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AmTrust at Lloyd's Limited: Syndicate 2526

Syndicate Underwriting Year Accounts for the 2013 Run-off Year of Account

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Contents

Directors and advisers

Managing Agent:

Managing Agent	AmTrust at Lloyd's Limited (from 1 April 2015)
Directors	Donal Barrett Jeremy Cadle Max Caviet Histasp Contractor Peter Dewey Joanne Fox Brian Jackson Bjorn Jansli Michael Sibthorpe George Sweatman Gary Ross (resigned 20 May 2015)
Secretary	Donal Barrett
Registered Office	1 Great Tower Street London EC3R 5AA
Registered Number	3043923
Managing Agent	Asta Managing Agency Limited (to 31 March 2015)
Directors	Y A Bouman G M J Erulin L Harfitt A J Hubbard D J G Hunt D F C Murphy S P A Norton J W Ramage T A Riddell J M Tighe
Secretary	C Chow
Registered Office	23 Camomile Street London EC3A 7LL
Registered Number	1918744

Directors and advisers *(continued)*

Syndicate:

Active Underwriter	Neil Attwood (appointed 1 January 2016) Mike Sibthorpe (appointed 1 April 2015, resigned 31 December 2015) Dominic Frost (resigned 31 March 2015)
Bankers	Barclays Bank PLC Citibank N.A. Royal Bank of Canada
Investment Managers	AII Insurance Management Limited (appointed 1 August 2015) Amundi (UK) Ltd (resigned 31 July 2015)
Independent Auditors	KPMG LLP

Underwriter’s report for the 2013 run-off year of account

For the 36 months ended 31 December 2015

2013 Year of Account

I am disappointed to report that for the 2013 year of account after 36 months the Syndicate has produced a loss of £42.0m before members’ agent fees, which equates to 70.4% of the capacity. As detailed below, the 2013 year of account has not closed at 31 December 2015 and is now in run-off.

2013 Year of Account in 2015

Headlines:

Allocated Capacity	£59.7m
Capacity Utilisation	63.1%
Estimated GWPI (after deduction of brokerage)	£38.6m
Gross Incurred Loss Ratio@ 36 months	241%
Net Incurred Loss Ratio@ 36 months	196%

Incurred Loss Ratios exclude Incurred but not Reported (IBNR) losses.

Following the transfer of the Managing Agent on 1 April 2015, the new Managing Agent, assisted by an independent claims consulting firm, instigated a review of all open claims at Quarter 3. As a result, the claims reserves were strengthened significantly, particularly on the 2013 and prior years.

Whilst the Managing Agent and the independent claims consultants have completed their review and the Syndicate’s independent actuarial consultants have advised on the ultimate level of claims reserves required, the ultimate amounts of these claims (both gross and net of reinsurance) are subject to significant uncertainty. There exists a high degree of uncertainty over the outcome of many claims and therefore wide variability in the possible outcomes due to the relative stage of development of the claims, many involving complex litigation over a long period. In addition, the incorporation of the reserves advised by the independent claims consultants has led to some distortion in the development patterns resulting in further variability in the range of possible future outcomes. It is expected that this uncertainty will reduce in the course of the next 12 to 24 months.

Given this uncertainty and the change in capital providers between the 2013 and 2014 years of account, the board of the Managing Agent has decided to leave the 2013 year of account open at 31 December 2015.

The current estimated result for the 2013 Year of Account is a loss of £42.0m equating to a 70.4% loss as a percentage of capacity. £14.6m of the loss is in respect of 2013 pure year and £27.4m is from 2012 and prior.

The causes of this loss are primarily due to a significant increase in the incurred claims position on the professional indemnity, Directors and Officers and medical malpractice classes of business. These classes represent the vast majority of the Syndicate’s business and reserves.

Neil Attwood
Active Underwriter

22nd March 2016

Managing Agent’s report for the 2013 run-off year of account

For the 36 months ended 31 December 2015

The directors of the Managing Agent present their report at 31 December 2015 for the 2013 run-off year of account.

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

Managing Agent

With effect from 1 April 2015 the Managing Agent of the Syndicate was AmTrust at Lloyd’s Limited. Prior to this date the Managing Agent was Asta Managing Agency Ltd. The decision to change Managing Agents was so as to align the ownership of the Managing Agent with the major provider of capital given that AmTrust Corporate Member Limited provides 99.5% of the 2015 capacity. Both AmTrust at Lloyd’s Limited and AmTrust Corporate Member Limited are wholly owned by AmTrust International Limited, a subsidiary of AmTrust Financial Services Inc.

Business Review

A summary of the 2013 year of account performance is given in the accompanying Underwriters Report on page 4.

For the purposes of preparing these financial statements at 31 December 2015 the Managing Agent has adopted its external actuarial consultants’ best estimate outcome. In respect of business on the 2013 and prior years of account earned at 31 December 2015, the gross and net reserves, excluding claims handling costs, as at 31 December 2015 total £145.2 million and £97.1 million respectively.

