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AmTrust at Lloyd's Limited: Syndicate 2526

Syndicate Underwriting Year Accounts for the 2013 and 2014 Run-off Years of Account

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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	D J L Barrett	
Registered Office	1 Great Tower Street London EC3R 5AA	
Registered Number	3043923	

Syndicate:

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)
Independent Auditors	KPMG LLP
Actuaries	Lane Clark & Peacock

Underwriter's report for the 2013 and 2014 run-off years of account

For the period ended 31 December 2016

2013 Year of Account

It is disappointing to report that for the 2013 year of account after 48 months the Syndicate has continued to produce a loss and shows a cumulative loss of £63.5m (at 31 December 2015 - £42.0m) before members' agent fees, which equates to 106.3% of the capacity (2015 - 70.4%). The year of account has not closed at 31 December 2016 and continues to be in run-off.

2013 Year of Account in 2016

Key performance indicators:

	At 31 December 2016	At 31 December 2015
Allocated Capacity	£59.7m	£59.7m
Estimated GWPI (after deduction of brokerage)	£38.5m	£38.6m
Gross Incurred Loss Ratio@ 48 (36) months	294%	217%
Net Incurred Loss Ratio@ 48 (36) months	281%	210%

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

The current estimated result for the 2013 Year of Account is a loss of £62.9m (2015- £42.0m) equating to a 105.3% (2015 - 70.4%) loss as a percentage of capacity. The split of the cumulative loss is £25.7m in respect of the 2013 pure year and £37.2m is from 2012 and prior.

The movement is largely caused by the significant increase in the incurred claims position on individual claims, 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 this potential claims universe, setting up a large loss load accordingly as part of the ultimate claims position.

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

2014 Year of Account in 2016

The 2014 year of account has followed a similar pattern to the 2013 and prior years and the cumulative loss to date is £12.0m compared to a forecast loss of £8.7m at 31 December 2015. The forecast result for this year is a loss of £11.9m or 18.6% of stamp capacity

Key performance indicators:

	At 31 December 2016
Allocated Capacity	£64.1m
Estimated GWPI (after deduction of brokerage)	£34.0m
Gross Incurred Loss Ratio@ 48 (36) months	126%
Net Incurred Loss Ratio@ 48 (36) months	129%

Underwriter's report for the 2013 and 2014 run-off years of account *(continued)*

Key performance indicators *(continued)***:**

The net ULR moved by 13.8% in the period. This movement is largely driven by the 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 by LCP. 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 Sepetmber 2015. As a result, the claims reserves were strengthened materially, in particular on the 2013 and prior years. 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 an 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.

In the period and in accordance with plan, the 2063 claims open at April 2016 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 of liability or quantum arguments) and was subject to a separate probability analysis which resulted in a large loss load as part of the ultimate claims position.

Whilst the Managing Agent and the independent claims consultants have completed their review of open claims on the 2014 pure and the 2013 and prior years 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, 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 years of account have not closed interim cash calls of £27,422k and £6,714K (2015 – 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.

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Neil Attwood
Active Underwriter

22nd March 2017

Managing Agent's report for the 2013 and 2014 run-off years of account

For the period ended 31 December 2016

The directors of the Managing Agent present their report at 31 December 2016 for the 2013 and 2014 run-off years of account.

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

Managing Agent

With effect from 1 April 2015 the Managing Agent of the Syndicate was AmTrust at Lloyd's Limited (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 and 2016 capacity. Both AmTrust at Lloyd's Limited and AmTrust Corporate Member Limited are wholly owned by AmTrust International Limited, a subsidiary of AmTrust Financial Services Inc.

Significant event - 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

A summary of the 2013 and 2014 years of account performance is given in the accompanying Underwriters Report on pages 3 and 4.

The gross and net earned reserves in respect of business on run off years of account, as at 31 December 2016 are set out below

	2013 and prior Years of Account	2014 year of Account
Gross Reserves	157,827	38,886
Reinsurance Recoveries thereon	(46,690)	(8,944)
Net reserves	111,137	29,942

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

The 2013 and prior underwriting years have produced a cumulative loss of £60.1m which compares to a forecast loss of £42.0m at 31 December 2015. During the year the Managing Agent established an Open Year Management team (OYM) under the stewardship of the group head of claims and led by a senior claims manager who have been tasked with ascertaining the appropriate levels of reserves on all notified claims. They have been assisted by an independent team of lawyers with their assesment 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. However the long tail nature of the account means there is still inherent uncertainty possible outcomes as highlighted below. During the year there was net adverse claims development of £18.1m on these. Following the interim cash call of £8.4m, made during 2016, a further cash call of £27.4 will be made in June 2017. This cash call is required to meet the gross funding requirements of the various overseas deposits as a result of the increase in the gross incurred claims. As the year of account has not closed the cash call in June 2017 will be an interim Cash Call.

The 2014 underwriting year has produced a cumulative loss of £12.0m which compares to a forecast loss of £8.7m at 31 December 2015.The OYM has also reviewed the reserves on the 2014 year of account and there has been adverse development of £3.4m during 2016 on this year of account.

Key uncertainties preventing the closure of the 2013 and 2014 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 of the Managing Agent has decided to leave the 2013 and 2014 years of account open at 31 December 2016.

