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AmTrust at Lloyd's Limited: Syndicate 2526

Syndicate Financial Statements

31 December 2016

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Contents

Directors and advisers

Managing Agent:

Managing Agent	AmTrust at Lloyd's Limited (from 1 April 2015)	
Directors	D J L Barrett	
	J E Cadle	
	M G Caviet	
	H A Contractor	(Resigned 8 December 2016)
	P Dewey	
	J P Fox	(Non-Executive Director)
	B Gilman	(Appointed 28 November 2016)
	J M Hamilton	(Appointed 8 December 2016)
	S J Helson	(Appointed 8 November 2016)
	B J Jackson	(Non-Executive Director)
	B Jansli	(Non-Executive Chairman)
	N C T Pawson	(Appointed 8 November 2016)
	M A Sibthorpe	
	G Sweatman	(Resigned 20 February 2017)
	G L Ross	(Resigned 20 May 2015)
	E Tenenti	(Resigned 31 March 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:

Run-off Manager	G L Ross (appointed 1 January 2016)
Active Underwriter	N Attwood (appointed 1 January 2016) M A Sibthorpe (appointed 1 April 2015, resigned 31 December 2015) D 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)
Actuaries	Lane Clark & Peacock
Independent Auditors	KPMG LLP

Report of the directors of the Managing Agent

The directors of the Managing Agent present their report for the year ended 31 December 2016.

This 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 and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS102') and Financial Reporting Standard 103: Insurance Contracts ('FRS103'). Separate underwriting year accounts for the 2014 and 2013 run-off years of account will be made available to the Syndicate members.

Managing Agent

With effect from 1 April 2015 the Managing Agent of the Syndicate has been AmTrust at Lloyd's Limited (ATL). 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 ATL and AmTrust Corporate Member Limited (ACM) are wholly owned by AmTrust International Limited, a subsidiary of AmTrust Financial Services Inc. Being part of a major financial institution provides greater capital flexibility and we continue to capitalise on efficiencies and opportunities that the group provides.

Closure of Syndicate

Following the transfer of the management of the Syndicate to ATL and the appointment on 1 January 2016 of a new active underwriter, the aim was to refocus the business in lines that complemented the AmTrust group and to seek to ensure the Syndicate's future profitability by building a platform for sustained returns and stability. Whilst the 2016 approved plan therefore anticipated a loss there was an expectation that, with the steps proposed, the Syndicate would be profitable for the 2017 year of account. It was envisaged that this would be achieved by reaching critical mass in existing lines of business and by introducing new classes of business which it was hoped would lead to a reduction of the expense ratio and profitable trading. For the 2016 year of account, the Syndicate was authorised by Lloyd's to underwrite Property Schemes and Accident & Health (direct and reinsurance) classes of business.

Market conditions, the inability to attract underwriting teams for the new approved classes and the reputational damage caused by the prior year results have meant that the 2016 business plan is materially behind target and the overall syndicate result will deliver losses significantly in excess of those anticipated in the 2016 business plan.

ATL believes that the Syndicate would face similar challenges in 2017 and that any business plan produced for 2017 would be loss making on any reasonable basis. The reasons for this are a combination of:

1. The re-underwriting of the incoming professional lines portfolio has meant the renewal book has reduced by some 40%.
2. For the reasons mentioned above, an inability at this time to grow the top line to any material extent and thereby achieve a viable critical mass.
3. The expense burden of being a stand-alone entity. Syndicate 2526 is a very small Lloyd's syndicate and as such its expense ratio (including fixed costs) is punitively high at over 20%.

ATL has therefore reached the conclusion that Syndicate 2526 is no longer viable as a stand-alone syndicate and has decided not to submit a final Syndicate Business Forecast (SBF) to Lloyd's for the 2017 year of account and put the Syndicate into run off.

Business review and results for the year

Annual Accounted Result

The result for the year, before accounting for investment income of £825k (2015 - £617k), is a loss of £34,062k (2015 loss - £46,924k). As in 2015 the result is impacted by the deterioration that arose on the 2013 and prior years of account on the professional indemnity, Directors and Officers and medical malpractice classes of business which represent the vast majority of the Syndicate's business and reserves. As a result of the deterioration in the loss ratios arising in the 2013 and prior years of account the loss ratios for the 2014 - 2016 years of account have been increased from that previously held at the end of 2015 and in the business plan. This increase in loss ratio coupled with the Syndicate entering run off has resulted in the need to carry an unexpired risk provision of £2,920k in respect of unearned premiums on the 2016 year of account. As the Syndicate has a deficit on net assets, it has not been able to match its assets and liabilities and as a result of the weakness of sterling it has a realised loss on exchange of £3,437k (2015 – loss £238k) in addition to the figures overleaf.

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

2016 calendar year loss before investment income by year of account

	2016	2015	2014	2013 & prior	Total
	£'000	£'000	£'000	£'000	£'000
Accident & Health	-	-	408	(3,325)	(2,916)
Third Party Liability	**(2,754)**	**677**	**(3,860)**	**(12,789)**	**(18,727)**
Pecuniary Loss	**-**	**(118)**	**(638)**	**(470)**	**(1,227)**
Casualty	**66**	**707**	**-**	**2**	**775**
Property	**269**	**-**	**-**	**-**	**269**
Underwriting result	**(2,419)**	**1,265**	**(4,090)**	**(16,582)**	**(21,826)**
Operating expenses	**(7,081)**	**(2,524)**	**60**	**(2,691)**	**(12,236)**
Loss before investment income and exchange losses	**(9,500)**	**(1,259)**	**(4,030)**	**(19,273)**	**(34,062)**

Underwriting Year Result

2013 and Prior year of account

The 2013 and prior underwriting years produced a loss for the year of £19,273k and a cumulative loss after investment return of £63,526k. This loss compares to a forecast loss of £42,021k at 31 December 2015. The net ULR increased by 7.5% in the period.

The movement is largely caused by the significant increase in the incurred claims position on individual claims of £16.5m gross and £13.4m net with the Syndicate's consulting actuary, Lane Clark & Peacock (LCP), moving the ultimate claims position out by £26.7m gross and £18.6m net as a consequence.

During the period all outstanding case reserves were reviewed and appropriate technical reserves posted. In addition those claims which may affect the account but which did not warrant a specific technical reserve (in view of liability or quantum arguments) were also reviewed. LCP therefore considered not only the movement in incurred and the materialisation of a number of large losses but also the potential claims universe, setting up a large loss load accordingly as part of the ultimate claims position.

Of the movement in ultimate net claims of £18.6m, £13.4m relates to an actual increase in case reserves with the remaining £4.2m being a large loss load. Of the incurred movements £10.3m gross relates to the primary professional indemnity account which was historically the Syndicate's largest portfolio. Late reporting on the personal accident account also caused the incurred position to move by some £3.2m.