The 2013 and prior underwriting years have produced a loss of £42.0m which compares to a forecast loss of £4.7m at 31 December 2014. The result was affected by movements in the claims reserves following an independent review of the open claims at Quarter 3. During 2015 there was net adverse claims development of £34.5m on the 2013 and prior years. As the year of account has not closed an interim cash call of £8.4m will be made in June 2016 at the request of the names.

Key uncertainties preventing the closure of the 2013 year of account

There exists a high degree of uncertainty over the outcome of many claims and therefore wide variability in the possible outcomes due to the relative stage of development of the claims, many involving complex litigation over a long period. In addition, the incorporation of the reserves advised by the independent claims consultants has led to some distortion in the development patterns resulting in further variability in the range of possible future outcomes. It is expected that this uncertainty will reduce in the course of the next 12 to 24 months.

Given this uncertainty and the change in capital providers between the 2013 and 2014 years of account, the board of the Managing Agent has decided to leave the 2013 year of account open at 31 December 2015.

Underwriting Year Result

As set out below, the deterioration arose on the 2012 and prior years of account and emanates primarily from the reserves set up in prior years on the professional indemnity account.

The forecast result for the underwriting year is a loss of £42,774k before accounting for investment income of £753k.

	2013	2012 & Prior	Total
	£000	£000	£000
Accident & Health	(472)	-	(472)
Third Party Liability	5,400	(27,270)	(21,870)
Pecuniary Loss	92	-	92
Casualty	(376)	(144)	(520)
Underwriting result	**4,644**	**(27,414)**	**(22,770)**
Net operating expenses	(16,877)	(17)	(16,894)
Loss on foreign exchange	(3,025)	(85)	(3,110)
Loss before investment income	**(15,258)**	**(27,516)**	**(42,774)**

Profits and losses will continue to be distributed and collected by reference to the results of individual underwriting years. As the year of account hasn’t closed an interim cash call of £8.4m will be made in June 2016 in accordance with the request of the names.

Report of the directors of the Managing Agent *(continued)*

Risk Management

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

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

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

During 2015 the implementation of Solvency II has been progressed in line with the regulatory timetables and guidelines.

The principal risks and uncertainties facing the Syndicate, as detailed in Note 4 to the underwriting year accounts, are as follows:

- Insurance risk
- Finance risk
- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Regulatory risk

Directors and directors' interests

The names of persons who were members of the Board of directors of each Managing Agent during 2015 are given on pages 2 and 3. None of the directors had any direct interest in the Syndicate during the period.

Disclosure of information to the auditors

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

By order of the Board

Donal Barrett
Director

22nd March 2016

Statement of Managing Agent’s responsibilities

The Managing Agent is responsible for preparing the Syndicate underwriting year accounts in accordance with applicable law and the Lloyd’s Syndicate Accounting Byelaw.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare Syndicate underwriting year accounts at 31 December in respect of any underwriting year which is in run-off at 31 December. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

In preparing the Syndicate run-off underwriting year accounts, the Managing Agent is required to:-

1. select suitable accounting policies which are applied consistently and, where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the Syndicate affected;
2. take into account all income and charges relating to the run-off year of account without regard to the date of receipt or payment;
3. make judgements and estimates that are reasonable and prudent; and
4. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these underwriting year accounts.

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

By order of the board

Donal Barrett
Director

22nd March 2016

Independent auditor's report to the members of Syndicate 2526 – 2013 run-off year of account

We have audited the Syndicate underwriting year accounts for the 2013 run-off year of account of Syndicate 2526 for the three years ended 31 December 2015, as set out on pages 9 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the members of the Syndicate, as a body, in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005). Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Syndicate's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Managing Agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 7, the Managing Agent is responsible for the preparation of the Syndicate's underwriting year accounts in accordance with the financial reporting framework described above.

Our responsibility is to audit, and express an opinion on, the Syndicate underwriting year accounts in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the Syndicate underwriting year accounts

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate .

Opinion on Syndicate underwriting year accounts

In our opinion the Syndicate underwriting year accounts:

- for the 2013 run-off year of account, have been prepared in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Emphasis of matter – Claims reserves

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made by the Managing Agent in Note 7 relating to the uncertainties regarding the ultimate cost of gross and net claims on business underwritten up to 31 December 2015 and accordingly the level of gross and net provisions for outstanding claims which should be established as at that date. Due to a significant increase in claims for the professional indemnity, Directors and Officers and medical malpractice classes of business there exists a high degree of uncertainty over the outcome of many claims and therefore wide variability in the possible outcomes due to the relative stage of development of the claims, many requiring further complex litigation over a long period. In addition, the incorporation of reserves advised by independent claims consultants has led to some distortion in the development patterns resulting in further variability in the range of possible future outcomes. Accordingly, there is significant uncertainty over the financial development of the Syndicate's reserves and the ultimate cost of these amounts may differ materiality from the estimate that is currently provided in these financial statements. This uncertainty has resulted in the board deciding not to close the 2013 year of account at 31 December 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) requires us to report to you if, in our opinion:

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

Mark Taylor (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London
United Kingdom
22nd March 2016

Income statement: Technical account

2013 run-off year of account for the 36 months ended 31 December 2015

	Note	36 Months Ended 31 December 2015	
		£000	£000
Earned premium, net of reinsurance			
Gross premiums written	*5*	**48,698**	
Outward reinsurance premiums		**(8,536)**	
			40,162
Reinsurance to close premiums received, net of reinsurance	*6*		**60,538**
Allocated investment return transferred from the non-technical account	*11*		**753**
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		**(27,272)**	
Reinsurers' share		**3,842**	
		(23,430)	
Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance, carried forward	*7*	**(100,040)**	
			(123,470)
Net operating expenses	*10*		**(16,894)**
Balance on the technical account - general business			**(38,911)**

As the year of account is open all operations relate to continuing activities.

