Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of acknowledgement and agreement, by which they will also be bound.

SYNDICATE 3334 UNDERWRITING YEAR REPORT AND ACCOUNTS

2012 YOA

As at 31st December 2016

HAMILTON UNDERWRITING LIMITED

MANAGING AGENT

Hamilton Underwriting Limited
Registered office at:
St Helen's, 1 Undershaft
London EC3P 3DQ
Registered in England number 06684157

Directors
Dermot O'Donohoe
Simon Barrett
Dominic Ford (Company Secretary)
Belinda Taylor
Peter Haynes
Malcolm Beane
Brian Duperreault
Jonathan Reiss
Adrian Walker

Run-off manager
Belinda Taylor

SYNDICATE

Syndicate auditors
Ernst & Young LLP, London, UK

Syndicate bankers
Barclays Bank PLC, London, UK
Citibank N.A., London, UK
Royal Trust Corporation of Canada, Ontario, Canada

Syndicate external actuaries
Willis Towers Watson Limited, Surrey, UK

HAMILTON UNDERWRITING LIMITED

Contents

REPORT OF THE MANAGING AGENT ON THE 2012 RUN-OFF YEAR OF ACCOUNT

REPORT OF THE MANAGING AGENT

The managing agent, Hamilton Underwriting Limited ('HUL' or 'the company'), presents its report on the 2012 year of account of Syndicate 3334 as placed in to run-off as at 31 December 2014.

Change of Control in 2015

On 1 January 2012 when the 2012 year of account commenced the managing agency was owned by Wild Goose Holdings Pty Ltd (WGH), a company registered in Australia. On 1 April 2015 the shareholding of the managing agency was sold by WGH to Hamilton UK Holdings Limited, a company registered in England and Wales. The company was renamed from Sportscover Underwriting Limited to Hamilton Underwriting Limited (HUL).

Statement of Managing Agent's Responsibilities

The managing agent is 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 ("the Regulations") require the managing agent to prepare run-off underwriting year accounts at 31 December in respect of any year that is in run-off.

In preparing the run-off underwriting year accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year, and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of accounts, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a run-off account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK accounting standards have been followed, subject to any material differences disclosed and explained in the notes to the syndicate underwriting accounts.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate underwriting year accounts 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.

REPORT OF THE MANAGING AGENT ON THE 2012 RUN-OFF YEAR OF ACCOUNT

Status of 2012 year of account

The Board of Directors have voted to keep the 2012 year of account in run-off due to uncertainties over the final loss, the main factor being the continuing assessment of the reserving position due to volatility experienced in the liability book. The Board have also voted to leave the subsequent underwriting year, 2013 year of account, in run-off. The 2014 year of account, was also placed in to run-off as at 31 December 2016. Each of these three years has capital provided by the same corporate member, SCI Capital Limited, but with different third party reinsurers backing each year of account. Individual names have also provided capital for the 2012 and 2013 years of account. As the capital providers differ across these years and also going forward in to 2015 it is considered equitable to reduce the uncertainties on each year of account prior to close.

Review of the business

Background

Syndicate 3334 was set up in 2006 as a specialist insurer of sports and leisure risks covering, for the 2012 year of account, personal accident, public liability, property, directors and officers, contingency, bloodstock and travel insurance risks.

Capacity/utilisation

The capacity for the 2012 year of account was £44.9m; 93.8% of this capital was provided by SCI Capital Limited. As at 31 December 2016 this corporate member has remaining capital of £30.9m to cover the 2012-2014 underwriting years. For the 2012 year of account £8.1m of losses have been called and £9.1m of GAAP losses remained uncalled at the year-end date.

Review of the underwriting year of account at 60 months

Overview

Results for the underwriting year of account are set out on pages 11 and 12. At 60 months the total recognised loss is £17.2m. This is made up of a loss on the technical account of £16.0m, which includes an investment return of £1.2m, and exchange loss of £1.1m in the non-technical account (see further details on exchange on page 3). The movement in the year ended 31 December 2016 was a loss of £4.8m, comprising underwriting movements of £7.3m less expense credits of £2.1m and investment income of £0.4m.

REPORT OF THE MANAGING AGENT ON THE 2012 RUN-OFF YEAR OF ACCOUNT

The key performance indicators for the underwriting year are set out below. Ultimate forecasts are as reported to Lloyd's in the year end returns and are based on information available to the Board of Directors as at the date of signing this report.