Underwriting Year Result 2013

As set out below, the deterioration arose on both the 2013 and 2012 and prior years of account and emanates primarily from the reserves set up in prior years on the professional indemnity account.

The forecast result for the underwriting year is a loss of £65.0m before accounting for investment income of £2.1m.

The result for the calendar year and cumulative to date is set out below

	Calendar year 2016			Cumulative to date		
	2013	**2012 & Prior**	**Total**	**2013**	**2012 & Prior**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Accident & Health	(3,324)	-	(3,324)	(4,037)	-	(4,037)
Third Party Liability	(5,522)	(7,267)	(12,789)	(130)	(36,721)	(36,851)
Pecuniary Loss	(82)	(388)	(470)	10	(412)	(401)
Casualty	-	2	2	(400)	(151)	(551)
Underwriting result	**(8,929)**	**(7,653)**	**(16,582)**	**(4,557)**	**(37,284)**	**(41,840)**
Net operating expenses	(749)	(1,650)	(2,399)	(18,051)	(1,710)	(19,761)
Loss on foreign exchange	(81)	(211)	(292)	(3,106)	(296)	(3,402)
Loss before investment income	**(9,637)**	**(9,514)**	**(19,273)**	**(25,713)**	**(39,290)**	**(65,003)**

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 a further interim cash call of £27.4m will be made in June 2017.

Underwriting Year Result 2014

Following the review of the reserves on the 2013 and prior years of account as set out above the reserves for the 2014 year have been reviewed and the forecast result by line of business is set out below.

The forecast result for the underwriting year is a loss of £12.5m before accounting for investment income of £0.6m.

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

Underwriting Year Result 2014 *(continued)*

The result for the calendar year and cumulative to date is set out below

	Calendar year	Cumulative to date
	£000	**£000**
Accident & Health	408	(1,514)
Third Party Liability	(3,860)	1,409
Pecuniary Loss	(638)	(334)
Casualty	-	1,879
Underwriting result	**(4,090)**	**1,440**
Net operating expenses	40	(15,453)
Profit on foreign exchange	20	1,725
Loss before investment income	**(4,030)**	**(12,288)**

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 £6.7m will be made in June 2017.

Risk Management

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

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

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

During 2016 the implementation of Solvency II has been progressed in line with the regulatory timetables and guidelines.

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

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

Directors and directors' interests

The names of persons who were members of the Board of directors of the Managing Agent during 2016 are given on page 2. None of the directors had any direct interest in the Syndicate during the period.

Disclosure of information to the auditors

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

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

Auditors

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

By order of the Board

Peter Dewey
Director

22nd March 2017

Statement of Managing Agent’s Directors’ responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare Syndicate underwriting year accounts at 31 December in respect of underwriting years 2013 and 2014, which are in run-off at 31 December, in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

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

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

The 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 Underwriting Year Accounts comply with the Regulations. They are 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 confirm that they have complied with the above requirements in preparing the Syndicate Underwriting Year Accounts for the 2013 and 2014 Run-off Years of Account for Syndicate 2526.

By order of the board

Peter Dewey
Director

22nd March 2017

Independent auditor's report to the members of Syndicate 2526

2013 and 2014 run-off years of account

We have audited the Syndicate underwriting year accounts for the 2013 and 2014 run-off years of account of Syndicate 2526 for the 48 months ended 31 December 2016 for the 2013 year of account, and the 36 months ended 31 December 2016 for 2014 year of account, which comprises of the income statement, the statement of financial position as at 31 December 2016, the statement of cash flows, the statement of changes in members' balances, and the related notes. 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, and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

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

Respective responsibilities of the Managing Agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 9, the managing agent is responsible for the preparation of the syndicate's underwriting year accounts in accordance with the financial reporting framework described above. Our responsibility is to audit, and express an opinion on, the Syndicate underwriting year accounts in accordance with applicable 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.s.

Scope of the audit of the Syndicate underwriting year accounts

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

Opinion on Syndicate underwriting year accounts

In our opinion the Syndicate underwriting year accounts for the 2013 and 2014 run-off years of accounts have been prepared in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Emphasis of matter – Claims reserves

In forming our opinion, which is not modified, we have considered the adequacy of the disclosures made by the managing agent in Note 7 relating to the uncertainties regarding the ultimate cost of gross and net claims on business underwritten up to 31 December 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 materiality from the estimate that is currently provided in these financial statements. This uncertainty has resulted in the Board deciding to not close the 2013 and 2014 years of account at 31 December 2016.

Matters on which we are required to report by exception

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

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

Mark Taylor (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London
United Kingdom
22nd March 2017

Income statement: Technical account - 2013 run-off year of account
for the 48 months ended 31 December 2016

	Note	Calendar Year 2016		Cumulative Balance to 31 December 2016	
		£000	£000	£000	£000
Earned premium, net of reinsurance					
Gross premiums written	*5*	2,003		50,701	
Outward reinsurance premiums		(11)		(8,547)	
Net premiums written			1,992		42,154
Reinsurance to close premiums received, net of reinsurance	*6*		10,043		70,581
Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance, brought forward			100,040		-
Allocated investment return transferred from the non-technical account	*11*		723		1,477
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(29,795)		(57,067)	
Reinsurers' share		9,786		13,629	
		(20,009)		(43,438)	
Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance, carried forward	*7*	(111,136)		(111,136)	
			(131,145)		(154,574)
Net operating expenses	*10*		(2,866)		(19,761)
Balance on the technical account - general business			(21,213)		(60,124)

All operations relate to discontinued activities.