The notes on pages 14 to 27 form part of these financial statements.

Income statement: Non-Technical Account:
2013 run-off year of account for the 36 months ended 31 December 2015

	Note	36 months ended 31 December 2015
		£000
Balance on the technical account – general business		**(38,911)**
Investment income (including realised gains)	*11*	**1,552**
Unrealised gains on investments		**51**
Investment expenses and charges		
Investment management expenses	*11*	**(19)**
Realised losses on investments	*11*	**(498)**
Unrealised losses on investments		**(333)**
Allocated investment return transferred to the technical account – general business		**(753)**
Loss on foreign exchange		**(3,110)**
Loss at the end of 36 months for the 2013 year of account		**(42,021)**

There were no recognised gains or losses relating to the current or preceding year other than those included in the income statement. Therefore no statement of other comprehensive income has been presented.

The notes on pages 14 to 27 form part of these financial statements.

Statement of financial position
2013 run-off year of account as at 31 December 2015

Assets	*Note*	2015 £000	£000
Investments			
Other financial investments	*12*		**40,919**
Debtors			
Debtors arising out of reinsurance operations	*13*	**3,015**	
Other debtors	*14*	**13**	
			3,028
Reinsurance recoveries anticipated on gross amounts retained to meet all known and unknown outstanding liabilities	*7*		**48,048**
Other assets			
Cash at bank and in hand			**2,717**
Overseas deposits	*15*		**16,013**
Prepayments and accrued income			
Other prepayments and accrued income			**318**
Total assets			**111,043**
Liabilities			
Amounts due from members			**(42,259)**
Amounts retained to meet all known and unknown outstanding liabilities - gross amount	*7*		**148,088**
Creditors			
Creditors arising out of direct insurance operations		**538**	
Creditors arising out of reinsurance operations		**4,531**	
Other creditors		**145**	
	16		**5,214**
Total liabilities			**111,043**

These Syndicate accounts were approved by the Board of AmTrust at Lloyd's Limited on 22nd March 2016 and were signed on its behalf by:

Peter Dewey
Director

Histasp Contractor
Director

The notes on pages 14 to 27 form part of these financial statements.

Statement of changes in members' balances
For the three years ended 31 December 2015

	Three years ended 31 December 2015
	£000
Members' balances brought forward at 1 January 2013	-
Loss for the run-off year of account at 36 months	(42,021)
Members' agents fees	(238)
Members' balances due at 31 December 2015	**(42,259)**

The notes on pages 14 to 27 form part of these financial statements.

Statement of cash flows
For the three years ended 31 December 2015

	Note	Three years ended 31 December 2015 £000
Cash flows from operating activities		
Loss for the year of account		(42,021)
Adjustments for:		
Net unrealised losses on other financial assets		282
Foreign exchange differences		3,110
Movements in operating assets and liabilities:		
Net acquisitions of other financial assets		(11,041)
Increase in net technical provisions		34,312
Net increase in overseas deposits		(5,898)
Increase in debtors		(1,205)
Increase in creditors		1,203
Net cash outflow from operating activities		(21,258)
Net cash flow from financing activities		
2012 cash call from members'	*6*	21,319
Increase in amounts due from members		(238)
Net cash inflow from financing activities		21,081
Net decrease in cash and cash equivalents		(177)
Cash and cash equivalents at 1 January 2013		-
Cash received as part of the 2012 reinsurance to close	*6*	2,894
Cash and cash equivalents at 31 December 2015	*17*	2,717

The notes on pages 14 to 27 form part of these financial statements.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months ended 31 December 2015

1 Basis of preparation

The Syndicate run-off underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Lloyd's Regulations") and in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK (“FRS 102”) as issued in August 2014, and Financial Reporting Standard 103 Insurance Contracts (“FRS 103”) as issued in March 2014.

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2013 run-off year of account which has been left open at 31 December 2015. Consequently, the statement of financial position represents the assets and liabilities of the 2013 year of account at that date and the profit and loss account reflects the transactions for that year of account during the 36 months period to 31 December 2015.

These Syndicate run-off underwriting year accounts cover the period from the date of inception of the 2013 year of account to the current year end date. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

2 Judgements and estimates

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognised as they occur. The following are the key sources of estimation uncertainty:

Insurance contract technical provisions

The provision for outstanding claims comprises the estimated cost of settling all claims incurred but unpaid at the reporting date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (“IBNR”) to the Syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate Managing Agent’s external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and, for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

3 Accounting policies

The accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three-year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account. The 2013 year of account remains open as a result of the material uncertainty in determining the liabilities arising on the 2013 year of account and all years of account reinsured therein.

