other derivatives respectively.

Reinsurance collateral received
Collateral of £636.5 million (2014: £304.3 million) is held in third party trust funds to guarantee Syndicate 2001 against reinsurance counterparties.

Insurance collateral placed
Syndicate 2001 holds £395.7 million (2014: £367.1 million) of collateral in a US trust fund to meet US regulatory requirements, which are recognised as an asset to the Syndicate.

9. Insurance liabilities and reinsurance assets

a) Net outstanding claims

		2015			2014		
Outstanding claims	Note	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m
At 1 January		1,657.7	(430.8)	1,226.9	1,537.0	(395.9)	1,141.1
Claims incurred during the current year		753.8	(177.1)	576.7	826.2	(212.8)	613.4
Movements arising from prior year claims		(53.5)	15.2	(38.3)	(18.7)	10.5	(8.2)
		700.3	(161.9)	538.4	807.5	(202.3)	605.2
Claims paid during the year		(792.2)	185.0	(607.2)	(737.0)	162.2	(574.8)
Change in provision for claims		(91.9)	23.1	(68.8)	70.5	(40.1)	30.4
Foreign exchange (gains)/losses		35.2	(15.2)	20.0	50.2	5.2	55.4
At 31 December		1,601.0	(422.9)	1,178.1	1,657.7	(430.8)	1,226.9

Further information on the calculation of outstanding claims and the risks associated with them is provided in notes 9(l) and 9(g) respectively.

Outstanding claims are further analysed between notified outstanding claims and claims incurred but not reported below:

	2015			2014		
Outstanding claims	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m
Notified outstanding claims	1,094.2	(260.5)	833.7	1,169.6	(279.7)	889.9
Claims incurred but not reported	506.8	(162.4)	344.4	488.1	(151.1)	337.0
	1,601.0	(422.9)	1,178.1	1,657.7	(430.8)	1,226.9

The current and non-current portions for outstanding claims are expected to be as follows:

	2015			2014		
Outstanding claims	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m
Current portion	607.6	(149.6)	458.0	631.0	(152.4)	478.6
Non-current portion	993.4	(273.3)	720.1	1,026.7	(278.4)	748.3
	1601.0	(422.9)	1,178.1	1,657.7	(430.8)	1,226.9

The total reinsurers' share of outstanding claims is set out in the table below:

	2015 £m	2014 £m
Reinsurers' share of outstanding claims	424.7	432.9
Less provision for impairment of receivables from reinsurers	(1.8)	(2.1)
	422.9	430.8

The managing agent assesses the Syndicate's reinsurers' share of outstanding claims for impairment on a quarterly basis by reviewing counterparty payment history and credit grades provided by rating agencies. The credit ratings of the Syndicate's reinsurers' share of outstanding claims are shown in note 8(g).

At 31 December 2015 and 2014 the reinsurers' share of outstanding claims was not overdue. The Syndicate holds collateral of £636.5 million (2014: £304.3 million) in relation to reinsurers' share of outstanding claims. Details are included in note 8(i).

9. Insurance liabilities and reinsurance assets continued

b) Claims development

The tables below illustrate the development of the estimates of cumulative claims for the Syndicate, illustrating how amounts booked have developed from one reporting period to the next. All tables are prepared on an undiscounted basis. Non-sterling balances have been converted using 2015 year end exchange rates to aid comparability.

Claims development table gross of reinsurance

Estimate of cumulative claims	2010 and prior £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	Total £m
At end of underwriting year		511.3	461.1	418.4	469.0	404.2	
One year later		815.3	756.6	793.0	821.4		
Two years later		810.4	768.3	786.4			
Three years later		820.7	750.3				
Four years later		822.5					
Cumulative payments		(702.0)	(598.2)	(532.9)	(395.0)	(70.5)	
Estimated balance to pay	314.8	120.5	152.1	253.5	426.4	333.7	1,601.0

Claims development table net of reinsurance

Estimate of cumulative claims	2010 and prior £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	Total £m
At end of underwriting year		325.5	336.9	313.6	353.0	312.6	
One year later		564.5	565.4	583.6	619.5		
Two years later		567.0	575.5	586.6			
Three years later		600.3	557.1				
Four years later		601.7					
Cumulative payments		(490.7)	(460.0)	(400.1)	(306.1)	(58.1)	
Estimated balance to pay	215.6	111.0	97.1	186.5	313.4	254.5	1,178.1