2014 year of account

The 2014 pure underwriting year has produced a cumulative loss after investment return of £12.0m. This loss compares to a forecast loss of £8.7m at 31 December 2015.

The net ULR increased by 13.8% in the period. This movement is largely driven by the materialisation of a number of large losses particularly under the directors and officers account. In addition, as with the 2013 YOA, a large loss load has been added. A full review of all outstanding claims along with any potential claims will be conducted in H1 2017 as was the case with the 2013 YOA.

Key uncertainties preventing the closure of the 2013 and 2014 years of account

Following the appointment of AmTrust at Lloyd's Limited as the Managing Agent on 1 April 2015 an independent claims consulting firm was appointed to conduct a review of all open claims as at 30th September 2015. As a result, the claims reserves were strengthened materially, in particular on the 2013 and prior years. The consequence being that the year was left open and a separate team, "open year management team," was set up under the stewardship of the Group Head of Claims, led by a senior claims manager, to manage the 2013 and prior years of account. The team has been tasked with ascertaining the appropriate levels of reserves on all notified claims. They have been assisted by a independent team of lawyers with their assessment peer reviewed by the team and on a selected basis by a consulting Q.C. This process has been completed and shared with our consulting actuary LCP who have added a large loss load to compensate for the volatility in the underlying business. A run-off plan has been agreed with Lloyd's with its principal aim being to quantify the value of and resolve the claims notified. A run-off committee has been established and is attended by management, Lloyd's, and LCP. It meets once every quarter.

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

***Key uncertainties preventing the closure of the 2013 and 2014 years of account** (continued)*

In the period and in accordance with plan the 2,063 claims open at April 2016 in respect of 2013 and prior have all been reviewed, with 318 being closed and appropriate technical reserves posted or confirmed. This included those claims which may affect the account but which did not warrant a specific technical reserve (in view liability or quantum arguments) and was subject to a separate probability analysis by LCP which resulted in a large loss load as part of the ultimate claims position.

This analysis at an individual claims level including a probability review is considered appropriate in quantifying the exposure, as at this stage (on the 2013 and prior years of account) the individual circumstances should be sufficiently developed to adequately assess exposure. The adequacy of this probability approach to quantify the volatility that lies around the Syndicates tendency to write primary policies with large limits often at 100% will be monitored over the coming quarters. In parallel this process will be repeated for the 2014 year of account in the first half of 2017.

Given this uncertainty and the change in capital providers between the 2013, 2014 and 2015 years of account, the board of the Managing Agent has decided to leave the 2013 and 2014 years of account open at 31 December 2016. Profits and losses will continue to be distributed and collected by reference to the results of individual underwriting years. As the year of account has not closed an interim cash call of £27,422k and £6,714K (2014 – cash call of £8,520k) will be made on the 2013 and 2014 years of account, respectively, in order to meet regulatory funding in June 2017 and reduce the mismatch of assets and liabilities.

Members Balances

Mainly as a result of losses arising in the financial year the members' balances on the statement of financial position show a deficit. Although the Syndicate does not hold capital on its own statement of financial position, the members hold Funds at Lloyd's on behalf of the Syndicate. The main capital provider, AmTrust Corporate Member Limited (who provides 99.5% of the capacity for 2016) has deposited the required Funds for the 2017 Coming into Line process as at 1 December 2016. These funds are deposited to support the solvency position of the Syndicate. Cash calls of £27,422k and £6,744k will be made later this year on the 2013 and prior, and 2014 years of account respectively.

Ultimately the Syndicate's obligations are underpinned by the support provided by the Lloyd's solvency process and the Lloyd's chain of security.

Principal activities and review of business

The principal activity of the Syndicate remains the transaction of general insurance and reinsurance business in the United Kingdom, the Syndicate is now in run-off.

A brief outline of the classes of business is set out below.

Accident and Health**:** This is a broad mix of risk types, including accidental death, dismemberment and disability. The underwriting on this class was stopped during the 2014 year of account. Permission had been received from Lloyd's to underwrite this account in 2016.

Third Party Liability: This is the main class of business for the Syndicate and covers Professional Indemnity (PI), Directors and Officers (D & O) and Medical Malpractice insurance written on a primary basis

PI provides indemnity cover for professional groups such as solicitors, accountants or architects and it is underwritten according to the size of risk; on a primary basis for Small to Medium Enterprises (SME) where the majority of risks are placed with one carrier.

D & O provides management professionals with insurance protection when they have been accused by a third party of a wrongful act in connection with their business practice.

Medical Malpractice provides cover to medical clinics and individual doctors against liability arising from negligent or erroneous acts.

Pecuniary Loss: The main business written under this class is Pecuniary Loss and a small amount of Warranty.

Casualty: This is a generic class of business and includes all of the Syndicate's business where it is written on an excess basis, mainly for mid-market business and larger risks.

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

Financial Performance

The Syndicate's key financial performance indicators, split, where applicable, in accordance with the internal classes of business as set out on the preceding page, during the year were as follows:

	2016	2015
	£'000	£'000
Gross Written Premiums	**29,521**	28,950
Gross Earned Premium	**25,645**	37,295
Net Earned Premium	**22,349**	29,771
Gross Incurred Claims	**(57,476)**	(83,069)
Net Incurred Claims	**(44,175)**	(62,400)
Investment Income	**825**	617
Operating expenses	**(12,236)**	(14,295)
Other expenses	**(3,437)**	(238)
Loss for the financial year	**(36,674)**	(46,545)

Gross written premiums increased from £28,950k in 2015 to £29,521 in 2016. A breakdown of the premium income by internal class of business is set out below.

	2016	2015
	£'000	£'000
Accident & Health	**362**	5
Third Party Liability	**19,242**	22,772
Pecuniary Loss	**123**	467
Casualty	**7,684**	5,706
Property	**2,110**	-
Total Gross Written Premium	**29,521**	28,950

Following the transfer of the managing agency to AmTrust at Lloyd's Limited the account was reunderwritten during 2016. In addition, two new classes of business, Accident & Health and Property, have been underwritten during the year. This led to the marginal increase in premium written during the year.

A breakdown of the gross earned premium by internal class is set out below.

	2016	2015
	£'000	£'000
Accident & Health	**362**	383
Third Party Liability	**18,418**	29,531
Pecuniary Loss	**123**	513
Casualty	**5,899**	6,868
Property	**843**	-
Total Gross Earned Premiums	**25,645**	37,295

The Managing Agent continues to carefully manage line sizes and retention levels such that the aggregate exposure to major losses is controlled to manageable levels. Reinsurance remains an integral part of the management of aggregate exposure. The reinsurers' share of earned premium for 2016 has fallen to £3,296k compared with £7,524k in 2015, due to efficiencies in buying the reinsurances, the inclusion of the Syndicate in AmTrust group policies and also not reaching the levels of income required for adjustment premiums. A breakdown of the reinsurers' share of earned premium by internal class of business is set out in the table below.

