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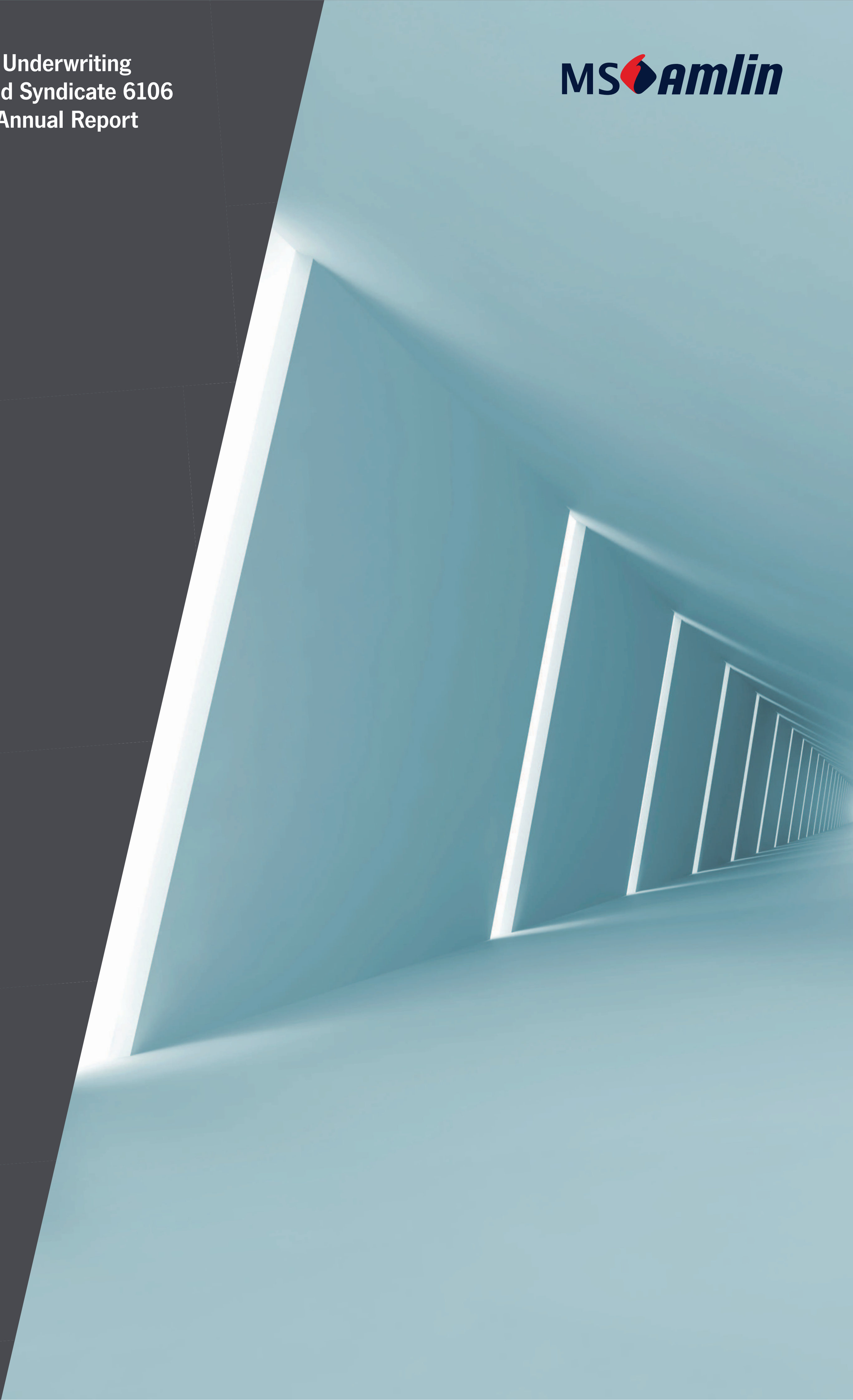
Amlin Underwriting Limited Syndicate 6106 2015 Annual Report