- Cumulative loss to date £17.2m;
- Ultimate loss forecast £17.4m with a range of £14.2m (best case) to £20.0m (worst case);
- Gross claims pure year ratio: 97% as % of gross written premiums less acquisition costs (31 December 2015: 86%);
- Net claims pure year ratio: 96% as above, net of reinsurance premiums (31 December 2015: 91%);
- Prior year movements £(13.0)m (31 December 2015: £(9.9)m).

Australia was the predominant country of business. This has led primarily to the cumulative exchange loss of £1.1m shown in the accounts, which is a combination of retranslation of net liabilities to current rates (£0.5m) and an adjustment for different average rates applied in the earning out of written premiums (£0.6m). The A$ exchange rate has moved from A$1.91:£1 (31 December 2014) to A$2.03:£1 (31 December 2015) to A$1.71:£1 as at 31 December 2016. Other currencies of note for this year of account are Euros and Canadian dollars.

The prior year movements relate to underwriting adjustments only and do not make allowance for continued investment income, run-off expenses or for the share of the tax rebate relating to these years of account. The prior years' share of the tax rebates is approximately £3.0m.

Claims performance

The net reserves brought forward as at the end of 2015 are compared to the net reserve movements in the year ended 31 December 2016 below. Amounts are stated in £'000.

Pure year of account	Reserves b/f	Change	Reserves c/f	% split of claims reserves c/fwd	Technical account movement (net)	% movement on net in CY16
2012	6,583	(27)	6,556	42%	(1,918)	38%
2011	5,278	(842)	4,436	28%	(1,596)	32%
2010	1,728	(228)	1,500	10%	(281)	6%
2009	1,704	(5)	1,699	11%	(451)	9%
2008	275	336	611	4%	(452)	9%
2007	640	140	780	5%	(246)	5%
2006	17	26	43	0%	(37)	1%
Total	16,225	(600)	15,625	100%	(4,981)	100%

REPORT OF THE MANAGING AGENT ON THE 2012 RUN-OFF YEAR OF ACCOUNT

Last year we reported that following a negative movement in claims reserves the managing agency considered that the ultimate result for this year of account was no longer just driven by the value of the tax rebate (see *Expenses and interest*). The older years in the Syndicate from 2006-2010 were judged to be seeing some stability in claims reserves but given the number of claims that remain open it was the opinion of the managing agency that there was still a risk of further volatility in the claims reserving. During the year ended 31 December 2016 there had continued to be movement in these older years which led to further reserve movements of £1.5m. It was anticipated last year that the 2011 year of account would need a further 12 months of development to assess the relative risk within the current best estimate loss ratio picks. During the year ended 31 December 2016 there has been a £1.6m negative movement in reserves for this pure year of account; which has largely stemmed from the UK and Ireland portfolio, where unfavourable actual versus expected movements experienced in the first six months of the year led to a reassessment of the development pattern and the need for further reserves to be booked. This has a knock-on impact on the 2012 pure year of account where prior loss assumptions and development patterns have been used to inform the pattern of this year of account.

Following on from 2015 the managing agency continued to commission the external actuaries to review liability claims reserves at the end of each quarter during 2016, to help assess claims reserving adequacy well in advance of the year-end.

The majority of classes of business are substantially run-off, with liability making up the bulk of the outstanding claims. There is some residual exposure on outstanding property, contingency and personal accident claims, with IBNER attributed through the reserving process to see these claims through to completion. General IBNR at both a gross and reinsurance level is maintained against the liability book where proceedings can still be brought in the key jurisdictions in which this year of account wrote.

Expenses and interest

In prior years' underwriting report and accounts it was determined that the decision to place the year of account in to run-off also took in to account uncertainty over a possible beneficial factor to be attributed to this year of account. In the year ended 31 December 2015 an amount of £1.1m was secured relating to the Australian service company. As reported in last year's accounts a material Australian coverholder was looking to secure a rebate of Australian non-resident insurer taxes already paid and expensed in the 2012 year of account results to date, and this was estimated to be in the region of £2.8m. The tax rebate received and booked in the year ended 31 December 2016 was £3.3m at calendar year 2016 rates of exchange and in addition £0.2m of interest also received. The refund of this tax was granted on the basis that the Australian Tax Office could still revisit the decision within the next four years, which differed from the prior year tax rebate which was an absolute determination. Offset against this tax receipt are provisions of £1.3m made to cover an unrelated Australian tax issue and uncollected debts.