	2016	2015
	£'000	£'000
Accident & Health	**-**	73
Third Party Liability	**3,026**	6,256
Pecuniary Loss	**-**	80
Casualty	**24**	1,115
Property	**246**	-
Total Earned Reinsurance Premiums	**3,296**	7,524

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

Financial Performance *(continued)*

A breakdown of the gross and net incurred claims by internal class of business is set out in the table below.

	Gross Incurred Claims		Net Incurred Claims	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Accident & Health	**3,175**	3,655	**3,278**	3,439
Third Party Liability	**47,443**	73,091	**34,118**	53,453
Pecuniary Loss	**1,350**	377	**1,350**	292
Casualty	**4,934**	5,947	**4,926**	5,216
Property	**574**	-	**503**	-
Total	**57,476**	83,070	**44,175**	62,400

Investment Performance

The average cash and investment balance during 2016 was £88,475k (2015 - £76,255k). The investment return for 2016 of £825 (2015 - £617k) represented a return of 0.93% (2015 – 0.81%).

The make-up of the investment portfolio managed by AII Insurance Management at 31 December is set out below:

31 December 2016	**GBP**	**Euro**	**US$**	**Can$**	**AUD**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Supranational Bonds	**-**	**-**	**-**	**-**	**-**	**-**
Corporate Bonds	**-**	**29,999**	**8,106**	**9,943**	**7,061**	**55,109**
Government Bonds	**-**	**-**	**6,730**	**4,445**	**-**	**11,175**
Government Agencies	**-**	**1,417**	**-**	**-**	**-**	**1,417**
Government Guaranteed Bonds	**-**	**-**	**-**	**-**	**-**	**-**
Total assets under management	**-**	**31,416**	**14,837**	**14,388**	**7,061**	**67,702**

31 December 2015	GBP	Euro	US$	Can$	AUD	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Supranational Bonds	*450*	-	-	-	-	*450*
Corporate Bonds	*13,943*	*14,796*	-	*5,202*	-	*33,941*
Government Bonds	*1,521*	*1,195*	-	*489*	-	*3,205*
Government Agencies	*2,508*	*3,082*	-	*5,845*	-	*11,435*
Government Guaranteed Bonds	-	-	-	-	-	-
Total assets under management	*18,422*	*19,073*	-	*11,536*	-	*49,031*

The Syndicate does not have any exposure to securities issued by companies or Governments in Southern Europe.

Risk Management

The Managing Agent 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.

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

Risk Management *(continued)*

The principal risks and uncertainties facing the Syndicate, as detailed in Note 4 to the financial statements, are as follows:

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

Future Developments

As set out above, the Syndicate will not be continuing into 2017.

The Syndicate continues to manage the account proactively and will undertake a full review of outstanding claims along with any potential claims in H1 2017. This is being supported by the open year management team and run-off committee.

Directors and directors' interests

The names of persons who were members of the Board of directors of each Managing Agent are given on page 2. None of the directors had any direct interest in the Syndicate during the year.

Disclosure of information to the auditors

The directors of the Managing Agent who held office at the date of approval of this managing agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Auditors

The Managing Agent, AmTrust at Lloyd's Limited, intends to reappoint KPMG LLP as the Syndicate's auditors.

Syndicate's Annual General Meeting

AmTrust at Lloyd's Limited does not propose to hold an annual general meeting of members of the Syndicate to re-appoint the existing Syndicate auditors, KPMG LLP. Members are asked to note that any objections to this proposal should be submitted, in writing, to AmTrust at Lloyd's Limited within 21 days of this notice.

By order of the Board

Peter Dewey
Director

21st March 2017

Statement of Managing Agent’s Directors’ responsibilities

The directors of the Managing Agent are responsible for preparing the Syndicate annual report and accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 (“the Regulations”) require the Managing Agent to prepare financial statements at 31 December each year in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard Applicable in the UK and the Republic of Ireland. The Syndicate’s financial statements 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 these financial statements, the directors of the Managing Agent are required to:

1. select suitable accounting policies which are applied consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
4. prepare the financial statements on the basis that the Syndicate continues to exist to run-off the current open years of account being the 2013, 2014, 2015 and 2016 years of account.

The directors of the Managing Agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate’s transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the Syndicate’s financial statements comply with the Regulations. 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.

The directors of the Managing Agent are responsible for the maintenance and integrity of the Syndicate and financial information included on the Syndicate’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that they have complied with the above requirements in preparing the financial statements of Syndicate 2526.

By order of the Board

Peter Dewey
Director

21st March 2017

Independent auditor's report to the members of Syndicate 2526

We have audited the financial statements of Syndicate 2526 for the year ended 31 December 2016, as set out on pages 13 to 35. 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state 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 and 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 directors of the managing agent and auditors

As explained more fully in the Statement of Managing Agent's Directors Responsibilities set out on page 10, the managing agent's directors are responsible for the preparation of the syndicate's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the syndicate's financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK 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 – 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 19 relating to the uncertainties regarding the ultimate cost of gross and net claims on business underwritten up to 31 December 2016 and accordingly the level of gross and net provisions for outstanding claims which should be established as at that date. Due to significant increases seen in claims for the professional indemnity, Directors and Officers and medical malpractice classes of business during this and the prior period, 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 reserves advised by independent claims consultants and internal case reserve increases have 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 materially from the estimate that is currently provided in these financial statements. This uncertainty has resulted in the Board deciding to not close the 2013 or 2014 years of account at 31 December 2016.

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

In our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the financial statements.

Independent auditor's report to the members of Syndicate 2526 *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- adequate accounting records have not been kept; or
- the financial statements 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
15 Canada Square London,
E14 5GL
21st March 2017

Statement of profit or loss account: Technical account – General business
For the year ended 31 December 2016

	Note	**Year Ended 31 December 2016**		Year Ended 31 December 2015	
		£000	**£000**	£000	£000
Earned premium, net of reinsurance					
Gross premiums written	*5*	**29,521**		28,950	
Outward reinsurance premiums		**(2,016)**		(6,561)	
Change in the provision for unearned premiums					
Gross amount	*17*	**(3,876)**		8,345	
Reinsurers' share	*17*	**(1,280)**		(963)	
Earned premium, net of reinsurance			**22,349**		29,771
Allocated investment return transferred from the non-technical account	*10*		**825**		617
Total technical income			**23,174**		30,388
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	*5/17*	**(34,620)**		(23,896)	
Reinsurers' share	*5/17*	**9,786**		3,680	
			(24,834)		(20,216)
Change in provision for claims					
Gross amount	*17*	**(22,856)**		(59,174)	
Reinsurers' share	*17*	**3,516**		16,990	
			(19,340)		(42,184)
Claims incurred, net of reinsurance			**(44,174)**		(62,400)
Net operating expenses	*7*		**(12,236)**		(14,295)
Total technical charges			**(56,410)**		(76,695)
Balance on the technical account - general business			**(33,236)**		(46,307)

All operations relate to discontinued activities.