MS Amlin



Contents

Financial highlights

Year ended 31 December	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Syndicate allocated capacity	0	0	38,847	35,172	43,044
Gross written premiums	294	1,193	35,926	35,810	39,630
Net written premiums	294	1,193	35,926	35,810	39,630
Net earned premiums	392	8,414	35,942	37,839	40,263
Net claims incurred	890	(3,382)	(12,101)	(20,414)	(65,685)
Net operating expenses	(409)	(1,337)	(3,876)	(1,892)	(958)
Foreign exchange gains/(losses)	672	1,855	(1,188)	(2,793)	950
Investment return	33	81	77	38	199
Profit/(loss) for the financial year	1,578	5,631	18,854	12,778	(25,231)
Claims ratio	(227%)	40%	34%	54%	163%
Expense ratio	(67%)	(6%)	14%	12%	0%
Combined ratio	(294%)	34%	48%	66%	163%

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.

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 report for Syndicate 6106 (“the Syndicate”) for the year ended 31 December 2015.

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 the Syndicate is the transaction of reinsurance business in the United Kingdom. The Syndicate was first established for the 2009 underwriting year to write a 15% proportional treaty reinsurance contract covering Syndicate 2001 and wrote business on a consistent basis for the 2010 underwriting year. For the 2011 underwriting year, however, Syndicate 2001 had written gross premiums in excess of the £286 million limit specified in the contract. In accordance with the contract we therefore reduced the quota share percentage to 13% to keep premiums within the Syndicate’s capacity. For the 2012 and 2013 underwriting years the quota share percentage is 10%. The Syndicate did not underwrite for the 2014 or 2015 years of account. The contract covers the following excess of loss classes: marine, aviation, property catastrophe, property per risk and terrorism. The total premium income capacity for the 2015 year of account was £Nil million (2014 year of account £Nil million, 2013 year of account: £38.8 million).

The 2013 year of account was closed by commutation using the position at 31 December 2015.

Review of calendar year result

The result for calendar year 2015 is a profit of £1.6 million (2014: £5.6 million).

Underwriting contributed a profit of £1.6 million (2014: £5.6 million) being the balance on the technical account. Earned premiums of £0.4million (2014: £8.4 million) reduced due to the Syndicate not underwriting for the 2014 and 2015 years of account. There was an improvement on prior year claims resulting in a net credit of £0.9 million (2014: charge £3.4 million). There were no losses of over 5% of capacity during 2015.

Operating expenses of £0.4 million (2014: £1.3 million) are composed of acquisition costs (overriding commission) of £Nil million (2014: £0.4 million) and a profit commission charge of £0.4 million (2014: £0.9 million).

Investment income of £33,000 has been accrued on the underlying net underwriting cash flow for the year (2014: £81,000). In accordance with the reinsurance contract, income is accrued at the rate returned on cash and cash equivalents for Syndicate 2001. In the year, the return on US dollar cash balances, in which the majority of the debtor balance resides, was 0.1% (2014: 0.1%).

A foreign exchange gain of £0.7 million (2014: £1.9 million) has been recognised in the non-technical account.

Movement on underwriting year of account during the 2015 calendar year:

	YOA 2013 £’000	2015 Total £’000	2014 Total £’000
Gross written premiums	294	294	1,193
Net earned premiums	392	392	8,414
Net claims incurred	890	890	(3,382)
Operating expenses	(409)	(409)	(1,337)
Foreign exchange gains/(losses)	672	672	1,855
Investment income	33	33	81
Annually accounted profit	1,578	1,578	5,631
As previously reported 31.12.2014	4,041		
As previously reported 31.12.2013	9,576		
Cumulative pure year result	15,195		
Net annual accounting ratios:			
Claims ratio		(227%)	40%
Expense ratio		(67%)	(6%)
Combined ratio		(294%)	34%

The principal risks and uncertainties are addressed within the notes to the financial statements.

Future developments

This is the final year of account for the Syndicate. It will not underwrite any future business and is no longer considered a going concern.

Refer to note 1 to the accounts on basis of preparation.