The notes on pages 21 to 38 form part of these financial statements .

Income statement: Non-Technical Account: 2013 run-off year of account
for the 48 months ended 31 December 2016

	Note	**Calendar Year 2016**	**Cumulative Balance to 31 December 2016**
		£000	**£000**
Balance on the technical account – general business		**(21,213)**	**(60,124)**
Investment income (including realised gains)	*11*	**1,783**	**3,335**
Unrealised gains on investments		**293**	**344**
Investment expenses and charges			
Investment management expenses	*11*	**(10)**	**(28)**
Realised losses on investments	*11*	**(486)**	**(984)**
Unrealised losses on investments		**(857)**	**(1,190)**
Allocated investment return transferred to the technical account – general business		**(723)**	**(1,447)**
Foreign exchange		**(292)**	**(3,402)**
Loss at the end of 48 months for the 2013 year of account		**(21,505)**	**(63,526)**

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

The notes on pages 21 to 38 form part of these financial statements .

Income statement: Technical account 2014 run-off year of account
for the 36 months ended 31 December 2016

	Note	Cumulative Balance to 31 December 2016 £000	£000
Earned premium, net of reinsurance			
Gross premiums written	*5*	**43,122**	
Outward reinsurance premiums		**(7,714)**	
			35,406
Allocated investment return transferred from the non-technical account	*11*		**255**
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		**(4,027)**	
Reinsurers' share		**-**	
		(4,027)	
Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance, carried forward	*7*	**(29,941)**	
			(33,968)
Net operating expenses	*10*		**(15,453)**
Balance on the technical account - general business			**(13,758)**

All operations relate to discontinued activities.

The notes on pages 21 to 38 form part of these financial statements .

Income statement: Non-Technical Account: 2014 run-off year of account
for the 36 months ended 31 December 2016

	Note	**Cumulative Balance to 31 December 2016**
		£000
Balance on the technical account – general business		**(13,758)**
Investment income (including realised gains)	*11*	**783**
Unrealised gains on investments		**97**
Investment expenses and charges		
Investment management expenses	*11*	**(5)**
Realised losses on investments	*11*	**(210)**
Unrealised losses on investments		**(410)**
Allocated investment return transferred to the technical account – general business		**(255)**
Profit on foreign exchange		**1,725**
Loss at the end of 36 months for the 2014 year of account		**(12,033)**

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

The notes on pages 21 to 38 form part of these financial statements

Statement of financial position - 2013 run-off year of account
as at 31 December 2016

Assets	*Note*	2016 £000	£000
Investments			
Other financial investments	*12*		**39,495**
Debtors			
Debtors arising out of direct insurance operations	*13*	**25**	
Debtors arising out of reinsurance operations	*13*	**918**	
Other debtors	*14*	**1,460**	
			2,403
Reinsurance recoveries anticipated on gross amounts retained to meet all known and unknown outstanding liabilities	*7*		**46,691**
Other assets			
Cash at bank and in hand			**2,486**
Overseas deposits	*15*		**13,560**
Prepayments and accrued income			
Other prepayments and accrued income			**428**
Total assets			**105,063**
Liabilities			
Amounts due from members			**(55,244)**
Amounts retained to meet all known and unknown outstanding liabilities - gross amount	*7*		**157,827**
Creditors			
Creditors arising out of reinsurance operations		**2,307**	
Other creditors		**173**	
	16		**2,480**
Total liabilities			**105,063**

These Syndicate accounts were approved by the Board of AmTrust at Lloyd's Limited on 22nd March 2017 and were signed on its behalf by:

Janice Hamilton
Director

The notes on pages 21 to 38 form part of these financial statements.

Statement of changes in members' balances – 2013 run-off year of account
For the 48 months ended 31 December 2016

	48 months ended 31 December 2016
	£000
Members' balances brought forward at 1 January 2013	-
Loss for the run-off year of account at 36 months	(42,021)
Members' agents fees	(238)
Members' balances at 31 December 2015	(42,259)
Cash Call received	8,520
Loss in calendar year	(21,505)
Members' balances due at 31 December 2016	**(55,244)**

The notes on pages 21 to 38 form part of these financial statements.

Statement of financial position - 2014 run-off year of account
as at 31 December 2016

	Note	2016 £000	£000
Assets			
Investments			
Other financial investments	*12*		**16,419**
Debtors			
Debtors arising out of direct insurance operations	*13*	**57**	
Debtors arising out of reinsurance operations	*13*	**-**	
Other debtors	*14*	**444**	
			501
Reinsurance recoveries anticipated on gross amounts retained to meet all known and unknown outstanding liabilities	*7*		**8,944**
Other assets			
Overseas deposits	*15*		**3,342**
Prepayments and accrued income			
Other prepayments and accrued income			**150**
Total assets			**29,356**
Liabilities			
Amounts due from members			**(12,144)**
Amounts retained to meet all known and unknown outstanding liabilities - gross amount	*7*		**38,886**
Creditors			
Creditors arising out of direct insurance operations		**130**	
Creditors arising out of reinsurance operations		**388**	
	16		**518**
Other liabilities			
Technical overdraft	*16/17*		**2,096**
Total liabilities			**29,356**

These Syndicate accounts were approved by the Board of AmTrust at Lloyd's Limited on 22nd March 2017 and were signed on its behalf by:

Janice Hamilton
Director

The notes on pages 21 to 38 form part of these financial statements.