The notes on pages 19 to 35 form part of these financial statements.

Income statement: Non-technical account
For the year ended 31 December 2016

	Note	Year ended 31 December 2016	Year ended 31 December 2015
		£000	£000
Balance on the technical account – general business		**(33,236)**	(46,307)
Investment income (including realised gains)	10	**2,592**	1,491
Unrealised gains on investments	10	**423**	66
Investment expenses and charges			
Investment management expenses	10	**(105)**	(43)
Realised losses on investments	10	**(683)**	(484)
Unrealised losses on investments		**(1,402)**	(413)
Allocated investment return transferred to the technical account – general business		**(825)**	(617)
Loss on foreign exchange		**(3,437)**	(238)
Loss for the financial year		**(36,674)**	(46,545)

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. All operations relate to discontinued operations.

The notes on pages 19 to 35 form part of these financial statements.

Statement of financial position - Assets
As at 31 December 2016

	Note	**£000**	**2016 £000**	£000	2015 £000
Investments					
Other financial investments	*11*		**70,871**		59,045
Reinsurers' share of technical provisions					
Provisions for unearned premiums	*17*	**1,474**		2,660	
Claims outstanding	*17*	**60,217**		56,034	
			61,691		58,694
Debtors					
Debtors arising out of direct insurance operations	*12*	**9,018**		8,403	
Debtors arising out of reinsurance operations	*13*	**1,534**		3,052	
Other debtors	*14*	**109**		17	
			10,661		11,472
Other assets					
Cash at bank and in hand	*21*	**3,531**		4,519	
Overseas deposits	*15*	**18,198**		18,073	
			21,729		22,592
Prepayments and accrued income					
Deferred acquisition costs	*16*	**4,034**		1,946	
Other prepayments and accrued income		**1,185**		1,276	
			5,219		3,222
Total assets			**170,171**		155,025

The notes on pages 19 to 35 form part of these financial statements.

Statement of financial position - Liabilities
As at 31 December 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Capital and reserves					
Members' balances			**(82,788)**		(54,631)
Technical provisions					
Provisions for unearned premiums	*17*	**15,224**		10,200	
Claims outstanding	*17*	**231,843**		190,834	
			247,067		201,034
Creditors					
Creditors arising out of direct insurance operations		**152**		96	
Creditors arising out of reinsurance operations		**4,158**		6,344	
Other creditors		**1,582**		2,142	
	20		**5,892**		8,582
Accruals and deferred income			**-**		40
Total liabilities			**170,171**		155,025

These Syndicate financial statements were approved by the Board of AmTrust at Lloyd's Limited on 21st March 2017 and were signed on its behalf by:

Janice Hamilton
Director

The notes on pages 19 to 35 form part of these financial statements.

Statement of changes in members' balances
As at 31 December 2016

	2016 £000	2015 £000
Members' balances brought forward at 1 January	**(54,631)**	(29,403)
Loss for the year	**(36,674)**	(46,545)
Members' agents fees	**(3)**	(3)
Cash call	**8,520**	21,320
Members' balances carried forward at 31 December	**(82,788)**	(54,631)

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.

The notes on pages 19 to 35 form part of these financial statements.

Statement of cash flows
For the year ended 31 December 2016

	Note	**Year ended 31 December 2016**	Year ended 31 December 2015
Cash flows from operating activities		**£000**	£000
Loss for the financial year		**(36,674)**	(46,545)
Adjustments for:			
Net unrealised (gains)/losses on other financial assets including foreign exchange		**1,071**	3,478
Net investment return		**(825)**	(964)
Movements in operating assets and liabilities:			
Acquisition of other financial instruments		**(104,320)**	(46,168)
Proceeds from sale of other financial instruments		**98,691**	32,550
Proceeds from sale of other financial assets		**3,347**	(6,028)
Foreign exchange		**(11,290)**	-
Interest received/paid		**931**	1,007
Investment management fees paid		**(104)**	(43)
Increase in gross technical provisions		**46,035**	47,234
Increase in reinsurers' share of technical provisions		**(2,999)**	(16,052)
Increase in debtors		**(1,186)**	5,610
Decrease in creditors		**(2,730)**	3,590
Net cash inflow from operating activities		**(10,053)**	(22,331)
Net cash flow from financing activities			
Cash Call from members in respect of underwriting participation		**8,520**	21,320
Agent's fee paid on behalf of members		**(3)**	
Net cash inflow from financing activities		**8,517**	21,320
Net decrease in cash and cash equivalents		**(1,536)**	(1,011)
Cash and cash equivalents at 1 January		**4,519**	5,678
Effect of exchange rate changes on cash and cash equivalents		**548**	(148)
Cash and cash equivalents at 31 December	*21*	**3,531**	4,519

The notes on pages 19 to 35 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2016

1 Basis of preparation

Syndicate 2526 ("the Syndicate") comprises a group of members of the Society of Lloyd's that underwrite insurance and reinsurance business in the London Market. The address of the Syndicate's Managing Agent is 1 Great Tower Street, London EC3R 5AA.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable Accounting Standards in the United Kingdom and the Republic of Ireland, Financial Reporting Standard 102 (FRS 102), and the applicable Accounting Standard on insurance contracts Financial Reporting Standard 103 (FRS 103). The Syndicate has adopted the March 2016 amendment to paragraph 34.22 of FRS 102 in relation to fair value hierarchy. The fair value hierarchy is detailed in note 11 where 2015 has been restated in line with the new standard. The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

The financial statements are presented in Pound Sterling ("GBP"), which is the syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Syndicate in Run-Off

Following the decision to cease underwriting the Syndicate for the 2017 year of account, and consent to cease the Syndicate from Lloyd's Capacity Transfer Panel, the Syndicate is now in run-off. The Managing Agent has taken the decision to keep the 2013 and 2014 years of account open at 48 and 36 months after consideration of the uncertainty in the reserves and the fact that the capital participation on the 2013, 2014 and 2015 years of account is not fully consistent between these years.