The accounting policies disclosed within the notes to the Syndicate Annual Accounts have been applied consistently on an annual basis from 1 January 2013 in dealing with items which are considered material in relation to the Underwriting Year Accounts.

a) Basis of Accounting

Premiums written

Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Premiums written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Estimates are made for pipeline premiums, representing premiums written but not reported to the Syndicate by the reporting date.

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months ended 31 December 2015 *(continued)*

3 Accounting policies (*continued*)

Unearned premiums

Written premium is earned according to the risk profile of the policy. Unearned premium reserves (UPR) represent the proportion of premiums written in the period that relate to unexpired terms of policies in force at the reporting date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Reinsurance premium ceded

Outwards reinsurance premiums on policies purchased on a "risks attaching during" basis are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Outwards reinsurance premiums on policies purchased on a "losses occurring during" basis are accounted over the period of the contract.

Gross paid claims

Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

Reinsurance to close premium

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims, unearned premiums, net of deferred acquisition costs and unexpired risks) relating to the closed year and to all previous closed years reinsured therein. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year (and previous closed years reinsured therein) to the members of the successor year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

Amounts retained to meet all known and unknown outstanding liabilities

Where substantial uncertainties affect the assessment of outstanding liabilities, a year of account might not be closed. In such cases an amount to meet all known and unknown liabilities is retained at each year end until the year of account is finally closed.

The net amount to meet all known and unknown liabilities is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectible reinsurance recoveries, relating to the run-off year of account and previous years of account reinsured therein.

The provision for claims comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR).

Gross claims incurred comprise claims and settlement expenses (both internal and external) paid in the period and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the reporting date but not reported until after the year end. Claims outstanding are reduced by anticipated salvage and other recoveries.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the period and the current security rating of the reinsurance companies involved. The Syndicate uses a number of statistical techniques to assist in making these estimates.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months ended 31 December 2015 *(continued)*

3 Accounting policies (*continued*)

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

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

b) Acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are deferred (DAC) to the extent that they are attributable to premiums unearned at the reporting date.

c) Segmental reporting

The segmental analysis provided in Note 5 to the financial statements is produced on the basis of the class of business as required by Lloyd's.

d) Foreign currencies

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

Monetary assets and liabilities are translated into Sterling at the rates of exchange at the reporting date unless contracts to sell currency for Sterling have been entered into prior to the year end, in which case the contracted rates have been used. Foreign exchange gains and losses are recognised in the non-technical account.

e) Financial assets and liabilities

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the income statement. Financial assets and liabilities are classified on their initial recognition and subsequent reclassifications are permitted only in restricted circumstances. Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Purchases and sales of financial assets are recognised and derecognised on the trade date, i.e. the date that the Syndicate commits itself to purchase or sell the asset.

Financial assets at fair value through profit or loss are measured at fair value plus, for a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue. Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest.

Investments in shares and other variable yield securities, units in unit trusts and debt and other fixed income securities are managed on a fair value basis in accordance with the Syndicate's investment strategy. The Syndicate does not hold financial assets or financial liabilities for trading purposes although derivatives, if any, held by the Syndicate are categorised as held for trading.

Deposits with credit institutions, debtors and accrued interest are classified as loans and receivables. Financial assets at fair value through profit and loss are stated at fair value at the reorting date. For this purpose listed investments are stated at mid-market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they were traded on the reporting date or the last trading day before that date.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value and are used by the Syndicate in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months ended 31 December 2015 *(continued)*

3 Accounting policies (*continued*)

g) Investment return

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

Realised gains and losses on investments carried at fair value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the reporting date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business.

h) Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the statement of financial position sheet under the heading 'Members' balances'.

It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence. No provision has been made for any other overseas tax payable by members on underwriting results.

i) Expenses

Costs incurred by the Managing Agent in respect of the Syndicate are charged to the Syndicate and included within the relevant profit and loss account heading. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

j) Pension costs

AmTrust Syndicate Holdings Limited ("ASH"), the parent company of the Managing Agent, or other group companies employ all individuals working on the Syndicate. ASH operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

4 Risk and capital management

The Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. It has established a Risk Committee to oversee the operation of the Syndicate's risk management framework and to review and monitor the management of the risks to which the Syndicate is exposed. These risk management policies are established to identify and analyse the risks faced by the Syndicate, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

a) Insurance risk

Management of insurance risk

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

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months ended 31 December 2015 *(continued)*

4 Risk and capital management *(continued)*

Reserve adequacy is monitored through quarterly review by the Syndicate's external consulting actuaries with the aim of producing a probability-weighted average of the expected future cash outflows from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The Reserving Committee performs a comprehensive review of the projections, both gross and net of reinsurance, and makes recommendations to the Managing Agent's board of directors, via the executive committee, as to the claims provisions to be established.