Costs levied by Lloyd's, the managing agency, professional advisors and other external parties in the year amounted to £0.5m, which includes £0.1m of interest payable on the running of an overdraft facility in Australian dollars. This interest payable is offset by £0.2m of net investment income earned on the deposits within the Lloyd's Australian trust fund.

REPORT OF THE MANAGING AGENT ON THE 2012 RUN-OFF YEAR OF ACCOUNT

Principal risks and uncertainties

The Managing Agent has established a risk management function for the syndicate with clear terms of reference from the board of directors, its committees and the associated executive management committees. The board of directors approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies.

The Board sets risk appetite annually as part of the syndicate's business planning and capital setting process. The risk management function is also responsible for reviewing the syndicate's Own Risk and Solvency Assessment (ORSA), recommending the assessment to the Board for approval.

The principal risks facing the run-off of the 2012 underwriting year of account are set out in Note 15.

Uncertainties over results are considered below.

Reserving risk remains the most material risk that has been identified through the management tolerance and risk and control monitoring process. A key feature of earlier years of account has been volatility experienced on the liability book. The setting of best estimate reserves is largely founded on adequate setting of case reserves. The risk function monitor case reserve adequacy and static claims to help inform the reserving decision, as a key performance measure in this area.

To help assess the impact of large claims on the adequacy of reserves a watch-list of claims which require close monitoring has been compiled (as they meet the criteria of being potentially large claims). This list is used to help assess IBNER reserving, and has been introduced to improve the reserving process and ultimately reduce the risk of further deteriorations. This includes a large Australian liability claim settled during the year with a net cost of £1.3m.

The liability class accounts for the majority of the claims reserves carried forward as at 31 December 2016. Uncertainty surrounds the ultimate claims loss ratio for the liability book which has seen a volatile pattern across the years.

During 2016 the Board of Directors commissioned external advisors to undertake a preliminary reinsurance to close ('RITC') review including an assessment of the adequacy of data available and likely considerations that would be taken in to account in order to price such a RITC. The Board of Directors determined that any closure, by way on an RITC, at this current year-end would unlikely to have been the best time and that a period of stability of the reserves is needed before undertaking significant further work in respect of such a potential RITC.

REPORT OF THE MANAGING AGENT ON THE 2012 RUN-OFF YEAR OF ACCOUNT

Within the range of forecasts included in the Lloyd's annual return, a number of actuarial scenarios have been considered which could either improve or deteriorate the results. These scenarios are a representation of realistic favourable and unfavourable outcomes based on information valid as at 31 December 2016, and we believe the approach is consistent with Lloyd's guidance. It should be noted that these scenarios are not the sum of all possible favourable and unfavourable outcomes, and ultimate outcomes may fall outside of these ranges.

On 27 February 2017 the Lord Chancellor announced a change to the discount rate applicable for personal injury damages awards from 2.5% to -0.75%, referred to in the industry as the Ogden discount rate. The reserves as at 31 December 2016 did not include any provision, implicit or explicit, for any future changes to this rate. We have concluded a review of the impact of this change, which does impact the net claims reserve, but that impact is within the range of materiality thresholds and therefore no adjustment has been made at 31 December 2016.

Future developments

2012-2014 years of account

As already disclosed the 2013 year of account was placed in run-off as at 31 December 2015 and remains in run-off as at 31 December 2016. The 2014 year of account was placed in run-off as at 31 December 2016. HUL will report regularly during 2017 to the Lloyd's Open Years team on developments on the reserving and ancillary issues which impact each of the 2012, 2013 and 2014 years of account.

A further cash call is to be made on the 2012 year of account in lieu of total loss collection, the amount is disclosed in Post Balance Sheet Events.

2015-17 years of account

The Hamilton Group has provided the Funds at Lloyd's for the open 2015 and 2016 years of account.

With the exception of a small open market contingency book of business and business written via the Lloyd's China reinsurance platform, all of the previously written sports and leisure business was placed in run-off during 2015.

The Hamilton Group has also provided the Funds at Lloyd's for the 2017 year of account.