An unexpired risk provision has been included within the claims technical provisions of the Syndicate representing the future expected net losses on unearned business. In addition, a provision has been made based on management's best estimate assessment of the running-off of all the costs of the Syndicate's liabilities.

The ultimate costs to finalise the Syndicate's liabilities may vary significantly from those recorded within the Syndicate's technical provisions.

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. Revisions to estimates are recognised in the period in which they are identified.

The Syndicate's principal estimates are for claims provisions and related recoveries, estimates of gross premiums written and earned, outwards reinsurance premium ceded and earned, acquisition costs and the valuation of investments. Management regularly reviews and revises these estimates as appropriate based on current information. Any adjustments made to these estimates are reflected in the period the estimates are revised.

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the statement of financial position 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 in-house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to estimate the likely ultimate claims to be experienced and for more recent underwriting years, 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 higher degree of uncertainty arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

Notes to the financial statements

For the year ended 31 December 2016 (continued)

2 Judgements and estimates *(continued)*

In arriving at the level of claims provisions a margin may be applied over and above the actuarial best estimate in line with the Syndicate’s Reserving Policy to address the risk of un-modelled claims development.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 4.

3 Accounting policies

The financial statements have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance on a consistent basis as follows:

a) Basis of Accounting

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing premiums written but not reported to the Syndicate by the statement of financial position date, as well as adjustments made in the year to premiums written in prior accounting periods. The directors consider that the estimated provisions for gross premiums written are fairly stated on the basis of the information currently available to them. However, ultimate amounts of premiums will vary as a result of subsequent events and this may result in adjustments to the amounts accounted.

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 year that relate to unexpired terms of policies in force at the statement of financial position 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.

Claims provisions and related recoveries

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 year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the statement of financial position 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 year and the current security rating of the reinsurance companies involved. The Syndicate uses a number of statistical techniques to assist in making these estimates.

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.

Notes to the financial statements

For the year ended 31 December 2016 (continued)

3 Accounting policies *(continued)*

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. Adjustments to the amounts of claims provisions established in prior years are reflected in the annual accounts for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

b) Unexpired risks provision

A provision for unexpired risks is made where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated separately by reference to all classes of business which are managed together after taking into account relevant investment return.

c) Acquisition costs

Acquisition costs comprise commission and other costs related to the acquisition of new insurance contracts. Acquisition costs are deferred ("deferred acquisition costs") to the extent that they are attributable to premiums unearned at the statement of financial position date.

d) 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.

e) Foreign currencies

The functional currency is Sterling. Income and expenditure in US dollars, Canadian dollars, Australian dollars and Euros are translated at the 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 statement of financial position dates. Foreign exchange gains and losses are recognised in the non-technical account.

Following the adoption of FRS 102, non-monetary assets and liabilities, including deferred acquisition costs and unearned premiums, are to be translated into the functional currency using the monthly average rate of exchange prevailing at the time of the transaction as a proxy for transactional rates. However, FRS 103 states that insurance assets and liabilities that were previously considered non-monetary items are now required to be treated as monetary items. These assets and liabilities have therefore been retranslated at period end to Sterling at the closing rate and the resulting exchange differences reported through the non-technical account.

f) 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. 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.

Notes to the financial statements

For the year ended 31 December 2016 (continued)

3 Accounting policies *(continued)*

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. 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 statement of financial position date. For this purpose listed investments are stated at mid-market value and deposits with credit institutions and overseas deposits are stated at amortised cost. Unlisted investments for which a market exists are stated at the average price at which they were traded on the statement of financial position date or the last trading day before that date.

g) 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.

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 statement of financial position 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 under the heading 'Member's balances'.

No provision has been made for any other overseas tax payable by members on underwriting results.

i) 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 financial statements

For the year ended 31 December 2016 (continued)

4 Risk and capital management *(continued)*

a) Insurance risk (continued)

The Agency uses catastrophe modelling software to model maximum probable losses from catastrophe-exposed business in major territories. 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 Agency 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 Syndicate.

	2016		2015	
	5% Increase	**5% Decrease**	5% Increase	5% Decrease
	£000	**£000**	£000	£000
Gross claims	**(11,223)**	**11,223**	(9,299)	9,299
Reinsurer's share	**1,590**	**(4,243)**	3,765	(2,422)
Net impact on members' balances	**(9,633)**	**6,980**	(5,534)	6,877

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.

Notes to the financial statements

For the year ended 31 December 2016 (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 2016	**AAA**	**AA**	**A**	**BBB**	**Not rated**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	**-**	**2,307**	**-**	**862**	**-**	**3,169**
Debt securities and other fixed income securities	**3,638**	**21,268**	**28,554**	**14,242**	**-**	**67,702**
Overseas deposits	**11,597**	**3,932**	**1,979**	**560**	**130**	**18,198**
Cash at bank and in hand	**-**	**-**	**-**	**-**	**-**	**-**
Reinsurers' share of insurance liabilities	**-**	**-**	**60,219**	**-**	**-**	**60,219**
Reinsurance debtors	**-**	**-**	**781**	**-**	**-**	**781**
Insurance debtors	**-**	**-**	**-**	**-**	**-**	**-**
Total credit risk	**15,235**	**27,507**	**91,533**	**15,664**	**130**	**150,069**

31 December 2015	AAA	AA	A	BBB	Not rated	Total
	£000	£000	£000	£000	£000	£000
Shares and other variable yield securities and units in unit trusts	-	-	-	-	10,014	10,014
Debt securities and other fixed income securities	11,804	23,963	11,519	1,745	-	49,031
Overseas deposits	11,317	4,609	1,999	115	33	18,073
Cash at bank and in hand	-	-	-	-	4,519	4,519
Reinsurers' share of insurance liabilities	-	32	55,780	-	222	56,034
Reinsurance debtors	-	-	3,052	-	-	3,052
Insurance debtors	-	-	-	-	8,403	8,403
Total credit risk	23,121	28,604	72,350	1,860	23,191	149,126

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

	2016	2015
Past due but not impaired financial assets	**£000**	£000
Past due by:		
Up to three months	**433**	88
Three to six months	**1**	38
Six months to one year	**1**	8
More than one year	**-**	58
	55	192

There are no debtors arising from direct or reinsurance insurance operations that are impaired at the reporting date (2015: £Nil).

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 overleaf

Notes to the financial statements
For the year ended 31 December 2016 (continued)

4 Risk and capital management *(continued)*

Interest rate risk	**2016 £000**	2015 £000
Impact of 50 basis point increase on result	**(1,721)**	(549)
Impact of 50 basis point decrease on result	**1,779**	572
Impact of 50 basis point increase on net assets	**(1,721)**	(549)
Impact of 50 basis point decrease on net assets	**1,779**	572

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 below summarises the carrying value of the Syndicate's assets and liabilities at the reporting date.