Statement of changes in members’ balances – 2014 run-off year of account
For the 36 months ended 31 December 2016

	36 months ended 31 December 2016
	£000
Members’ balances brought forward at 1 January 2014	-
Loss for the run-off year of account for the thirty six months	(12,033)
Members’ agents fees	(111)
Members’ balances due at 31 December 2016	**(12,144)**

The notes on pages 21 to 38 form part of these financial statements.

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Statement of cash flows – 2013 year of account
For the 48 months ended 31 December 2016

	Note	48 months ended 31 December 2016 £000
Cash flows from operating activities		
Loss for the year of account		(63,526)
Adjustments for:		
Net unrealised losses on other financial assets		846
Foreign exchange differences		4,077
Movements in operating assets and liabilities:		
Net acquisitions of other financial assets		(6,296)
Increase in net technical provisions		40,556
Net increase in overseas deposits		(3,445)
Decrease in debtors		759
Decrease in creditors		(2,980)
Net cash outflow from operating activities		(30,009)
Net cash flow from financing activities		
2012 cash call from members	*6*	21,319
2013 cash call from members		8,520
Increase in amounts due from members		(238)
Net cash inflow from financing activities		29,601
Net decrease in cash and cash equivalents		(408)
Cash and cash equivalents at 1 January 2013		-
Cash received as part of the 2012 reinsurance to close	*6*	2,894
Cash and cash equivalents at 31 December 2016	*17*	2,486

The notes on pages 21 to 38 form part of these financial statements.

Statement of cash flows – 2014 year of account
For the 36 months ended 31 December 2016

	Note	36 months ended 31 December 2016 £000
Cash flows from operating activities		
Loss for the year of account		(12,032)
Adjustments for:		
Net unrealised losses on other financial assets		312
Foreign exchange differences		
Movements in operating assets and liabilities:		
Net acquisitions of other financial assets		(16,731)
Increase in net technical provisions		29,942
Net increase in overseas deposits		(3,343)
Increase in debtors		(222)
Increase in creditors		89
Net cash outflow from operating activities		(1,985)
Net cash flow from financing activities		
Increase in amounts due from members		(111)
Net cash inflow from financing activities		(111)
Net decrease in cash and cash equivalents		(2,096)
Cash and cash equivalents at 1 January 2014		-
Cash and cash equivalents at 31 December 2016	*17*	(2,096)

The notes on pages 21 to 38 form part of these financial statements.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months and 48 months ended 31 December 2016

1 Basis of preparation

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

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2013 and prior and 2014 run-off years of account which have been left open at 31 December 2016. Consequently, the statement of financial position represents the assets and liabilities of the 2013 and prior and 2014 years of account at that date and the profit and loss accounts reflect the transactions for those years of account during the 48 months and 36 months period to 31 December 2016, respectively.

These Syndicate run-off underwriting year accounts cover the period from the date of inception of the 2013 and 2014 years of account to the current year end date. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

2 Judgements and estimates

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate’s accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. 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.

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.

3 Accounting policies

The accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three-year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account. The 2013 and 2014 years of account remain open as a result of the material uncertainty in determining the liabilities arising on the those years of account and all years of account reinsured therein.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months and 48 months ended 31 December 2016 *(continued)*

3 Accounting policies (*continued*)

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

a) Basis of Accounting

Premiums written

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

Reinsurance premium ceded

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

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

Gross paid claims

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

Reinsurance to close premium

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

Amounts retained to meet all known and unknown outstanding liabilities

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

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

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

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

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

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months and 48 months ended 31 December 2016 *(continued)*

3 Accounting policies (*continued*)

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

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

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

b) 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.

c) Foreign currencies

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

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

d) Financial assets and liabilities

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

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

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

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

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

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months and 48 months ended 31 December 2016 *(continued)*

3 Accounting policies (continued)

e) ***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.

The assets of the Syndicate are managed and maintained within centralised premium trust funds. These assets are allocated to individual years of account within the balance sheet. This allocation can result in a negative amount within cash and cash equivalents for individual years of account.

f) Investment return

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

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

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

g) Taxation

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

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

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

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

h) Expenses

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

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.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months and 48 months ended 31 December 2016 *(continued)*

4 Risk and capital management *(continued)*

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.

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

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

Concentration of insurance risk

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

Sensitivity to insurance risk

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

	2013 year of account		**2014 Year of account**	
	5% Increase	**5% Decrease**	**5% Increase**	**5% Decrease**
	£000	**£000**	**£000**	**£000**
Gross claims	(7,891)	7,891	(1,944)	1,944
Reinsurer's share	2,335	(2,355)	447	(447)
Net impact on members' balances	(5,557)	5,557	(1,497)	1,497

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

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months and 48 months ended 31 December 2016 *(continued)*

4 Risk and capital management *(continued)*

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.