Total for all underwriting years	£m
Net reserves recognised	1,178.1
Amounts recovered from reinsurers	422.9
Gross reserves included in balance sheet	1,601.0

c) Net unearned premium

Unearned premiums are further analysed between written and earned premium below:

	2015			2014 Restated		
Unearned premium	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m
At 1 January	817.4	(153.5)	663.9	736.1	(145.5)	590.6
Change in provision for unearned premium	129.9	(20.1)	109.8	38.1	(5.0)	33.1
Foreign exchange (gains)/losses	(0.7)	(9.4)	(10.1)	43.2	(3.0)	40.2
At 31 December	946.6	(183.0)	763.6	817.4	(153.5)	663.9

The current and non-current portions for unearned premium are expected to be as follows:

	2015			2014 Restated		
Unearned premium	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m
Current portion	848.6	(154.0)	694.6	747.2	(142.3)	604.9
Non-current portion	98.0	(29.0)	69.0	70.2	(11.2)	59.0
At 31 December	946.6	(183.0)	763.6	817.4	(153.5)	663.9

9. Insurance liabilities and reinsurance assets continued

d) Deferred acquisition costs

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

	Note	2015 £m	2014 £m Restated
At 1 January		202.6	178.3
Change in deferred acquisition costs	3	34.0	14.3
Foreign exchange losses		0.2	10.0
At 31 December		236.8	202.6

The current and non-current portions are expected to be as follows:

	2015 £m	2014 £m Restated
Current portion	217.5	185.8
Non-current portion	19.3	16.8
	236.8	202.6

e) Insurance and reinsurance receivables

	2015 £m	2014 £m
Due from policyholders	245.7	122.1
Due from intermediaries	581.7	559.6
Less provision for impairment of receivables from contract holders and agents	(12.1)	(11.2)
Insurance and reinsurance receivables	815.3	670.5

The current and non-current portions are expected to be as follows:

	2015 £m	2014 £m
Current portion	815.3	664.0
Non-current portion	-	6.5
	815.3	670.5

Receivables arising from reinsurance contracts are comprised principally of amounts recoverable from reinsurers in respect of paid claims and premium receivables on inward reinsurance business, including reinstatement premium.

The managing agent assesses the Syndicate's insurance and reinsurance receivables for impairment on a quarterly basis by reviewing counterparty payment history and for circumstances which may give rise to a dispute or default. At 31 December 2015, insurance and reinsurance receivables at a nominal value of £20.2 million (2014: £14.6 million) were greater than three months overdue and provided for on the basis of credit rating to the value of £nil million (2014: £nil million).

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

The ageing analysis of insurance and reinsurance receivables overdue, before impairment provision, is as follows:

	2015 £m	2014 £m
Not overdue or less than 3 months	807.2	667.1
3 to 6 months	3.8	8.8
6 to 9 months	1.4	1.5
Greater than 9 months	15.0	4.3
	827.4	681.7

9. Insurance liabilities and reinsurance assets continued

Movements on the Syndicate's provision for impairment of receivables from contract holders and agents are as follows:

	2015 £m	2014 £m
At 1 January	11.2	5.3
Increase in the provision	0.9	6.0
Foreign exchange gains	-	(0.1)
At 31 December	12.1	11.2

f) Insurance and reinsurance payables

	2015 £m	2014 £m
Creditors arising out of direct insurance operations	51.9	2.8
Creditors arising out of reinsurance operations	197.7	223.4
Insurance and reinsurance payables	249.6	226.2

All balances are current.

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date. Insurance payables are comprised principally of premium payable for reinsurance, including reinstatement premium.

g) Underwriting risk

The Syndicate accepts underwriting risk in a range of classes of business through three distinct underwriting divisions. The bias of the portfolio is towards short-tail property and accident risk but liability coverage is also underwritten.

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

A number of controls are deployed to limit the amount of insurance exposure underwritten. Each year a business plan is prepared and agreed which is used to monitor the amount of premium income, and exposure, to be written in total and for each class of business. Progress against this plan is monitored during the year. These can be exceeded in exceptional circumstances but only with the approval of senior management. Apart from the UK, and some of the international, comprehensive motor liability portfolio, which has unlimited liability, all policies have a per loss limit which caps the size of any individual claims. For larger sum insured risks reinsurance coverage may be purchased. The managing agent uses line guides that determine the maximum liability per policy that can be written for each class (on a gross or net of facultative reinsurance basis) by each underwriter. The Syndicate is also exposed to catastrophe losses which may impact many risks in a single event. Reinsurance is purchased to limit the impact of loss aggregation from such events. These reinsurance arrangements are described in section 9(j) below.