31 December 2016	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**AUD £000**	**Total £000**
Financial investments	**-**	**15,272**	**31,416**	**16,945**	**7,238**	**70,871**
Reinsurers' share of technical provisions	**50,878**	**589**	**124**	**120**	**9,981**	**61,692**
Insurance and reinsurance receivables	**5,894**	**2,031**	**2,287**	**64**	**276**	**10,552**
Cash and cash equivalents	**1,225**	**327**	**2,005**	**3,327**	**14,845**	**21,729**
Other assets	**1,728**	**810**	**1,965**	**457**	**367**	**5,327**
Total assets	**59,726**	**19,028**	**37,797**	**20,708**	**32,708**	**170,171**
Technical provisions	**(112,692)**	**(25,262)**	**(54,992)**	**(19,806)**	**(34,314)**	**(247,066)**
Insurance and reinsurance payables	**(3,950)**	**(126)**	**(55)**	**(43)**	**(137)**	**(4,311)**
Other creditors	**(1,451)**	**(131)**	**-**	**-**	**-**	**(1,582)**
Total liabilities	**(118,095)**	**(25,519)**	**(55,047)**	**(19,849)**	**(34,451)**	**(252,959)**
Net assets / (liabilities)	**(58,469)**	**(6,718)**	**(17,250)**	**(2,263)**	**(16,290)**	**(82,788)**

31 December 2015	GBP £000	USD £000	EUR £000	CAD £000	AUD £000	Total £000
Financial investments	21,091	5,331	19,760	12,863	-	59,045
Reinsurers' share of technical provisions	58,129	501	22	20	22	58,694
Insurance and reinsurance receivables	8,367	66	1,393	664	965	11,455
Cash and cash equivalents	1,537	188	1,262	2,242	17,363	22,592
Other assets	1,041	368	1,212	329	289	3,239
Total assets	90,165	6,454	23,649	16,118	18,639	155,025
Technical provisions	(101,877)	(19,430)	(41,246)	(13,675)	(24,806)	(201,034)
Insurance and reinsurance payables	(6,141)	(251)	(10)	(8)	(30)	(6,440)
Other creditors	(2,072)	(110)	-	-	-	(2,182)
Total liabilities	(110,090)	(19,791)	(41,256)	(13,683)	(24,836)	(209,656)
Net assets / (liabilities)	(19,925)	(13,337)	(17,607)	2,435	(6,197)	(54,631)

Notes to the financial statements
For the year ended 31 December 2016 (continued)

4 Risk and capital management *(continued)*

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 assets and liabilities based on the estimated timing of claims payments and other undiscounted contractual obligations.

31 December 2016	**Carrying value**	**Total cash flows**	**Less than 1 year**	**1 - 3 years**	**3-5 years**	**More than 5 years**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	**3,169**	**3,169**	**3,169**			
Debt securities and other fixed income securities	**67,702**	**67,702**	**4,680**	**2,314**	**13,407**	**47,301**
Overseas deposits	**18,198**	**18,198**	**18,198**			
Reinsurers share of technical provisions	**61,691**	**61,691**	**23,146**	**23,523**	**10,270**	**4,752**
Debtors and accrued interest	**15,880**	**15,880**	**15,880**			
Cash at bank and in hand	**3,531**	**3,531**	**3,531**			
Total Assets	**170,171**	**170,171**	**107,149**	**2,314**	**13,407**	**47,301**
Claims outstanding	**247,067**	**247,067**	**92,693**	**94,209**	**41,132**	**19,033**
Insurance and reinsurance payables	**4,310**	**4,310**	**4,310**	**-**	**-**	**-**
Other creditors	**1,582**	**1,582**	**1,582**	**-**	**-**	**-**
Total liabilities	**252,959**	**252,959**	**98,585**	**94,209**	**41,132**	**19,033**
Net assets / (liabilities)	**(82,788)**	**(82,788)**	**8,564**	**(91,895)**	**(27,725)**	**28,268**

31 December 2015	Carrying value	Total cash flows	Less than 1 year	1 - 3 years	3-5 years	More than 5 years
	£000	£000	£000	£000	£000	£000
Shares and other variable yield securities and units in unit trusts	10,014	10,014	10,014			
Debt securities and other fixed income securities	49,031	49,031	21,093	11,307	8,335	8,296
Overseas deposits	18,073	18,073	18,073			
Reinsurers share of technical provisions	58,694	58,694	20,853	22,505	10,186	5,150
Debtors and accrued interest	14,694	14,694	14,636	58		
Cash at bank and in hand	4,519	4,519	4,519			
Total Assets	155,025	155,025	127,299	11,365	8,335	8,296
Claims outstanding	201,034	201,034	71,421	77,083	34,890	17,640
Insurance and reinsurance payables	6,440	6,440	6,440	-	-	-
Other creditors	2,182	2,182	2,182	-	-	-
Total liabilities	209,656	209,656	80,043	77,083	34,890	17,640
Net assets / (liabilities)	(54,631)	(54,631)	47,256	(65,718)	(26,555)	(9,344)

Notes to the financial statements

For the year ended 31 December 2016 (continued)

4 Risk and capital management *(continued)*

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.

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, 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. 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 Regulation 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. 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), 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 15, represent resources available to meet members' and Lloyd's capital requirements.

Notes to the financial statements

For the year ended 31 December 2016 (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, subject to a formal process controlled by Lloyd's.

5 Segmental analysis

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

2016	**Gross Premiums Written**	**Gross Premiums Earned**	**Gross Claims Incurred**	**Reinsurance Balance**	**Net Operating Expenses**	**Underwriting Result**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Direct insurance:						
Accident and health	**362**	**362**	**(3,175)**	**(103)**	**(47)**	**(2,963)**
Third party liability	**19,242**	**18,417**	**(47,445)**	**10,299**	**(9,399)**	**(28,128)**
Pecuniary loss	**123**	**123**	**(1,350)**	**-**	**192**	**(1,035)**
Property	**2,110**	**843**	**(574)**	**(174)**	**(685)**	**(590)**
	21,837	**19,745**	**(52,54)**	**10,022**	**(9,939)**	**(32,716)**
Reinsurance acceptances	**7,684**	**5,899**	**(4,934)**	**(15)**	**(2,296)**	**(1,346)**
Total	**29,521**	**25,644**	**(57,478)**	**10,007**	**(12,235)**	**(34,062)**

2015	**Gross Premiums Written**	**Gross Premiums Earned**	**Gross Claims Incurred**	**Reinsurance Balance**	**Net Operating Expenses**	**Underwriting Result**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Direct insurance:						
Accident and health	5	383	(3,655)	142	(239)	(3,369)
Third party liability	22,772	29,531	(73,091)	13,381	(11,322)	(41,500)
Pecuniary loss	467	513	(377)	5	(273)	(132)
	23,244	30,427	(77,122)	13,528	(11,834)	(45,001)
Reinsurance acceptances	5,706	6,868	(5,947)	(383)	(2,461)	(1,923)
Total	28,950	37,295	(83,070)	13,145	(14,295)	(46,924)

Reinsurance acceptances are mainly Casualty business.
Commissions on direct insurance gross premiums earned during 2016 were £8m (2015 - £6m).
All premiums were written in the UK.