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

Concentration of insurance risk

The Syndicate's exposure to insurance risk is diversified by class of business. All of the Syndicate's insurance is written within the UK and the split by class of business is shown in Note 5.

Sensitivity to insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses or catastrophes or from changes in the level of attritional losses. A five per cent increase or decrease in the ultimate cost of settling gross claims arising is considered to be reasonably possible at the reporting date and would have the following approximate effect on the result of the year of account.

	5% Increase £000	**5% Decrease £000**
Gross claims	(7,404)	7,404
Reinsurer's share	2,402	(2,402)
Net impact on members' balances	(5,002)	5,002

b) Finance risk

The key aspect of investment risk is the risk of the Syndicate's investments not meeting their anticipated returns. All investments are managed under the direction of the Investment Committee. The broad investment strategy adopted is focused on capital preservation and in that context on maximising return while maintaining a low risk portfolio. Investment management has been outsourced to All Insurance Management Limited, a fellow subsidiary, whose performance is monitored by the Investment Committee.

c) Credit risk

Credit risk is the risk of financial loss to the Syndicate if a counterparty fails to discharge a contractual obligation. The Syndicate is exposed to credit risk in respect of the following:

- Debt securities and participation in investment pools;
- Units in unit trusts and overseas deposits;
- Cash at bank and deposits with credit institutions;
- Reinsurers' share of insurance liabilities
- Amounts due from reinsurers in respect of settled claims

The Syndicate's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. The Syndicate also limits the amount of cash and cash equivalents that can be deposited with a single counterparty.

The Syndicate's exposure to reinsurance counterparties is managed by the Executive Committee which establishes standards applicable to all reinsurers and the reinsurance department which monitors the financial status of reinsurance debtors. The Board's policy is that the Syndicate will only reinsure with businesses rated A- or higher unless collateralised by means of a Letter of Credit.

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months ended 31 December 2015 *(continued)*

4 Risk and capital management *(continued)*

The credit rating of financial assets that are neither past due or impaired is as follows:

31 December 2015	AAA £000	AA £000	A £000	BBB £000	Not rated £000	Total £000
Shares and other variable yield securities and units in unit trusts	-	-	-	-	6,350	6,350
Debt securities and other fixed income securities	8,322	16,895	8,121	1,231	-	34,569
Overseas deposits	10,027	4,084	1,771	102	29	16,013
Cash at bank and in hand	-	-	-	-	2,717	2,717
Reinsurers' share of insurance liabilities	-	-	47,972	-	76	48,048
Reinsurance debtors	-	-	3,015	-	-	3,015
Total credit risk	18,349	20,979	60,879	1,333	9,172	110,712

The Syndicate has debtors arising from direct insurance operations that are past due but not impaired at the reporting date as follows:

Past due but not impaired financial assets	31 December 2015 £000
Past due by:	
Up to three months	-
Three to six months	-
Six months to one year	-
More than one year	33
	33

There are no debtors arising from direct or reinsurance insurance operations that are impaired at the reporting date.

d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices which could be caused by movements in interest rates or exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Interest rate risk arises primarily from the Syndicate's financial investments, cash and overseas deposits. The risk of change in the fair value of these assets is managed by primarily investing in short to medium term duration financial investments and cash and cash equivalents. The Investment Committee monitors the duration of these assets on a regular basis. An analysis of the Syndicate's sensitivity to interest rate changes on the result and net assets of the Syndicate is presented in the table below.

Interest rate risk	31 December 2015 £000
Impact of 50 basis point increase on result	(361)
Impact of 50 basis point decrease on result	376
Impact of 50 basis point increase on net assets	(387)
Impact of 50 basis point decrease on net assets	403

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months ended 31 December 2015 *(continued)*

4 Risk and capital management *(continued)*

Currency risk

The key aspect of exchange rate risk is that the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Managing Agent's Chief Financial Officer ("CFO") reviews currency matching quarterly. Where there is a significant mismatch, appropriate risk mitigation techniques to minimise the effects of currency movements are considered such as the use of currency forward contracts. The table overleaf summarises the carrying value of the Syndicate's assets and liabilities at the reporting date.

31 December 2015	GBP £000	USD £000	EUR £000	CAD £000	AUD £000	Total £000
Financial investments	22,301	1,416	8,542	8,660	-	40,919
Reinsurers' share of technical provisions	48,048	-	-	-	-	48,048
Insurance and reinsurance receivables	2,582	15	-	-	418	3,015
Cash and cash equivalents	2,116	122	627	1,497	14,368	18,730
Other assets	130	-	148	53	-	331
Total assets	75,177	1,553	9,317	10,210	14,786	111,043
Technical provisions	(76,428)	(13,941)	(30,072)	(7,340)	(20,307)	(148,088)
Insurance and reinsurance payables	(5,040)	95	(88)	-	(36)	(5,069)
Other creditors	-	(145)	-	-	-	(145)
Total liabilities	(81,468)	(13,991)	(30,160)	(7,340)	(20,343)	(153,302)
Net assets / (liabilities)	(6,291)	(12,438)	(20,843)	2,870	(5,557)	(42,259)

e) Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. The CFO monitors cash flows and manages liquid assets to ensure that cash is available to meet obligations and operational liquidity needs. The table below summarises the maturity profile of the Syndicate's financial liabilities based on the estimated timing of claims payments and other undiscounted contractual obligations.