Insurance liabilities are written through individual risk acceptances, reinsurance treaties or through facilities whereby the Syndicate is bound by other underwriting entities. Facility arrangements delegate underwriting authority to other underwriters, or to agents acting as coverholders, that use their judgement to write risks on the Syndicate's behalf under clear authority levels.

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

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

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

9. Insurance liabilities and reinsurance assets continued

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

h) Regulatory risk

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

i) Operational risk

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

j) Reinsurance and other risk mitigation arrangements

The Syndicate purchases proportional reinsurance to supplement line size and to reduce exposure on individual risks. A part of the premiums ceded under such facilities is placed with Amlin Bermuda and Amlin Europe N.V. under variable quota share agreements. Additionally, a 17.5% whole account quota share arrangement of Syndicate 2001 is written by Amlin Bermuda. The Syndicate also purchases a number of excess of loss reinsurances to protect itself from severe frequency or size of losses. The structure of the programme and type of protection bought will vary from year to year depending on the availability and price of cover.

For the 2009 to 2013 underwriting years, 10% was ceded on certain excess of loss aviation, marine, property catastrophe, property per risk and terrorism accounts to special purpose Syndicate 6106. The contract has been commuted based on the position at 31 December 2015. All previous underwriting years were commuted by the 31 December 2014.

k) Realistic Disaster Scenario (RDS) analysis

The Syndicate has a defined event risk tolerance, which determines the maximum net loss that the Syndicate intends to limit its exposure to, from major catastrophe event scenarios. At 31 December 2015 the maximum was £158.0 million for the Syndicate (2014: £195 million).

These maximum losses are expected only to be incurred in extreme events – with an estimated occurrence probability for the elemental losses of less than 1 in 100 years for each relevant natural peril region. The Syndicate also adopts risk tolerance maximum net limits for a number of other non-elemental scenarios including aviation collision and North Sea rig loss.

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

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

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

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

9. Insurance liabilities and reinsurance assets continued

l) Claims reserving and IBNR

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

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

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

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

Areas of uncertainty
The reserves established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR claims. The impact on profit of a 1% improvement/deterioration in the total net claims reserves would be £11.8 million gain/loss (2014: £12.3 million).

Large loss case reserves are determined through careful analysis of the individual claim, often with the advice of lawyers. Claims arising from events such as the 11 September 2001 terrorist attacks in the US are examples of cases where there continues to be some uncertainty over the eventual value of claims.

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

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

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

9. Insurance liabilities and reinsurance assets continued

The allocation of IBNR to the reinsurance programme is an uncertain exercise as there is limited knowledge of the size or number of future claims advices. The assumption over future reinsurance recoveries may be incorrect and unforeseen disputes could arise which would reduce recoveries made.

The estimated premium income in respect of facility contracts, for example, binding authorities and lineslips, is deemed to be written in full at the inception of the contract but actual premium may exceed or fail to meet initial estimates. The magnitude of claims arising from such facilities may differ from estimates as a result of differences between estimated and actual premium.

10. Overseas deposits

Overseas deposits represent balances held with overseas regulators to permit underwriting in certain territories. These assets are managed by Lloyd's on a pooled basis and are predominantly invested in debt and other fixed income securities.

11. Capital

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

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly the capital requirement in respect of Syndicate 2001 is not disclosed in these financial statements.

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's 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 a SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR 'to ultimate'.

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

Accordingly all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the statement of financial position on page 9, represent resources available to meet members' and Lloyd's capital requirements. Syndicate 2001 has only one member, Amlin Corporate Member Limited, and all its capital is provided as FIS.

12. Related parties
The largest and the smallest group of undertakings for which Group accounts are prepared and the results of the Syndicate are included, is MS Amlin plc (formerly Amlin plc), a company incorporated in Great Britain and registered in England and Wales. MS Amlin plc was the ultimate parent company and controlling party of Amlin Underwriting Limited (the managing agency) at 31 December 2015. A copy of the consolidated accounts is available from the Registered Office of MS Amlin plc at The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB.

On 1 February 2016, all of the available shares of Amlin plc were transferred to Mitsui Sumitomo Insurance Company Limited, a wholly owned subsidiary of MS&AD Insurance Group Holdings, Inc. Thus from this date, the ultimate parent of Amlin Underwriting Limited is MS&AD Insurance Group Holdings, Inc.