6 Currency rates of exchange

The rates of exchange applied in these accounts are:

	31 December 2016	**Average for 2016**	31 December 2015	Average for 2015
Australian $	**1.6584**	**1.8257**	2.03	2.04
Canadian $	**1.6375**	**1.7968**	2.05	1.95
Euro	**1.1652**	**1.2246**	1.36	1.38
US $	**1.2578**	**1.3557**	1.47	1.53

Notes to the financial statements

For the year ended 31 December 2016 (continued)

7 Net operating expenses

	2016 £000	2015 £000
Brokerage & commissions	**7,686**	5,804
Change in deferred brokerage	**(1,803)**	2,247
Other acquisition costs	**1,742**	811
Administrative expenses	**4,611**	5,433
	12,236	14,295

Administrative expenses include:

	2016 £000	2015 £000
Auditors' remuneration		
Fees payable to the Syndicate's auditor, KPMG LLP, for the audit of the Syndicate annual accounts	**99**	99
Fees payable to KPMG LLP and its associates for other services:		
Other services pursuant to legislation, including the audit of the regulatory return	**74**	63
Members' standard personal expenses (Lloyd's subscriptions, New Central Fund contributions & Managing Agent's fees)	**602**	1,068

8 Staff numbers and costs

For the period 1 January 2015 to 31 March 2015 the costs of directors and staff were recharged to the Syndicate by Asta Managing Agency Limited ("Asta"). From 1 April 2015, all staff (including directors) are employed by AmTrust Syndicate Holdings Limited ("ASH") or other group companies and their costs recharged to the Managing Agent. The following total amounts were recharged to the Syndicate in respect of staff costs (including claims staff costs):

	2016 £000	2015 £000
Wages and salaries	**1,824**	2,154
Social security costs	**238**	288
Other pension costs	**131**	202
	2,193	2,644

The average number of employees (including directors) employed by Asta, ASH or other AmTrust group companies but working for the Syndicate during the year was as follows:

	2016 Number	2015 Number
Administration and finance	**7**	5
Underwriting	**7**	9
Technical support	**20**	16
	34	30

9 Emoluments of the directors of AmTrust at Lloyd's Limited and the active underwriter

No emoluments of the directors of Asta have been directly charged to the Syndicate. AmTrust at Lloyd's Limited recharged the syndicate £261,917 (2015 - £338,000) in respect of emoluments and pension costs paid to its directors. The active underwriter received aggregate remuneration, including pension contributions, of £328,331 (2015 - £67,000).

Notes to the financial statements
For the year ended 31 December 2016 (continued)

10 Investment income

	2016 £000	2015 £000
Investment income		
Interest and dividend income	**1,959**	1,479
Gains on the realisation of investments	**633**	12
	2,592	1,491
Investment expenses and charges		
Investment management expenses	**(105)**	(43)
Losses on realisation of investments	**(683)**	(484)
	(788)	(527)
Net unrealised losses on investments	**(979)**	(347)
Total investment return	**825**	617
On financial assets at fair value through profit and loss	**437**	316
On financial assets at amortised cost	**493**	344
	930	660
Investment management fees	**(105)**	(43)
Total investment return	**825**	617

11 Other financial Investments

	Market value		Cost	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Shares and other variable yield securities and units in unit trusts	**3,169**	10,014	**3,169**	10,014
Debt securities and other fixed income securities	**67,702**	49,031	**68,775**	49,381
	70,871	59,045	**71,944**	59,395
Financial assets measured at fair value through profit and loss	**70,871**	59,045	**71,944**	59,395

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:

2016	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Shares and other variable yield securities and units in unit trusts	**-**	**3,169**	**-**	**3,169**
Listed debt securities and other fixed income securities	**-**	**67,702**	**-**	**67,702**
	-	**70,871**	**-**	**70,871**

Notes to the financial statements
For the year ended 31 December 2016 (continued)

11 Other financial assets *(continued)*

2015 *(restated*)*	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	**-**	**10,014**	**-**	**10,014**
Listed debt securities and other fixed income securities	**-**	**49,031**	**-**	**49,031**
	-	**59,045**	**-**	**59,045**

*As a result of the amendment to paragraph 34.22 of FRS 102, 2015 has been restated.

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, pricing service or regulatory 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.

12 Debtors arising out of direct insurance operations

	2016 £000	2015 £000
Intermediaries		
Due within one year	**9,018**	8,403
Due after one year	-	-
	9,018	8,403

13 Debtors arising out of reinsurance operations

	2016 £000	2015 £000
Due within one year	**1,534**	3,052
	1,534	3,052

14 Other debtors

	2016 £000	2015 £000
Other debtors including taxes	**109**	17
	109	17

Notes to the financial statements

For the year ended 31 December 2016 (continued)

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:

2016	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Shares and other variable yield securities and units in unit trusts	**-**	**-**	**-**	**-**
Listed debt securities and other fixed income securities	**340**	**17,832**	**-**	**18,172**
Cash at bank and in hand	**26**	**-**	**-**	**26**
	366	**17,832**	**-**	**18,198**

2015 *(restated)*	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Shares and other variable yield securities and units in unit trusts	16	116	-	132
Listed debt securities and other fixed income securities	-	17,915	-	17,915
Cash at bank and in hand	26	-	-	26
	42	18,031	-	18,073

The investments and cash held in overseas deposits 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 Agency. Cash has not been included with Cash and cash equivalents as it is not readily available for use by the Syndicate.