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**
2013 year of account	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	-	-	-	113	-	113
Debt securities and other fixed income securities	2,122	12,408	16,543	8,310	-	39,383
Overseas deposits	8,641	2,930	1,475	417	97	13,560
Cash at bank and in hand	-	(1,523)	(1,561)	5,570	-	2,486
Reinsurers' share of insurance liabilities	-	-	46,691	-	-	46,691
Reinsurance debtors	-	-	943	-	-	943
Other debtors	-	-	-	-	1,888	1,888
Total credit risk	10,763	13,815	64,091	14,409	1,985	105,063

31 December 2016	**AAA**	**AA**	**A**	**BBB**	**Not rated**	**Total**
2014 year of account	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	-	177	-	-	-	177
Debt securities and other fixed income securities	873	5,102	6,850	3,417	-	16,242
Overseas deposits	2,130	722	363	103	24	3,342
Reinsurers' share of insurance liabilities	-	-	8,944	-	-	8,944
Reinsurance debtors	-	-	57	-	-	57
Other debtors	-	-	-	-	594	594
Total credit risk	3,003	6,001	16,214	3,520	618	29,356

The Syndicate does not have any debtors arising from direct insurance operations that are past due but not impaired at the reporting date.
There are no debtors arising from direct or reinsurance insurance operations that are impaired at the reporting date.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months and 48 months ended 31 December 2016 *(continued)*

4 Risk and capital management *(continued)*

d) Market risk

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

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

	31 December 2016	
	2014 year of account	**2013 Year of Account**
Interest rate risk		**£000**
Impact of 50 basis point increase on result	**(328)**	(1,041)
Impact of 50 basis point decrease on result	**339**	1,077
Impact of 50 basis point increase on net assets	**(328)**	(1,041)
Impact of 50 basis point decrease on net assets	**339**	1,077

Currency risk

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

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months and 48 months ended 31 December 2016 *(continued)*

4 Risk and capital management *(continued)*

31 December 2016 **2013 Year Of account**	**GBP** **£000**	**USD** **£000**	**EUR** **£000**	**CAD** **£000**	**AUD** **£000**	**Total** **£000**
Financial investments	-	9,052	16,022	9,972	4,449	39,495
Overseas deposits	30	14	-	1,846	11,670	13,560
Reinsurers' share of technical provisions	41,288	-	110	106	5,187	46,691
Insurance and reinsurance receivables	544	93	(26)	237	95	943
Cash and cash equivalents	1,836	1,168	(2,373)	606	1,249	2,486
Other assets	1,460	88	185	75	80	1,888
Total assets	45,158	10,415	13,918	12,842	22,730	105,063
Technical provisions	(75,450)	(14,945)	(35,137)	(9,484)	(22,811)	(157,827)
Insurance and reinsurance payables	(2,325)	-	22	(4)	-	(2,307)
Other creditors	-	(173)	-	-	-	(173)
Total liabilities	(77,775)	(15,118)	(35,115)	(9,488)	(22,811)	(160,307)
Net assets / (liabilities)	(32,617)	(4,703)	(21,197)	3,354	(81)	(55,244)

31 December 2016 **2014 Year Of account**	**GBP** **£000**	**USD** **£000**	**EUR** **£000**	**CAD** **£000**	**AUD** **£000**	**Total** **£000**
Financial investments	-	2,738	9,498	2,673	1,510	16,419
Overseas deposits	13	180	-	677	2,472	3,342
Reinsurers' share of technical provisions	4,160	4	-	-	4,780	8,944
Insurance and reinsurance receivables	(48)	312	(212)	2	3	57
Other assets	406	69	55	39	25	594
Total assets	4,531	3,303	9,341	3,391	8,790	29,356
Technical provisions	(15,247)	(3,041)	(6,076)	(4,344)	(10,178)	(38,886)
Insurance and reinsurance payables	(388)	-	-	-	(130)	(518)
Other liabilities – technical overdraft	(711)	(241)	(845)	(56)	(243)	(2,096)
Total liabilities	(16,346)	(3,282)	(6,921)	(4,400)	(10,551)	(41,500)
Net assets / (liabilities)	(11,815)	21	2,420	(1,009)	(1,761)	(12,144)

The assets of the Syndicate are managed and maintained within centralised premium trust funds. These assets are allocated to individual years of account within the balance sheet. This allocation can result in a technical overdraft for individual years of account.

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months and 48 months 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 liabilities based on the estimated timing of claims payments and other undiscounted contractual obligations.

31 December 2016	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
2013 Year of Account	**£000**	**£000**	**£000**	**£000**	**£000**
Claims Outstanding	59,835	65,841	24,881	7,270	157,827
Other creditors	2,480	-	-	-	2,480
Total liabilities	62,315	65,841	24,881	7,270	160,307

31 December 2016	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
2014 Year of Account	**£000**	**£000**	**£000**	**£000**	**£000**
Claims Outstanding	11,511	15,069	7,630	4,676	38,886
Other creditors	518	-	-	-	518
Technical overdraft	2,096	-	-	-	2,096
Total liabilities	14,125	15,069	7,630	4,676	41,500

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 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.