31 December 2015	No stated maturity £000	Less than 1 year £000	1-3 years £000	3-5 years £000	More than 5 years £000	Total £000
Insurance and reinsurance payables	-	5,069	-	-	-	5,069
Other creditors	-	145	-	-	-	145
Total liabilities	-	5,214	-	-	-	5,214

f) Operational risk

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

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months ended 31 December 2015 *(continued)*

4 Risk and capital management *(continued)*

g) *Regulatory risk*

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Managing Agent is required to comply with the requirements of the Financial Conduct 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. The Managing Agent has a compliance officer who monitors regulatory developments and assesses the impact on policy.

h) *Capital management*

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

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

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

Although, as described below, Lloyd’s capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd’s capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly, the capital requirement in respect of Syndicate 2526 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 syndicates on which it participates though not other members’ shares. Accordingly, the capital requirement that Lloyd’s sets for each member operates on a similar basis. Each member’s SCR is therefore determined by the sum of the member’s shares of the syndicates’ SCR to ultimate. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss to ultimate for that member. Over and above this, Lloyd’s applies a capital uplift to the member’s capital requirement, known as the Economic Capital Assessment (“ECA”). The purpose of this uplift, which is a Lloyd’s not a Solvency II requirement, is to meet Lloyd’s financial strength, licence and ratings objectives.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd’s specifically for that member (funds at Lloyd’s), assets held and managed within a syndicate (funds in syndicate), 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 11, represent resources available to meet members’ and Lloyd’s capital requirements.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months ended 31 December 2015 *(continued)*

4 Risk and capital management *(continued)*

Funds at Lloyd's

Funds at Lloyd's ("FAL") are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these financial statements by way of such capital resources. However, the Managing Agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

5 Segmental analysis

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

2013 Year of Account	**Gross Premiums Written and Earned**	**Gross Claims Incurred**	**Net Operating Expenses**	**Reinsurance**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Direct insurance:					
Accident and health	3,550	(4,038)	(2,138)	(128)	(2,754)
Third party liability	39,165	(156,366)	(12,514)	95,609	(34,106)
Pecuniary loss	209	(186)	(143)	83	(37)
	42,924	(160,590)	(14,795)	95,564	(36,897)
Reinsurance acceptances	5,774	(14,770)	(2,099)	8,328	(2,767)
Total	48,698	(175,360)	(16,894)	103,892	(39,664)

Reinsurance acceptances are mainly Casualty business. All business is written in the United Kingdom.

6 Reinsurance to close premium received

	Outstanding claims	**IBNR**	**2012 & Prior years of account**
	£000	**£000**	**£000**
Gross reinsurance to close premium received	52,186	39,661	91,847
Reinsurance recoveries anticipated	(18,961)	(12,348)	(31,309)
Reinsurance to close premium received net of reinsurance	33,225	27,313	60,538

Comprising:	**£000**
Portfolio investments	30,160
Overseas deposits	10,115
Debtors	2,141
Creditors	(4,011)
Non cash consideration received	38,405
Cash	2,894
Receivable from members on closure of the 2012 year of account	21,319
2012 year of account reinsurance to close premium payable	62,618
Foreign exchange difference	(2,080)
2012 year of account reinsurance to close premium receivable	60,538

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months ended 31 December 2015 *(continued)*

7 Amount retained to meet all known and unknown outstanding liabilities

	Outstanding claims £000	IBNR £000	2013 & Prior years of account £000
Gross amount retained to meet all known and unknown outstanding liabilities	90,040	58,048	148,088
Reinsurance recoveries anticipated	(34,682)	(13,366)	(48,048)
Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance	55,358	44,682	100,040

The new Managing Agent (AmTrust at Lloyd's Limited) was appointed on 1 April 2015 and, assisted by an independent claims consulting firm, instigated a review of all open claims as at Quarter 3. As a result, the claims reserves were strengthened materially, in particular on the 2013 and prior years. This was primarily due to a significant increase in the incurred claims position on the professional indemnity, Directors and Officers and medical malpractice classes of business These classes represent the vast majority of the Syndicate's business and reserves.

Whilst the Managing Agent and the independent claims consultants have completed this review and the Syndicate's independent actuarial consultants have advised on the ultimate level of claims reserves required, the ultimate amounts of these claims (both gross and net of reinsurance) are subject to significant uncertainty across all years of account. There exists a high degree of uncertainty over the outcome of many claims and therefore wide variability in the possible outcomes due to the relative stage of development of the claims, many involving complex litigation over a long period. In addition, the incorporation of the reserves advised by the independent claims consultants has led to some distortion in the development patterns resulting in further variability in the range of possible future outcomes. It is expected that this uncertainty will reduce in the course of the next 12 to 24 months.