2. Directors' report

Directors

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

- so far as the director is aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and
- the director has taken all the steps that he 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 appointment	Name	Date of resignation
H Smeets-Flier	9 April 2015	D F Overall	18 February 2015
M B Rodden	7 January 2016	A J Golding	27 February 2015
T C Clementi	11 January 2016	T A Bowles	18 September 2015
P J Calnan	14 January 2016	A P Springett	8 January 2016
W A McKee	2 March 2016		

From 1 January 2014 Syndicate 6106 ceased writing new business and operated in a state of run off. Following the closure of the 2013 year of account at 31 December 2015 the Syndicate ceased. As such the Syndicate financial statements have been prepared on a basis other than going concern. No adjustment is necessary to the carrying value of the Syndicate's assets and liabilities to reflect this change in basis. The prior year comparative information has been prepared on a going concern basis and is unchanged from that previously reported.

Independent auditors

In accordance with the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000) the managing agent does not propose holding a Syndicate annual meeting this year; objections to this proposal can be made by Syndicate members in writing to the Company Secretary within 21 days of this notice. There are no further audit requirements and therefore the auditors will not be reappointed.

3. Statement of managing agents' responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations") require the managing agent to prepare Syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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; and
- follow applicable UK accounting standards, subject to any material departures disclosed and explained in the annual report.

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

By order of the Board

T C Clementi
Interim Chief Executive Officer

15 March 2016

Report on the syndicate annual accounts

Our Opinion

In our opinion, Syndicate 6106'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 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.

Emphasis of matter - Basis of preparation

In forming our opinion on the syndicate annual accounts, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the basis of preparation. From 1 January 2014 Syndicate 6106 ceased writing new business and operated in a state of run off. Following the closure of the 2013 year of account at 31 December 2015 the Syndicate ceased. Accordingly, the going concern basis of preparation is no longer appropriate and the syndicate annual accounts have been prepared on a basis other than going concern as described in note 1 of the syndicate annual accounts. No adjustments were necessary in these financial statements to reduce assets to reflect the change in basis.

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 members balances; 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 5, the Managing Agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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 £'000	2014 £'000
Earned premiums, net of reinsurance			
Gross written premiums	3	294	1,193
Change in the gross provision for unearned premiums	13(b)	98	7,221
Gross earned premiums		392	8,414
Allocated investment return transferred from the non-technical account	7	33	81
Total technical income		425	8,495
Gross claims incurred	13(a)	890	(3,382)
Balance on the technical account before net operating expenses and loss on exchange		1,315	5,113
Net operating expenses	4	(409)	(1,337)
Balance on the technical account for general business		906	3,776

Non-technical account	Note	2015 £'000	2014 £'000
Balance on the general business technical account		906	3,776
Investment income	7	33	81
Allocated investment return transferred to general business technical account		(33)	(81)
Foreign exchange gains		672	1,855
Profit for the financial year		1,578	5,631

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.

All results included in the statement of profit or loss are from discontinued operations

Statement of financial position
At 31 December 2015

	Note	2015 £'000	2014 £'000
Debtors			
Debtors arising out of reinsurance operations	12	32,153	64,203
Prepayments and accrued income			
Deferred acquisition costs	13(b)	-	5
Accrued income		93	169
Total assets		32,246	64,377
Capital and reserves			
Members' balances		14,861	29,470
Technical provisions			
Provision for unearned premiums	13(b)	-	100
Claims outstanding	13(a)	13,667	31,181
		13,667	31,281
Creditors			
Other creditors	14	3,718	3,626
Total liabilities		32,246	64,377

The financial statements on pages 7 to 17 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 changes in members balances
For the year ended 31 December 2015

	2015 £'000	2014 £'000
At 1 January	29,470	31,726
Distribution of 2011 year of account profit	–	(7,888)
Distribution of 2012 year of account profit	(16,187)	–
Profit for the financial year	1,578	5,631
Members' agent fees advances	–	1
At 31 December	14,861	29,470

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.

No statement of cash flow has been presented as the syndicate holds no cash balances and has no bank account.

1. Basis of preparation

These financial statements have been prepared using the annual basis of accounting as required by Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") and 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").

The Syndicate transitioned to FRS 102 and FRS 103 on the 1 January 2014. This is the first set of financial statements in which the Syndicate has applied FRS 102 and FRS 103. The transition to FRS 102 and FRS 103 had nominal effect on restatement of the reported financial position and financial performance of the Syndicate. Foreign exchange gains and losses have been shown in the Non-technical account having previously being included in the Technical account, the statement of profit and loss has been restated accordingly.