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months and 48 months ended 31 December 2016 *(continued)*

4 Risk and capital management *(continued)*

Capital framework at Lloyd's

The Society of Lloyd's ("Lloyd's") is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority ("PRA") under the Financial Services and Markets Act 2000 and in accordance with the Solvency II framework. Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly, the capital requirement in respect of Syndicate 2526 is not disclosed in these financial statements.

Lloyd's capital setting process

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicates on which it participates though not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR is therefore determined by the sum of the member's shares of the syndicates' SCR to ultimate. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss to ultimate for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment ("ECA"). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), assets held and managed within a syndicate (funds in syndicate), or as the member's share of the members' balances on each syndicate on which it participates. Accordingly, all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the statement of financial position on pages 15 and 17, represent resources available to meet members' and Lloyd's capital requirements.

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 in accordance with a formal process controlled by Lloyd's.

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months and 48 months ended 31 December 2016 *(continued)*

5 Segmental analysis

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

2013 Year of Account	Gross Premiums Written £000	Gross premiums Earned £000	Gross Claims Incurred £000	Reinsurance balance £000	Net Operating Expenses £000	Total £000
Direct insurance:						
Accident and health	3,579	3,579	(7,863)	252	(2,168)	(6,200)
Third party liability	41,139	41,139	(190,623)	112,897	(15,331)	(51,918)
Pecuniary loss	209	209	(698)	117	(144)	(516)
Reinsurance acceptances	5,774	5,774	(15,711)	9,089	(2,118)	(2,966)
Total	50,701	50,701	(214,895)	122,355	(19,761)	(61,600)

2014 Year of Account	Gross Premiums Written £000	Gross premiums Earned £000	Gross Claims Incurred £000	Reinsurance balance £000	Net Operating Expenses £000	Total £000
Direct insurance:						
Accident and health	1,166	1,166	(2,599)	(566)	(491)	(2,490)
Third party liability	34,055	34,055	(34,204)	2,204	(12,316)	(10,261)
Pecuniary loss	830	830	(1,246)	(30)	(266)	(712)
Reinsurance acceptances	7,071	7,071	(4,843)	(398)	(2,380)	(550)
Total	43,122	43,122	(42,892)	1,210	(15,453)	(14,013)

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

6 Reinsurance to close premium received – 2013 year of account

	Outstanding claims £000	IBNR £000	2012 & Prior years of account £000
Gross reinsurance to close premium received	53,507	40,420	93,927
Reinsurance recoveries anticipated	(18,961)	(12,348)	(31,309)
Reinsurance to close premium received net of reinsurance – 31 December 2014	34,546	28,072	62,618
Revaluation to 31 December 2015 exchange rates			(2,080)
Revaluation to 31 December 2016 exchange rates			10,043
Reinsurance to close premium received net of reinsurance – 31 December 2016			70,581

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months and 48 months ended 31 December 2016 *(continued)*

6 Reinsurance to close premium received – 2013 year of account *(continued)*

The reinsurance to close premium received for the 2012 and prior years of account comprises:

	£000
Portfolio investments	30,160
Overseas deposits	10,115
Debtors	2,141
Creditors	(4,011)
Non cash consideration received	38,405
Cash	2,894
Receivable from members on closure of the 2012 year of account	21,319
2012 year of account reinsurance to close premium payable	62,618
Foreign exchange difference	7,963
2012 year of account reinsurance to close premium receivable	70,581

7 Amount retained to meet all known and unknown outstanding liabilities

2013 & Prior years of account	Outstanding claims	IBNR	Unallocated loss adjustment expenses	Unearned premium reserve	Total
	£000	£000	£000	£000	£000
Gross amount retained to meet all known and unknown outstanding liabilities	88,721	66,012	3,095	-	157,827
Reinsurance recoveries anticipated	(31,875)	(14,816)	-	-	(46,691)
Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance	56,846	51,196	3,095	-	111,136

2014 year of account	Outstanding claims	IBNR	Unallocated loss adjustment expenses	Unearned premium reserve	Total
	£000	£000	£000	£000	£000
Gross amount retained to meet all known and unknown outstanding liabilities	14,355	23,664	760	107	38,886
Reinsurance recoveries anticipated	(4,739)	(4,185)	-	(20)	(8,944)
Amount retained to meet all known and unknown outstanding liabilities, net of reinsurance	9,616	19,479	760	87	29,942

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months and 48 months ended 31 December 2016 *(continued)*

7 Amount retained to meet all known and unknown outstanding liabilities *(continued)*

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 2015. 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, 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 Syndicate run-off underwriting year accounts, the Managing Agent has adopted its external actuarial consultants' best estimate outcome. In respect of business earned at 31 December 2016, the gross and net reserves for 2013 and prior years of account, excluding claims handling costs, as at 31 December 2016 total £154.7 million and £108.0 million respectively. During 2016 there was adverse claims development of £18.1m of which £9.4m related to the 2012 and prior years and £8.7m related to the 2013 pure year.