Post balance sheet events

Post balance sheet events are discussed in Note 14 to the accounts.

REPORT OF THE MANAGING AGENT ON THE 2012 RUN-OFF YEAR OF ACCOUNT

Historical summary of results

Syndicate 3334 commenced operations in August 2006. The 2012 year of account is the seventh year of account to reach the 36 month mark, being placed in to run-off as at 31 December 2014. The results for the 2012 run-off year of account at 60 months is compared to the results for the prior six years comprising the closed 2006 to 2011 years of account as set out below:

Year of account, including run-off years from 2006	2006	2007	2008	2009	2010	2011	2012
Syndicate Allocated Capacity	8,000,000	15,000,000	15,000,000	20,000,000	25,000,000	35,000,000	44,929,003
Number of Underwriting Members	1	71	193	196	200	154	103
Aggregate Net Premiums	9,517,003	14,517,547	27,555,885	35,370,227	45,291,276	59,605,042	74,016,801
Results for an illustrative share of £10,000							
Gross premiums	12,494	10,451	19,589	18,675	19,063	18,254	17,504
Net premiums	11,896	9,678	18,371	17,685	18,117	17,030	16,474
Reinsurance to close from an earlier account							
Net claims paid	-3,898	-3,362	-6,388	-7,624	-8,935	-8,457	-8,195
Reinsurance to close*	-2,302	-1,726	-3,236	-3,487	-5,194	-3,865	-3,478
* Amount retained to meet net outstanding liabilities							
Net operating expenses (excluding personal expenses)	-4,196	-5,093	-11,128	-9,814	-10,917	-9,629	-8,735
Balance on technical account before investment return and illustrative personal expenses	1,500	725	-655	-814	-4,140	-1,211	-3,933
Net investment return	143	79	164	264	191	154	264
Profit before illustrative personal expenses	1,643	804	-491	-549	-3,949	-1,057	-3,669
Illustrative personal expenses							
Managing agent's fee	150	150	150	150	75	75	75
Profit commission	0	0	0	0	0	0	0
Other personal expenses	269	285	180	130	130	99	75
	419	435	330	280	205	174	150
Profit/loss after illustrative managing agent's fee and proft commission and illustrative personal expenses	1,224	369	-822	-829	-4,154	-1,231	-3,820
Capacity utilised	87.98%	63.05%	100.98%	99.46%	98.58%	100.15%	100.63%
Net capacity utilised	82.00%	55.32%	88.79%	89.57%	89.12%	87.92%	90.32%
Balance on technical account as % of gross premiums	12.01%	6.94%	-3.34%	-4.36%	-21.72%	-6.63%	-22.47%

REPORT OF THE MANAGING AGENT ON THE 2012 RUN-OFF YEAR OF ACCOUNT

Dominic Ford

Director & Company Secretary

Approved by the board of Hamilton Underwriting Limited on 15th March 2017

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF SYNDICATE 3334

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF SYNDICATE 3334

We have audited the syndicate underwriting year accounts for the 2012 run-off year of account of syndicate 3334 (the syndicate) for the five years ended 31 December 2016, which comprise the Income Statement, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows, the related notes 1 to 15 and the Statement of Managing Agent's Responsibilities. The financial reporting framework that has been applied in their preparation is applicable law, the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'.

This report is made solely to the syndicate's members, 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 auditors' 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 1, the managing agent is responsible for the preparation of the syndicate 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 the applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate underwriting year accounts

An audit involves obtaining evidence about the amounts and disclosures in the syndicate underwriting year accounts sufficient to give reasonable assurance that the syndicate underwriting year accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the syndicate underwriting year accounts. In addition, we read all the financial and non-financial information in the Syndicate Underwriting Year Report and Accounts to identify material inconsistencies with the audited syndicate underwriting year accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF SYNDICATE 3334

Opinion on the syndicate underwriting year accounts

In our opinion the syndicate underwriting year accounts for the 2012 run-off year of account have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Emphasis of matter – uncertainty over reinsurance to close

In forming our opinion on the Syndicate's underwriting accounts, which is not modified, we have considered the adequacy of the disclosures made by the managing agent in the Report of the Managing Agent, relating to the uncertainty regarding the ultimate cost of a reinsurance to close which has resulted in the managing agent deciding to not close the 2012 run-off year of account. The ultimate estimate of the reinsurance to close is subject to significant uncertainty and may differ materially from the estimate that is currently provided in the underwriting accounts.