Given this uncertainty and the change in capital providers between the 2013 and 2014 years of account, the board has decided to leave the 2013 year of account open at 31 December 2015.

For the purposes of preparing these Syndicate run-off underwriting year accounts, the Managing Agent has adopted its external actuarial consultants' best estimate outcome. In respect of business earned at 31 December 2015, the gross and net reserves, excluding claims handling costs, as at 31 December 2015 total £145.2 million and £97.1 million respectively. During 2015 there was adverse claims development of £34.5m of which £24.9m related to the 2012 and prior years and £9.6m related to the 2013 pure year.

8 Claims development

Claims development is shown in the tables below on an underwriting year basis both gross and net of reinsurance ceded. Balances have been translated at 31 December 2015 rates of exchange.

Pure underwriting year - gross	**2011 £000**	**2012 £000**	**2013 £000**	**Total £000**
Estimate of incurred claims				
At the end of underwriting year	13,882	14,926	15,771	
One year later	26,358	27,287	31,539	
Two years later	31,714	30,205	44,451	
Three years later	47,443	42,442		
Four years later	59,962			
Less gross claims paid	(17,749)	(11,553)	(10,241)	
Gross claims reserve	42,213	30,889	34,210	107,312
Gross claims reserve for 2010 and prior years				40,776
Gross claims reserve				148,088

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months ended 31 December 2015 *(continued)*

8 Claims development *(continued)*

Pure underwriting year - net	2011 £000	2012 £000	2013 £000	Total £000
Estimate of incurred net claims				
At the end of underwriting year	11,245	12,140	13,174	
One year later	21,127	21,315	26,540	
Two years later	23,469	23,398	37,322	
Three years later	31,663	33,184		
Four years later	38,554			
Less net claims paid	(15,219)	(10,668)	(10,047)	
Net ultimate claims reserve	23,335	22,516	27,275	73,126
Net ultimate claims reserve for 2010 and prior years				26,914
Net claims reserve				100,040

9 Analysis of run-off year result by year of account

	2012 & Prior years of account £000	2013 Pure year of account £000	Total £000
Technical account balance before allocated investment return and net operating expenses	(27,414)	4,644	(22,770)
Brokerage and commission on gross premium	23	(10,151)	(10,128)
	(27,391)	(5,507)	(32,898)
Other acquisition costs	-	(956)	(956)
Administrative expenses	(40)	(5,770)	(5,810)
Investment income	91	662	753
Balance on technical account	(27,340)	(11,571)	(38,911)

10 Net operating expenses

	Cumulative to 31 December 2015 £000
Brokerage and commissions	10,128
Other acquisition costs	956
Administrative expenses	5,810
	16,894

Administrative expenses include:

	£'000
Auditors' remuneration	
Fees payable to the Syndicate's auditor, KPMG LLP, for the audit of the Syndicate annual accounts	87
Fees payable to KPMG LLP and its associates for other services: Other services pursuant to legislation, including the audit of the regulatory return	50
Members' standard personal expenses (Lloyd's subscriptions, New Central Fund contributions & Managing Agent's fees)	978

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months ended 31 December 2015 *(continued)*

11 Investment income

	Cumulative to 31 December 2015 £000
Investment income	
Interest and dividend income	1,540
Gains on the realisation of investments	12
	1,552
Investment expenses and charges	
Investment management expenses	(19)
Losses on realisation of investments	(498)
	(517)
Net unrealised losses on investments	(282)
Total investment return	753

12 Other financial Investments

	Market Value £000	Cost £000
Shares and other variable yield securities and units in unit trusts	6,350	6,350
Debt securities and other fixed income securities	34,569	34,816
	40,919	41,166
Financial assets measured at fair value through profit and loss	40,919	41,166
Financial assets measured at amortised cost	-	-
	40,919	41,166

Shares and other variable yield securities and units in unit trusts and debt securities and other fixed income securities are analysed between the three levels in the fair value hierarchy as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	-	6,350	-	6,350
Listed debt securities and other fixed income securities	17,658	16,911	-	34,569
	17,658	23,261	-	40,919

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market where quoted prices are readily available from an exchange, dealer, broker, industry group or pricing service and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions.

The level 3 category includes financial assets measured using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are based on available market data but are based on assumptions that market participants would use in pricing the asset.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months ended 31 December 2015 (continued)

13 Debtors arising out of reinsurance operations

	£000
Due within one year	3,015
	3,015

14 Other debtors

	£000
Other debtors including taxes	13
	13

15 Overseas deposits

Overseas deposits are lodged as a condition of conducting business in certain countries and are managed by Lloyd's centrally or by investment managers appointed on their behalf. The assets contained within the overseas deposits are as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	14	103	-	117
Listed debt securities and other fixed income securities	15,713	160	-	15,873
Cash at bank and in hand	23	-	-	23
	15,750	263	-	16,013

The investments and cash have not been included on the statement of financial position within Investments or Cash as they are not under the direct control of the Managing Agent.