In addition, as the Syndicate operates on a non-cash basis, no Statement of cash flows has been prepared.

Going concern

From 1 January 2014 Syndicate 6106 ceased writing new business and operated in a state of run off. Following the closure of the 2013 year of account at 31 December 2015 the Syndicate ceased and the financial statements have been prepared on a basis other than a going concern. No adjustment is necessary to the carrying value of the Syndicate's assets and liabilities to reflect the change in basis because the carrying value approximates fair value. The prior year comparatives have been prepared on a going concern basis as previously reported.

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. These estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. All balances have subsequently been commutated at the amounts stated in these financial statements and in doing so all uncertainty associated with the estimates has been removed.

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.

Syndicate 6106 has few significant estimates, as it represents a set percentage of Syndicate 2001's premiums and reserves.

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.

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 premium

Gross written premiums comprise premiums on insurance contracts incepting during the financial year. Premiums are disclosed before the deduction of overriding commission. Estimates are included for premiums receivable after the period end but not yet notified.

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

The proportion of premiums written, gross of commission payable, attributable to periods after the balance sheet date is deferred as a provision for unearned premiums. The change in this provision is taken to the income statement in order that revenue is recognised over the period of the risk.

Acquisition costs comprise overriding commission incurred on insurance contracts written during the financial year. They are incurred on the same basis as the earned proportions of the premiums they relate to. Deferred acquisition costs are amortised over the period in which the related revenues are earned. Deferred acquisition costs are reviewed at the end of each reporting period and are written off where they are no longer considered to be recoverable. 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.

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

Insurance contracts liabilities: claims

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

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

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

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

Commutation to close the 2013 year of account

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

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

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

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

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

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

The commutation to close contract ends the liability in respect of all claims and other payments in respect of the closing 2013 year of account for Syndicate 6106.

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

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

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

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

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

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.

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. Non-monetary assets and liabilities are translated at the rate prevailing in the year in which the asset or liability first arose. Exchange differences are recognised within the non-technical account.

Differences arising on translation of foreign currency amounts in the Syndicate are included in the non-technical account.

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

Syndicate operating expenses
Syndicate operating expenses comprise acquisition costs (being a 5% overriding commission on the gross net premium income due to Syndicate 2001) and profit commission due to Syndicate 2001 under the terms of the contract.

2. Principal risks and uncertainties
Syndicate closure
Under the terms of the reinsurance contract, Syndicate 6106's 2013 year of account is to be closed by way of commutation at 36 months of development. The 2013 year of account is the last year that Syndicate 6106 underwrote, the commutation to close contract ends the liability in respect of all claims and other payments in respect of the closing 2013 year of account for Syndicate 6106. The principal risks and uncertainties described below existed during the financial year.

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

In underwriting insurance policies, Syndicate 2001's underwriters used their skill, knowledge and data on past claims experience to evaluate the likely claims cost and therefore the premium that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and to produce an acceptable profit. However, due to the nature of insurance risk, there is no guarantee that the premium charged will be sufficient to cover claims costs. This shortfall may originate either from insufficient premium being calculated and charged or result from an unexpected, or unprecedented, high level of claims.

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

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

2. Principal risks and uncertainties continued

The underlying insurance liabilities underwritten by Syndicate 2001 are reviewed on an individual risk, or contract, basis and through review of portfolio performance. All claims arising are reserved upon notification. Each quarter the entire portfolio of business is subject to a reserving process whereby levels of paid and outstanding (advised but not paid) claims are reviewed. To establish a provision for incurred but not reported (IBNR) claims, the actuarial team use their experience and knowledge of the classes of business to estimate the potential future development of incurred claims for each class and each underwriting year. This is known as the 'best estimate'. In setting the IBNR provision, estimates are made for ultimate premium and ultimate claims value for each underwriting year. Meetings are then held in which underwriters, actuaries and management discuss the initial proposed estimates and revise them if it is felt necessary. At this meeting management propose the 'margin' for risk to be added to the best estimate, assisted by diagnostics produced from the internal model.