The gross and net reserves for 2014 year of account, excluding claims handling costs, as at 31 December 2016 total £38.0 million and £29.1 million respectively. During 2016 there was adverse claims development of £3.4m.

8 Claims development

Claims development is shown in the tables below on an underwriting year basis both gross and net of reinsurance ceded. Balances have been translated at 31 December 2016 rates of exchange.

Pure underwriting year - gross	**2011**	**2012**	**2013**	**2013& Prior years**	**2014**
	£000	**£000**	**£000**	**£000**	**£000**
Estimate of incurred claims					
At the end of underwriting year	15,026	16,655	17,536		15,547
One year later	28,421	30,343	34,897		35,772
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 year later	71,523				
Less gross claims paid	34,039	21,622	17,722		4,394
Gross claims reserve	37,484	41,374	41,026	119,884	38,779
Gross claims reserve for 2010 and prior years	37,944			37,944	
Gross claims reserve	75,427	41,374	41,026	157,827	38,779

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months and 48 months ended 31 December 2016 *(continued)*

8 Claims development (*continued*)

Pure underwriting year - net	**2011**	**2012**	**2013**	**2013& Prior years**	**2014**
	£000	**£000**	**£000**	**£000**	**£000**
Estimate of incurred claims					
At the end of underwriting year	12,388	13,869	14,939		12,630
One year later	23,190	24,371	29,865		30,682
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 year later	50,964				
Less net claims paid	24,121	19,700	16,771		4,394
Net claims reserve	26,843	25,384	33,366	85,593	29,854
Net claims reserve for 2010 and prior years	25,544			25,544	
Net claims reserve	52,387	25,384	33,366	111,137	29,854

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

	2012 & Prior years of account £000	**2013 Pure year of account £000**	**Total 2013 & prior years £000**	**2014 Pure year of account £000**
Technical account balance before allocated investment return and net operating expenses	(37,283)	(4,557)	(41,840)	**1,440**
Brokerage and commission on gross premium	(1,590)	(10,629)	(12,219)	**(9,071)**
	(38,873)	(15,186)	(54,059)	**(7,631)**
Other acquisition costs	-	(964)	(964)	**(1,322)**
Administrative expenses	(120)	(6,458)	(6,578)	**(5,060)**
Investment income	(22)	1,499	1,477	**255**
Balance on technical account	(39,015)	(21,109)	(60,124)	**(13,758)**

Notes to the Syndicate Run-off Underwriting Year Accounts

For the 36 months and 48 months ended 31 December 2016 *(continued)*

10 Net operating expenses

Cumulative to 31 December 2016	2013 year of account	2014 year of account
	£000	£000
Brokerage and commissions	12,219	9,071
Other acquisition costs	964	1,322
Administrative expenses	6,578	5,060
	19,761	15,453

Administrative expenses include:

	£'000	£'000
Auditors' remuneration		
Fees payable to the Syndicate's auditor, KPMG LLP, for the audit of the Syndicate annual accounts	110	60
Fees payable to KPMG LLP and its associates for other services:		
Other services pursuant to legislation, including the audit of the regulatory return	82	45
Members' standard personal expenses (Lloyd's subscriptions, New Central Fund contributions & Managing Agent's fees)	978	974

11 Investment income

Cumulative to 31 December 2016	2013 year of account	2014 year of account £000
Investment income		
Interest and dividend income	2,894	671
Gains on the realisation of investments	441	112
	3,335	783
Investment expenses and charges		
Investment management expenses	(28)	(5)
Losses on realisation of investments	(984)	(210)
Net unrealised losses on investments	(846)	(311)
Total investment return	1,477	255

12 Other financial Investments

	2013 year of account		2014 year of account	
	Market Value £000	Cost £000	Market Value £000	Cost £000
Shares and other variable yield securities and units in unit trusts	113	113	177	177
Debt securities and other fixed income securities	39,382	40,134	16,242	16,442
	39,495	40,247	16,419	16,619
Financial assets measured at fair value through profit and loss	39,495	40,247	16,419	16,619
Financial assets measured at amortised cost	-	-	-	-
	39,495	40,247	16,419	16,619

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months and 48 months ended 31 December 2016 *(continued)*

12 Other financial Investments *(continued)*

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:

2013 and prior	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Shares and other variable yield securities and units in unit trusts	-	113	-	113
Listed debt securities and other fixed income securities	-	39,382	-	39,382
	-	39,495		39,495

2014	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Shares and other variable yield securities and units in unit trusts	-	177	-	177
Listed debt securities and other fixed income securities	-	16,242	-	16,242
		16,419	-	16,419

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

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

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

13 Debtors arising out of direct insurance and reinsurance operations

	2013 £000	**2014 £000**
Due within one year		
Debtors arising from direct insurance operations	25	57
Debtors arising from reinsurance operations	918	-
	943	57

14 Other debtors

	2013 £000	**2014 £000**
Other debtors including taxes	18	56
Inter company balance with ATL	1,442	387
	1,460	**444**

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months and 48 months ended 31 December 2016 *(continued)*

15 Overseas deposits – Fair value hierarchy

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:

2013 year of account	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Overseas deposits	273	13,287		13,560

2014 year of account	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Overseas deposits	67	3,275		3,342