16 Deferred acquisition costs

	2016 £000	2015 £000
Balance at 1 January	**1,946**	4,315
Incurred costs deferred	**9,428**	6,616
Amortisation	**(7625)**	(8,862)
Effect of movements in exchange rates	**285**	(123)
	4,034	1,946

Notes to the financial statements

For the year ended 31 December 2016 (continued)

17 Technical provisions

	2016 Gross provisions £000	**2016 Reinsurance assets £000**	**2016 Net £000**	2015 Gross provisions £000	2015 Reinsurance assets £000	2015 Net £000
Incurred claims outstanding						
Claims notified	**95,429**	**(34,784)**	**60,645**	57,020	(18,962)	38,058
Claims incurred but not reported	**95,405**	**(21,250)**	**74,155**	77,802	(20,082)	57,720
Balance at 1 January	**190,834**	**(56,034)**	**134,800**	134,822	(39,044)	95,778
Changes for prior years	**27,071**	**(6,265)**	**31,478**	71,180	(17,711)	53,469
Expected cost of current year claims	**30,407**	**(7,037)**	**12,697**	11,890	(2,959)	8,931
Claims paid in year	**(34,621)**	**9,786**	**(24,835)**	(23,896)	3,680	(20,216)
Exchange adjustments	**18,153**	**(667)**	**17,485**	(3,162)		(3,162)
Balance at 31 December	**231,843**	**(60,217)**	**171,625**	190,834	(56,034)	134,800
Claims notified	**105,770**	**(36,891)**	**68,879**	95,429	(34,784)	60,645
Claims incurred but not reported	**126,074**	**(23,328)**	**102,746**	95,405	(21,250)	74,155
Balance at 31 December	**231,844**	**(60,219)**	**171,625**	190,834	(56,034)	134,800
Unearned premiums						
Balance at 1 January	**10,200**	**(2,660)**	**7,540**	18,978	(3,598)	15,380
Premiums written in year	**29,521**	**(2,016)**	**27,504**	28,950	(6,561)	22,389
Premiums earned in year	**(25,645)**	**3,296**	**(22,349)**	(37,295)	7,524	(29,771)
Exchange adjustments	**1,148**	**(94)**	**1,055**	(433)	(25)	(458)
Balance at 31 December	**(15,224)**	**(1,474)**	**13,750**	10,200	(2,660)	7,540

Included in gross premiums is an unexpired risk provision of £2.9m (2015 - £nil)

18 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 2016 rates of exchange.

Pure underwriting year - gross	**2011 £000**	**2012 £000**	**2013 £000**	**2014 £000**	**2015 £000**	**2016**	**Total £000**
Estimate of incurred claims At the end of underwriting year	15,026	16,655	17,536	15,547	14,690	13,557	
One year later	28,421	30,343	34,897	35,772	24,894		
Two years later	34,456	33,397	48,289	43,172			
Three years later	52,603	45,930	58,748				
Four years later	65,614	62,996					
Five years later	71,523						
Less gross claims paid	34,039	21,622	17,722	4,394	2,106	1,107	
Gross claims reserve	37,484	41,374	41,026	38,778	22,788	12,450	193,900
Gross claims reserve for 2010 and prior years	37,942						37,942
Gross claims reserve	75,426	41,374	41,026	38,779	22,788	12,450	231,843

Notes to the financial statements
For the year ended 31 December 2016 (continued)

18 Claims development *(continued)*

Pure underwriting year - Net	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**		**£000**
Estimate of incurred claims							
At the end of underwriting year	**12,388**	**13,869**	**14,939**	**12,630**	**11,794**	**13,058**	
One year later	**23,190**	**24,371**	**29,865**	**30,682**	**20,791**		
Two years later	**26,211**	**26,478**	**41,124**	**34,248**			
Three years later	**36,758**	**36,513**	**50,137**				
Four years later	**44,140**	**45,084**					
Five years later	**50,964**						
Less Net claims paid	**24,121**	**19,700**	**16,771**	**4,394**	**2,106**	**1,107**	
Net claims reserve	**26,843**	**25,384**	**33,366**	**29,854**	**18,685**	**11,951**	**146,083**
Net claims reserve for 2010 and prior years	**25,541**						**25,541**
Net claims reserve	**52,384**	**25,384**	**33,366**	**29,854**	**18,685**	**11,951**	**171,624**

19 Technical provisions - claims outstandings

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 and 2015 years of account, the board has decided to leave the 2013 and 2014 years of account open at 31 December 2016.

For the purposes of preparing these Financial Statements, the Managing Agent has adopted its external actuarial consultants' best estimate outcome. In respect of business earned at 31 December 2016, the gross and net reserves, excluding claims handling costs, as at 31 December 2016 total £224.5 million and £164.2 million respectively (2013 & prior years' gross and net claims reserves of £154.7 million and £108 million respectively). During the year there was net adverse claims development of £18.1 million on the 2013 and prior years, £3.4 million on the 2014 year and £0.2 million on the 2015 year of account.

20 Creditors

	2016	2015
	£000	£000
Creditors arising out of direct insurance operations	**152**	96
Creditors arising out of reinsurance operations	**4,158**	6,344
Other creditors	**1,582**	2,142
Total financial liabilities at amortised cost	**5,892**	8,582

Creditors are stated at amortised cost.

Notes to the financial statements
For the year ended 31 December 2016 (continued)

21 Cash and cash equivalents

	2016 **£000**	2015 £000
Cash at bank and in hand	**3,531**	4,519
Total cash and cash equivalents	**3,531**	4,519

22 Related parties

Until 31 March 2015 Syndicate 2526 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 2015, managing agents fees of £160,000 and service fees of £700,000 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, Caviet and Dewey are, and Messrs Contractor, Jansli, Ross, Sibthorpe and Sweatman and Ms Tenenti were directors of AmTrust Syndicate Holdings Limited. During the year managing agents fees of £600,000 (2015 - £481,000) were paid to ATL by the Syndicate. ATL was, until 3 March 2017, the Managing Agent for Syndicates 44 and1206.

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 £5,165,425 were recharged to the Syndicate by ASH, and paid on the Syndicate’s behalf by ATL (2015 - £2,306,000). At 31 December 2016 the amount due to ATL was £1,450,778 (2015 - £2,032,000).

AmTrust Corporate Capital Limited, a subsidiary of AmTrust International Limited (AIL), provides 16.0% of the 2013 and 60.8% of the 2014 year of account capacity. AmTrust Corporate Member Limited, a subsidiary of AmTrust Lloyd’s Holdings Limited, itself the parent company of ASH, provides 99.5% of the 2015 and 2016 years of account capacity. Messrs Barrett, Cadle, Dewey, and Ms Hamilton are and Messrs Contractor, Ross, Jansli, Sibthorpe and Sweatman and Ms Tenenti were directors of AmTrust Corporate Member Limited.

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 subsidiary of AIL. The service company income in the year was £1,286,945 (2015: £1,298,000).

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.

23 Post Statement of financial position Events

In addition to the £8,520,000 cash call made on the 2013 year of account during 2016, 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 43.1% of the cumulative loss at 31 December 2016. The 2014 year of account represents 55.5% of the cumulative loss at 31 December 2016.

	2016 **£000**	2015 £000
2013 Year of account	**27,422**	8,520
2014 Year of Account	**6,714**	-
	34,136	8,520