Further meetings are then held at which further review and challenge is provided by central teams, led by the risk function. Whilst a detailed and disciplined exercise is carried out to provide for claims notified, it is possible that known claims could develop and exceed the reserves carried. Furthermore, there is increased uncertainty in establishing an accurate provision for IBNR claims and there is a possibility that claims may arise which, in aggregate, exceed the reserve provision established. This is partly mitigated by the reserving policy adopted by the Syndicate, which is to carry reserves with a margin in excess of the in-house actuarial best estimate.

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

Catastrophe risk

Syndicate 2001 has a defined event risk appetite which determines the maximum net loss that the Syndicate intends to limit its exposure for major catastrophe event scenarios. Currently there is a maximum of £Nil (2014: £170,000) for Syndicate 6106 within the Syndicate business forecast.

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

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

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

- The exposures are modelled using a mixture of stochastic models and underwriter input to arrive at "damage factors" – these factors are then applied to the assumed aggregate exposure to produce gross loss estimates. The damage factors may prove to be inadequate.

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

Claims reserves

Claims reserves established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR. The impact on profit of a 1% variation in the total net claims reserves would be £0.1m (2014: £0.3m).

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

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

Regulatory risk

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

Operational risk

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

3. Technical account analysis

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

2015	Gross written premiums £'000	Gross earned premiums £'000	Gross claims incurred £'000	Net operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Reinsurance	294	392	890	(409)	–	873	13,667
Total	294	392	890	(409)	–	873	13,667

2014	Gross written premiums £'000	Gross earned premiums £'000	Gross claims incurred £'000	Net operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Reinsurance	1,193	8,414	(3,382)	(1,337)	–	3,695	31,279
Total	1,193	8,414	(3,382)	(1,337)	–	3,695	31,279

Overriding commissions paid on gross premiums earned during 2015 were £15,000 (2014: £60,000).

All premiums are written in the UK.

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

	2015 £'000	2014 £'000
UK	(151)	106
Other EU countries	158	52
USA	377	902
Japan	64	247
Other	(154)	(114)
Total	294	1,193

4. Net operating expenses

	Note	2015 £'000	2014 £'000
Acquisition costs		15	60
Change in deferred acquisition costs	13(b)	5	361
Profit commission due to Syndicate 2001		389	916
		409	1,337

Profit on exchange has been included in the non-technical account.

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

Audit fees of £7,613 (2014: £7,500) have been borne by Syndicate 2001. No non-audit fees were incurred.

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

5. Staff numbers and costs

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

6. Directors' emoluments

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

7. Investment income

	2015 £'000	2014 £'000
Interest on balances due from Syndicate 2001	33	81

Calendar year investment yield

	2015	2014
Average Syndicate funds available for investment during the year:		
Sterling (£'000)	3,860	10,168
Euro (€'000)	1,139	4,138
US dollars (US $'000)	26,810	49,183
Canadian dollars (Can $'000)	(301)	9,359
Combined (£'000)	22,076	43,371
Aggregate gross investment return for the year (£'000)	33	81
Gross calendar year investment yield:		
Sterling	0.5%	0.5%
Euro	0.0%	0.1%
US dollars	0.1%	0.1%
Canadian dollars	0.6%	0.8%
Combined	0.2%	0.2%

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

8. Foreign exchange risk

The Syndicate's functional and reporting currency is Sterling. Through the reinsurance contract with Syndicate 2001 the Syndicate had exposure to asset and liability balances in major base currencies of Sterling, Euros, US dollars and Canadian dollars which represent the majority of the Syndicate's liabilities by currency.

Foreign exchange exposure arises when the underlying 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. Transactions 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.

The contract with Syndicate 2001 was commuted at the position on 31 December 2015 and all exposure to non-sterling currencies, and therefore further foreign exchange gains and losses, ceased.

The table below presents the Syndicate's net assets by currency. 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 £'000	US$ £'000	CAN$ £'000	Euro £'000	Total £'000
Net assets	(763)	15,427	(307)	504	14,861

	31 December 2014				
Currency risk	Sterling £'000	US$ £'000	CAN$ £'000	Euro £'000	Total £'000
Net assets	5,510	22,575	(164)	1,549	29,470

8. Foreign exchange risk continued

If the foreign currencies were to have strengthened/weakened by 10% against Sterling, the movement in the monetary net assets and liabilities of the Syndicate would have resulted 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	1,714	(1,403)
Canadian dollars	(34)	28
Euro	56	(46)
	1,736	(1,421)

9. Market risk

The Syndicate had no assets or liabilities subject to market risks but there was exposure under the contract with Syndicate 2001, the underlying foreign exchange risk which is disclosed in note 8.