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

16 Creditors and other liabilities – due within one year

	2013 £000	2014 £000
Creditors arising out of direct insurance operations	-	(130)
Creditors arising out of reinsurance operations	(2,307)	(388)
Other creditors	(173)	-
Technical overdraft	-	(2,096)
Total creditors	(2,480)	(2,614)

17 Movements in cash and portfolio investments

2013 Year of account	At 1 January 2013 £000	Within RITC Premium Received £000	Cash Flow £000	Change in Fair Value £000	FX £000	At 31 December 2016 £000
Cash	-	2,894	(407)	-	-	2,487
Overseas deposits	-	10,115	2,311	-	1,134	13,560
Investment portfolio	-	30,160	7,430	(846)	2,752	39,496
	-	43,169	9,334	(846)	3,886	55,543

Notes to the Syndicate Run-off Underwriting Year Accounts
For the 36 months ended 31 December 2016 *(continued)*

17 Movements in cash and portfolio investments *(continued)*

2014 Year of account	At 1 January 2014	Within RITC Premium Received	Cash Flow	Change in Fair Value	FX	At 31 December 2016
	£000	£000	£000	£000	£000	£000
Cash	-	-	(2,096)	-	-	(2,096)
Overseas deposits	-	-	3,343	-	-	3,343
Investment portfolio	-	-	16,732	(312)	-	16,420
		-	17,979	(312)	-	17,667

18 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 the period 1 January 2013 to 31 March 2015 managing agent's fees of £579,000 and service fees of £1,900,000 were paid to Asta by the Syndicate.

From 1 April 2015 onwards the Syndicate was managed by AmTrust at Lloyd's Limited ("ATL"), a subsidiary of AmTrust Syndicate Holdings Limited ("ASH"). Messrs Barrett, Cadle, Caviet and Dewey are, and Messrs Contractor, Jansli, Ross, Sibthorpe and Sweatman and Ms Tenenti were directors of AmTrust Syndicate Holdings Limited . Until 3 March 2017, ATL was also the Managing Agent for Syndicate 44 and Syndicate 1206.

From 1 April 2015, employment of staff, provision of accommodation and related services were provided by ASH to the Syndicate on a non-profit basis and recharges of £466k (of which £394k relate to claims handling costs) and £2k were recharged to the 2013 and 2014 years of account of the Syndicate by ASH, and paid on the Syndicate's behalf by ATL.

AmTrust Corporate Capital Limited, a subsidiary of AmTrust International Limited (AIL), provides 16.0% and 61% of the capacity for the 2013 and 2014 years of account.

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

19 Post Balance Sheet Events

The following amounts are proposed to be called from members' personal reserve funds as part of the normal distribution process.

	2013	2014
	£000	£000
Cash Call by year of account	27,422	6,714
Percentage of cumulative loss	43.1%	55.5%

Seven Year Summary of Results (unaudited)

	2008	2009	2010	2011	2012	2013	2014
	£000	£000	£000	£000	£000	£000	£000
Syndicate allocated capacity	31,689	31,815	31,792	50,000	55,188	59,651	64,138
Number of underwriting members	240	243	277	370	391	357	179
Aggregate net premiums	21,032	21,495	19,486	25,076	22,852	28,973	24,056
Results for an illustrative share of £10,000							
	£	£	£	£	£	£	£
Gross premiums	10,551	11,147	10,313	8,634	7,707	8,500	6,723
Net premiums	6,637	6,756	6,129	5,015	4,140	4,857	3,887
Reinsurance to close from an earlier account	8,410	10,184	12,777	7,908	8,135	11,832	-
Net claims	(3,121)	(4,548)	(5,162)	(3,905)	(3,927)	(7,282)	(628)
Reinsurance to close	(10,202)	(12,910)	(12,698)	(9,246)	(11,346)	(18,631)	(4,655)
Amounts retained to meet all known and unknown liabilities	-	-	-	-	-	-	-
Syndicate operating expenses	(124)	(279)	(514)	(798)	(841)	(939)	(637)
Balance on technical account	1,600	(797)	532	(1,026)	(3,839)	(10,162)	(2,033)
Investment return	301	289	282	159	158	248	40
(Loss)/profit on exchange	(44)	(11)	53	21	29	(570)	269
Profit/(loss) on ordinary activities	1,857	(519)	867	(846)	(3,652)	(10,485)	(2,033)
Illustrative personal expenses:							
Managing agent's fee	60	75	75	75	108	100	100
Profit commission	256	-	3	-	-	-	-
Other personal expenses (excluding members' agents fees)	88	92	87	72	48	64	52
Total illustrative personal expenses	404	167	165	147	156	164	152
Profit/(loss) after illustrative personal expenses	1,453	(686)	702	(993)	(3,808)	(10,649)	(1,876)
Total of Syndicate operating expenses, managing agent's fee and profit commission	440	354	592	873	949	1,039	737
Capacity utilised	88.4%	92.5%	84.8%	67.7%	60.1%	62.9%	51.0%
Net capacity utilised	72.1%	67.6%	61.3%	50.2%	41.4%	48.6%	37.5%
Underwriting profit/(loss) ratio	14.5%	(7.3%)	5.7%	(11.6%)	(49.4%)	(125.3%)	(27.9%)

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