16 Creditors

	£000
Due within one year	
Creditors arising out of direct insurance operations	538
Creditors arising out of reinsurance operations	4,531
Other creditors	145
Total creditors	5,214

17 Movements in cash and portfolio investments

	At 1 January 2013 £000	Within RITC Premium Received £000	Cash Flow £000	Change in Fair Value £000	FX Difference £000	At 31 December 2015 £000
Cash	-	2,894	(177)	-	-	2,717
Overseas deposits	-	10,115	5,898	-	-	16,013
Investment portfolio	-	30,160	12,071	(282)	(1,030)	40,919
	-	43,169	17,792	(282)	(1,030)	59,649

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months ended 31 December 2015 *(continued)*

18 Related parties

Until 31 March 2015 Syndicate 1206 was managed by Asta Managing Agency Ltd ("Asta") which also provided administrative services and support to the Syndicate. During this period Asta was also the Managing Agent for Syndicates 1686, 1729, 1897, 1910, 2357, 2525, 4242 and 6117. During the period 1 January 2013 to 31 March 2015 managing agent's fees of £579,000 and service fees of £1,900,000 were paid to Asta by the Syndicate.

From 1 April 2015 onwards the Syndicate was managed by AmTrust at Lloyd's Limited ("ATL"), a subsidiary of AmTrust Syndicate Holdings Limited ("ASH"). Messrs Barrett, Cadle, Contractor, Dewey, Jansli, Sibthorpe and Sweatman are and Mr Ross and Ms Tenenti were directors of ASH. ATL is also the Managing Agent for Syndicate 44 and Syndicate 1206.

From 1 April 2015, employment of staff, provision of accommodation and related services were provided by ASH to the Syndicate on a non-profit basis and recharges of £87,000 were recharged to the 2013 year of account of the Syndicate by ASH, and paid on the Syndicate's behalf by ATL.

AmTrust Corporate Capital Limited, a fellow subsidiary of ATL, provides 16.0% of the 2013 year of account capacity.

Syndicate 2526 uses a service company, Dore Underwriting Services Limited, to receive premiums that are not processed through Lloyd's. The service company, which does not receive any commissions for this service, is also a fellow subsidiary of ASH.

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

19 Post Balance Sheet Events

The following amounts are proposed to be called from members' personal reserve funds as part of the normal distribution process. The 2013 year of account call represents 20% of the cumulative loss at 31 December 2015.

	£000
2013 Year of account	8,404

Seven Year Summary of Results (unaudited)

	2007	2008	2009	2010	2011	2012	2013
	£000	£000	£000	£000	£000	£000	£000
Syndicate allocated capacity	31,797	31,689	31,815	31,792	50,000	55,188	59,651
Number of underwriting members	244	240	243	277	370	391	357
Aggregate net premiums	20,291	21,032	21,495	19,486	25,076	22,852	29,078
Results for an illustrative share of £10,000							
	£	£	£	£	£	£	£
Gross premiums	10,076	10,551	11,147	10,313	8,634	7,707	8,164
Net premiums	6,381	6,637	6,756	6,129	5,015	4,140	4,875
Reinsurance to close from an earlier account	7,441	8,410	10,184	12,777	7,908	8,135	10,149
Net claims	(2,704)	(3,121)	(4,548)	(5,162)	(3,905)	(3,927)	(3,928)
Reinsurance to close	(8,381)	(10,202)	(12,910)	(12,698)	(9,246)	(11,346)	(16,771)
Amounts retained to meet all known and unknown liabilities	-	-	-	-	-	-	
Syndicate operating expenses	(148)	(124)	(279)	(514)	(798)	(841)	(810)
Balance on technical account	2,589	1,600	(797)	532	(1,026)	(3,839)	(6,485)
Investment return	589	301	289	282	159	158	126
(Loss)/profit on exchange	(123)	(44)	(11)	53	21	29	(521)
Profit/(loss) on ordinary activities	3,055	1,857	(519)	867	(846)	(3,652)	(6,880)
Illustrative personal expenses:							
Managing agent's fee	60	60	75	75	75	108	100
Profit commission	427	256	-	3	-	-	-
Other personal expenses (excluding members' agents fees)	150	88	92	87	72	48	64
Total illustrative personal expenses	637	404	167	165	147	156	164
Profit/(loss) after illustrative personal expenses	2,418	1,453	(686)	702	(993)	(3,808)	(7,044)
Total of Syndicate operating expenses, managing agent's fee and profit commission	635	440	354	592	873	949	910
Capacity utilised	84.0%	88.4%	92.5%	84.8%	67.7%	60.1%	63.1%
Net capacity utilised	70.0%	72.1%	67.6%	61.3%	50.2%	41.4%	48.7%
Underwriting profit/(loss) ratio	24.2%	14.5%	(7.3%)	5.7%	(11.6%)	(49.4%)	(86.3%)

Notes
1. The summary of results has been prepared from the audited accounts of the Syndicate
2. Personal expenses have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the Syndicate irrespective of any minimum charge applicable. Corporate members may be charged at different rates. Foreign tax, which may be treated as a credit for personal tax purposes, has been excluded.
3. As regards the 2013 run-off year of account, an illustrative share of £10,000 represents 0.02% of capacity.