12. Related parties continued

Amlin Corporate Member Limited

From October 2007, Amlin Corporate Member Limited has satisfied Lloyd's capital requirements by holding investments within the Syndicate as Funds in Syndicate (FIS). During 2015, £52.1 million was deposited by Amlin Corporate Member Limited as its capital requirements changed (2014: £16.2 million). The investments realised a profit of £19.3 million for the period to 31 December 2014 (2014: £20.7 million). The balance of £655.6 million (2014: £584.2 million) is included within capital and reserves on the Syndicate balance sheet and is owed exclusively to Amlin Corporate Member Limited.

Distributions of profit to the member's personal reserve funds of £70.3 million (2014: £60.6 million) were made during the year.

Amlin Underwriting Limited

Managing agent's fees of £33.6 million (2014: £33.8 million) were earned by the Syndicate during the year. At the 31 December 2015 the amount due to Amlin Underwriting Limited was £3.2 million (2014: due from £3.7 million).

There have been no transactions entered into or carried out during the year by the managing agency on behalf of the Syndicate in which it or any of its executives had directly or indirectly a material interest other than by way of their shareholding in MS Amlin plc or participation in Syndicate 2001.

Amlin Corporate Services Limited

Amlin Corporate Services Limited was paid £146.1 million during the year (2014: £113.2 million) for expenses incurred directly and indirectly on behalf of the Syndicate. This included a management charge of £94.4 million (2014: £49.5 million) for central costs of the MS Amlin Group that are attributable to the Syndicate. These expenses are shown in administrative expenses net of the allocation to claims handling costs. There is no profit element in the amounts paid to Amlin Corporate Services Limited. At 31 December 2015 the amount due from Amlin Corporate Services Limited was £12.5 million (2014: £12.3 million).

Amlin Bermuda

Syndicate 2001 placed seven (2014: twelve) proportional treaty reinsurance contracts and thirty five (2014: thirty eight) excess of loss reinsurance contracts with Amlin Bermuda (AB), a branch of Amlin AG, for a variety of classes of business. The Syndicate also placed a whole account quota share reinsurance contract of 17.5% with AB for the 2015 year of account (2014: 17.5%).

During 2015, the Syndicate was reinsured by AB as a following market, through eleven (2014: eleven) programmes protecting a variety of classes of business. With effect from 1 January 2012 there is a 36 month Weighted Industry Loss reinsurance agreement between Syndicate 2001 and Amlin Bermuda providing cover for US Hurricane, US Earthquake and European Windstorm, a new contract was issued for 36 months from 1 January 2015. With effect from 1 July 2013 there is a 48 month Weighted Industry Loss reinsurance agreement between Syndicate 2001 and Amlin Bermuda providing cover for US and Canadian Earthquake.

All reinsurance contracts are agreed on an arm's length basis with terms that are consistent with those negotiated with third parties. The total premiums (less commissions retained) payable to AB in respect of 2015 were £234.4 million (2014: £211.1 million), of which £138.8 million (2014: £93.6 million) were outstanding as at 31 December 2015.

Amlin AG

The international treaty variable quota share between Amlin AG and Syndicate 2001 has been renewed in 2015. All cessions are subject to the prior approval of Syndicate 2001. Total premiums receivable from Amlin AG in respect of 2015 were £1.0 million (2014: £1.0 million) of which £0.3 million were outstanding as at 31 December 2015.

Amlin Europe N.V.

2014 was the last year Amlin Europe N.V. (AE) renewed its involvement in the Syndicate's variable quota share arrangements which included all classes written by the Syndicate's Marine business unit. AE's participation on the hull, cargo and builders risks prior submit facilities also ceased at the end of 2014. Total premiums (less commissions retained) payable to AE in respect of runoff in 2015 were £0.9 million (2014: £19.3 million) of which £2.3 million (2014: £4.9 million) were outstanding at 31 December 2015. Premiums receivable from AE in respect of 2015 were £1.0 million (2014: £2.0 million) of which £nil million (2014: £nil million) were outstanding as at 31 December 2015.