10. Liquidity risk

The Syndicate does not consider there to be any significant liquidity risk. The Syndicate has net current assets and all its receivables and payables are due from and to Syndicate 2001.

11. Credit risk

The only credit risk the Syndicate has is with Syndicate 2001. The Syndicate considers it remote that Syndicate 2001 will be unable to settle its liabilities with the Syndicate when they fall due.

12. Debtors arising out of reinsurance operations

	2015 £'000	2014 £'000
Due from Syndicate 2001	32,153	64,203

The Syndicate's debtors are all due within one year and none are considered overdue or impaired. The carrying values of the Syndicate's debtors approximate to their fair value.

13. Technical provisions

(a) Reconciliation of the provision for outstanding claims

Outstanding claims	2015 £'000	2014 £'000
At 1 January	31,181	58,989
Claims incurred during the current year	85	3,373
Movements arising from prior year claims	(975)	9
	(890)	3,382
Commutation	(16,821)	(31,746)
Exchange adjustments	197	556
At 31 December	13,667	31,181

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

Outstanding claims	2015 £m	2014 £m
Notified outstanding claims	13,019	27,926
Claims incurred but not reported	648	3,255
	13,667	31,181

13. Technical provisions continued

(b) Reconciliation of the provisions for unearned premiums and deferred acquisition costs

	Deferred acquisition cost 2015 £'000s	Provisions for unearned premiums 2015 £'000	Deferred acquisition cost 2014 £'000s	Provisions for unearned premiums 2014 £'000
At 1 January	5	100	366	7,319
Movement in provision	(5)	(98)	(361)	(7,221)
Foreign exchange (gain) / loss	-	(2)	-	2
At 31 December	-	-	5	100

(c) Claims development

The table below illustrates the development of the estimates of ultimate cumulative claims for the Syndicate after the end of the underwriting year, illustrating how amounts estimated have changed from the first estimates made. The table is prepared on an undiscounted basis. Non-sterling amounts have been converted using 2015 closing exchange rates to aid comparability.

Year of account	2009 £'000	2010 £'000	2011 £'000	2012 £'000	2013 £'000
Current ultimate gross written premium	45,714	44,626	43,188	34,336	33,845
Current gross earned premium	45,714	44,626	43,188	34,336	33,845
Estimate of cumulative claims at end of underwriting year:	20,491	31,059	37,066	20,555	16,909
One year later	15,362	61,421	34,662	17,514	14,648
Two years later	14,064	63,361	33,644	17,559	13,667
Estimated balance to pay	-	-	-	-	13,667

Note: Each year of account was commuted with Syndicate 2001 at 36 months so there is no further development after its 3 year close position.

14. Other creditors

	2015 £'000	2014 £'000
Profit commission due to Syndicate 2001	3,386	2,996
Members' agent fees advances funded by Syndicate 2001	332	630
	3,718	3,626

The Syndicate's creditors are all due within one year and their carrying values approximate their fair value.

15. Funds at Lloyd's

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

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

16. Related parties

Amlin Underwriting Limited (AUL)

AUL's ultimate parent company and controlling party at 31 December 2015 was Amlin plc, a company incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of MS Amlin plc (formerly Amlin plc) are available to the public and may be obtained from the Company Secretary at The Leadenhall Building, 122 Leadenhall Street, London, EC3A 4AG. On 1 February 2016, all of the shares of Amlin plc were transferred to Mitsui Sumitomo Insurance Company Limited, a wholly owned subsidiary of MS&AD Insurance Group Holdings, Inc incorporated in Japan.

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

16. Related parties continued

Syndicate 2001
AUL also acts as the managing agent of Syndicate 2001, the entity which the Syndicate reinsures. Syndicate 2001 has accepted the commutation to close the 2013 year of account of the Syndicate. Transactions between the Syndicate and Syndicate 2001 are disclosed where applicable within these financial statements.

17. 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 participating 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 an 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) 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 8, 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.

18. 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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