Amlin Insurance (UK) plc

Amlin Insurance (UK) plc ceded a 75% (2014: 75%) quota share of its whole account to Syndicate 2001. Total premiums receivable from Amlin Insurance (UK) plc in respect of 2015 were £1.0 million (2014: £1.1 million) of which £0.4 million (2014: £0.5 million) were outstanding as at 31 December 2015. On 4 January 2016 this relationship switched to Amlin Insurance Societas Europaea (SE) when Amlin Insurance (UK) plc acquired Amlin Europe N.V. to form an SE by merger.

Special Purpose Syndicate 6106

Amlin Underwriting Limited also acts as managing agent for Special Purpose Syndicate 6106 (Syndicate 6106). Syndicate 6106 began operating from 1 January 2009 to write a proportional treaty reinsurance contract covering the marine, aviation, property catastrophe, property per risk and terrorism excess of loss accounts for the 2009 underwriting year of account. Syndicate 6106 did not underwrite for the 2015 underwriting year of account. Syndicate 2001 retains a 5% overriding commission on premiums ceded to Syndicate 6106 and is entitled to 20% profit commission on the settlement of the contract, subject to a two-year deficit clause. During 2015 the Syndicate earned overriding commission of £nil million (2014: £0.1 million) with £0.4 million profit commission earned (2014: £0.9 million). Syndicate 2001 paid Syndicate 6106 £16.5 million in 2015 to settle the 2012 year of account (£8.2 million in 2014 to settle the 2011 year of account).

12. Related parties continued

Until the contract is concluded the premiums and other income of the business, less the claims and other liabilities related to the contract, will be retained within Syndicate 2001's trust funds. At 31 December 2015 the amount due to Syndicate 6106 retained in Syndicate 2001 under the terms of the contract was £14.9 million (31 December 2014: £29.5 million due to Syndicate 6106). This relates to the 2013 underwriting year of Syndicate 6106 and has been commuted as at 31 December 2015.

Leadenhall Capital Partners LLP

MS Amlin Group has a financial interest of 75.0% in Leadenhall Capital Partners LLP (LCP). Syndicate 2001 has written a limited number of excess of loss reinsurance policies in conjunction with LCP. These policies are ceded 100% to Horseshoe Re, Bermuda and the Syndicate receives an overriding commission (normally 4.5% of gross premium). During 2015, Syndicate 2001 wrote £37.8 million (2014: £21.0 million) of gross premium and received £1.7 million (2014: £0.9 million) of commission through this arrangement. As at 31 December 2015, the Syndicate had £5.7million (2014: £4.8 million) receivable from Horseshoe Re.

Manchester Underwriting Management Limited

Syndicate 2001 has a financial interest of 30.0% in Manchester Underwriting Management Limited (MUM). The company acts as a distribution vehicle for smaller UK Professional Indemnity risks to the Property & Casualty business unit. At 31 December 2015, MUM owed £1.9 million (2014: £2.2 million) to the Syndicate.

Miles Smith Insurance Group

Syndicate 2001 also has a financial interest of 25.8% in Miles Smith Insurance Group. The company is a London Market wholesale broker who transacts high volumes of Fleet and other Commercial business with the Property and Casualty UK business unit of Syndicate 2001. Miles Smith owed the Syndicate £2.9 million at 31 December 2015 (2014: £4.5 million).

Service companies and brokers

Amlin Underwriting Limited has two subsidiaries (Amlin Plus Limited and Amlin Reinsurance Managers Inc) which introduce business to, or provide specialist services on behalf of, Syndicate 2001. Further business is introduced through other group entities owned, directly or indirectly, by MS Amlin plc.

The service companies and brokers and the income received and expenses incurred by the Syndicate are summarised below.

Service company	Insurance class of business introduced	2015 Gross written premiums £m	2014 Gross written premiums £m	2015 Commission/ brokerage paid £m	2014 Commission/ brokerage paid £m	2015 Profit commission paid £m	2014 Profit commission paid £m	2015 Management charge paid £m	2014 Management charge paid/ £m
Amlin Plus Limited	Equine insurance	-	10.3	-	1.3	-	-	-	0.7
Amlin Underwriting Services Limited	Dinghy, yacht, super yacht, livestock and equine insurance	32.5	17.0	4.4	2.8	0.4	0.3	5.7	1.8
Amlin Singapore Pte Limited	General insurance and reinsurance	40.9	21.1	-	-	-	-	3.9	2.8
Amlin Labuan Limited	General insurance and reinsurance	2.4	2.3	-	-	-	-	0.1	0.1
JR Clare Underwriting Agencies Limited	UK household and commercial insurance	-	(0.2)	-	-	-	-	-	-
Lead Yacht Underwriters Limited	Super-yacht insurance	1.4	10.0	0.1	0.6	0.1	0.4	-	-
AUA Insolvency Risk Services Limited	Insolvency practitioners' insurance	8.7	15.8	1.8	2.5	-	-	(0.1)	(0.1)
Amlin Reinsurance Managers Inc	Casualty and professional liability reinsurance	41.4	3.9	3.8	1.0	-	-	4.1	1.9
RaetsMarine	Marine liability protection and indemnity insurance	14.2	0.1	2.4	-	-	-	4.0	-
Amlin Dubai Limited	Marine, War/Terrorism, Yacht, Cargo	2.2	-	0.5	-	-	-	1.5	-
		143.7	80.3	13.0	8.2	0.5	0.7	19.2	7.2

12. Related parties continued

Service company	Service provided	2015 Fees paid £m	2014 Fees paid £m
Serviceline (UK) Limited	Motor and legal expenses	-	-
Amlin UK Limited	Claims adjusting and administration	-	1.5
		-	1.5

The entire share capital of these companies is held by MS Amlin plc and its subsidiaries. Amlin Underwriting Limited and Lycetts Holdings Limited (the owners of Lycett, Browne-Swinburne and Douglass Limited) owned 60% and 40% respectively of the share capital of Amlin Plus Limited until 16 December 2014 when Amlin Underwriting Limited acquired the remaining 40% of share capital. The business of Amlin Plus Limited was transferred to Amlin Underwriting Services Limited on 1 January 2016 and is written under a binding authority agreement with Syndicate 2001, some of which is sourced through Lycett, Browne-Swinburne and Douglass Limited.

All transactions between Amlin Plus Limited and Syndicate 2001 are conducted on an arm's length basis.

No fees are paid by these companies to any of the directors of Amlin Underwriting Limited.

Transactions with directors

Certain directors of the managing agent are also directors of other Group companies. In all cases transactions between the Syndicate and with the Amlin Group are carried out on normal arm's length commercial terms without any involvement by the director concerned on either side of the transaction.

13. Transition to FRS 102

This is the first year that the Syndicate has presented its financial statements under FRS 102 and FRS 103. The last financial statements prepared under the previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 and FRS 103 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 total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102 and FRS 103.

Profit for the financial year		2014 £m
UK GAAP – As previously reported		119.9
Revaluation of UPR and DAC	A	(24.8)
Restated profit under FRS 102 and FRS 103		95.1

Total equity		1 January 2014 £m	31 December 2014 £m
UK GAAP – Member's balances as previously stated		588.0	663.4
Revaluation of UPR and DAC	A	13.0	(11.8)
Equity under FRS 102 and FRS 103		601.0	651.6

A Revaluation of unearned premium and deferred acquisition costs

Under FRS 102 and FRS 103 monetary items are retranslated at the closing rate with exchange differences reported through the non-technical account and non-monetary items are not retranslated.

Under previous UK GAAP unearned premium (UPR) and deferred acquisition costs (DAC) were treated as non-monetary items and not retranslated at the balance sheet date. However, FRS 103 states that insurance assets and liabilities including UPR and DAC, are now required to be treated as monetary items. These assets and liabilities have been retranslated at the period end closing rate to the functional currency, which is also the presentation currency. The resulting exchange differences have been reported through the statement of profit or loss.

B Statement of cash flows

The Syndicate's cash flow statement reflects the presentation requirements of FRS 102 and FRS 103, which is different to that prepared under FRS 1. In addition the cash flow statement reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive. The restatement has not impacted the net increase in cash and cash equivalents reported in the comparatives.

14. Events after the reporting period

Acquisition by Mitsui Sumitomo Insurance Company, Limited

On 8 September 2015, the Boards of Directors of Amlin plc and of Mitsui Sumitomo Insurance Company, Limited ("MSI"), a wholly owned subsidiary of MS&AD Insurance Group Holdings, Inc., announced that they had reached agreement on the terms of a recommended cash offer for the entire issued and to be issued share capital of Amlin plc by MSI, to be effected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the "Scheme").

On 28 January 2016, the High Court of Justice made an order sanctioning the Scheme under section 899 of the Companies Act 2006. On 1 February all the shares in the Company were acquired by MSI and on 2 February 2016 the Amlin plc delisted from the London Stock Exchange as part of the Scheme. On 29 February 2016 the Amlin plc changed its name to MS Amlin plc.

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