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 proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records.

Angus Millar

(Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

22nd March 2017

INCOME STATEMENT – 2012 RUN-OFF YEAR OF ACCOUNT

NON TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE 60 MONTHS ENDED 31ST DECEMBER 2016

Technical Account – General business

2012 RUN-OFF YEAR OF ACCOUNT

	NOTES	£'000 Calendar year	£'000 Cumulative results
Syndicate allocated capacity			44,929
Earned premiums, net of reinsurance			
Gross premiums written and earned	2	(24)	78,646
Outward reinsurance premiums		(400)	(4,629)
		(424)	74,017
Reinsurance to close premium receivable, net of reinsurance	3	-	13,526
		(424)	87,543
Allocated investment return, transferred from the non-technical account	6	395	1,187
Claims incurred, net of reinsurance			
Claims paid – gross amount		(10,112)	(54,467)
Claims paid – reinsurers' share		2,627	4,350
		(7,485)	(50,117)
Amounts retained to meet all known and unknown outstanding liabilities, net of reinsurance	4	599	(15,625)
		(6,886)	(65,742)
Net operating expenses	5	1,498	(39,024)
Balance on the technical account for general business		**(5,417)**	**(16,036)**

INCOME STATEMENT – 2012 RUN-OFF YEAR OF ACCOUNT

NON TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE 60 MONTHS ENDED 31ST DECEMBER 2016

Non-Technical Account – General business

2012 RUN-OFF YEAR OF ACCOUNT

	NOTES	£'000 Calendar year	£'000 Cumulative results
Balance on technical account – general business		(5,417)	(16,036)
Investment income	6	395	1,187
Allocated investment return, transferred to the general business technical account	6	(395)	(1,187)
Exchange gains and losses		625	(1,125)
Loss for the run-off year of account		**(4,792)**	**(17,161)**

There is no other comprehensive income in the 60 month period other than dealt with in the technical and non-technical account.

STATEMENT OF CHANGES IN MEMBERS' BALANCES

FOR THE 60 MONTHS ENDED 31ST DECEMBER 2016

AS AT 31 DECEMBER 2016

	£'000
Loss for the year of account as at 31 December 2016	(17,161)
Members' agents' fees	(48)
Cash calls made and received	8,100
Members' balances carried forward at 31 December 2016	**(9,109)**

STATEMENT OF FINANCIAL POSITION – 2012 RUN-OFF YEAR OF ACCOUNT

AS AT 31ST DECEMBER 2016

ASSETS

	NOTES	£'000	£'000
Financial investments			
Other financial investments	7		**2,350**
Reinsurance recoveries anticipated on gross amounts retained to meet all known and unknown outstanding liabilities	4		**2,220**
Debtors	8		
Debtors arising out of direct insurance operations		5,639	
Debtors arising out of reinsurance operations		153	
Other debtors		1,857	
			7,649
Other assets			
Cash at bank and in hand	10	1,376	
Overseas deposits	11	5,362	
			6,738
Prepayments and accrued income			**-**
Total assets			**18,957**

STATEMENT OF FINANCIAL POSITION – 2012 RUN-OFF YEAR OF ACCOUNT

AS AT 31ST DECEMBER 2016

MEMBERS' BALANCES AND LIABILITIES

	NOTES	£'000	£'000
Members' balances			
Members' balances			**(9,061)**
Liabilities			
Amounts retained to meet all known and unknown outstanding liabilities – gross amount	4		**17,845**
Creditors	9		
Creditors arising out of direct insurance operations		4,129	
Creditors arising out of reinsurance operations		120	
Other creditors including taxation and social security		5,881	
			10,130
Accruals and deferred income			**43**
Total liabilities			**28,018**
Total members' balances and liabilities			**18,957**

The underwriting year accounts on pages 11 to 33 were approved by the Board of Directors on 15th March 2017 and signed on its behalf by:

Belinda Taylor
Finance Director

STATEMENT OF CASH FLOWS – 2012 RUN-OFF YEAR OF ACCOUNT

FOR THE 60 MONTHS ENDED 31ST DECEMBER 2016

2012 RUN-OFF YEAR OF ACCOUNT

	NOTES	£'000
Loss for the run-off year of account		(17,161)
Net reserves retained to meet all known and unknown liabilities	4	15,625
Non-cash consideration for net RITC receivable		(13,069)
Investment return		(1,187)
Increase in other liabilities, net of assets		7,100
Net cash outflow from operating activities		(8,692)
Investing activities:		
Investment income received		1,187
Purchase of financial investments		(810)
Net cash inflow from financing activities		377
Financing activities:		
Members' agents' fees		(48)
Cash calls		8,100
Net cash inflow from financing activities		8,052
Cash and cash equivalents at 31 December 2016	10	(263)

NOTES TO THE ACCOUNTS

FOR THE 2012 RUN-OFF YEAR OF ACCOUNT

1. ACCOUNTING POLICIES

Statement of compliance

These underwriting year accounts have been prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Financial Reporting Standard 103 'Insurance Contracts'.

The syndicate transitioned from previously extant UK GAAP to FRS 102 and FRS 103 as at 1 January 2014 which required a restatement of previously reported balances within the syndicate's annual accounts for the year ended 31 December 2015. The impact on the reported financial position and financial performance within these underwriting year accounts was £nil. The financial statements are prepared under the historical cost convention.

Basis of preparation

These underwriting year accounts were approved for issue by the Board of Directors on 15th March 2017. The financial statements are prepared in sterling which is the functional and presentational currency of the syndicate and rounded to the nearest £'000.

Members participate on a syndicate by reference to a year of account, and each syndicate year of account is a separate annual venture. These underwriting year accounts relate to the 2012 run-off year of account. Consequently the statement of financial position represents the assets and liabilities of the 2012 year of account as at 31st December 2016 and the income statement and statement of cash flows reflect the transactions for that year of account during the 60 month period. As each syndicate year of account is a separate annual venture there are no comparative figures.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the underwriting period. However, the nature of estimation means that actual outcomes could differ from those estimates. The key uncertainty relates to claims provisions, the policy for which is set out on page 18.

Significant accounting policies

The underwriting year 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. Where it is not deemed to be possible to determine the outstanding liabilities with sufficient accuracy, the year of account will not be closed by way of reinsurance to close. The year of account was put in to run-off as at 31 December 2014 due to uncertainty surrounding the treatment of tax rebates and the determination of outstanding liabilities.

Significant accounting policies *continued*

Premiums written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority or line slip are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Premiums written are fully earned.

Reinsurance premium ceded

Outwards reinsurance premiums are attributed to the same year as the original risk being protected.

Claims paid and related recoveries

Gross claims paid comprise settlement expenses (both internal and external) paid in the year, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

Amounts retained to meet all known and unknown outstanding liabilities

The net amount retained to meet all known and unknown outstanding 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.

The estimate of gross claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. It also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical techniques of estimation applied by the syndicate's staff and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience for the relevant classes of business 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. 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 provision for claims includes amounts in respect of internal and external claims handling costs.

Reinsurers' share is based on calculated amounts of gross outstanding claims and projections for gross IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business and 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.

Significant accounting policies *continued*

Amounts retained to meet all known and unknown outstanding liabilities continued

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 estimates of 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.

Insurance contracts – Product classification

Insurance contracts are those contracts when the syndicate has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholders. As a general guideline, the syndicate determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Foreign currencies

The syndicate's functional currency and presentational currency is Sterling.

Transactions denominated in currencies other than the functional currency are recorded at the average rates of exchange for the period. Amounts retained to meet all known and unknown liabilities are included at the rate ruling on the date the amounts are first reflected in the accounts.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet dates unless contracts to sell currency for Sterling have been entered into prior to the balance sheet date, in which case the contracted rates have been used.

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

Amounts transferred to members are translated at the rate of exchange ruling at the date of payment except for the payment of closed year profits which will be translated at the rate of exchange ruling at the previous balance sheet date.

Significant accounting policies *continued*

Operating expenses

Where expenses are incurred by or on behalf of the managing agent on the administration of managed syndicates, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicates are apportioned between the agency company and the syndicates on bases depending on the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred. There has been no change in the basis of allocation during the life of this year of account.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash at banks and in hand, net of outstanding bank overdrafts. Short term deposits which are held in collective investment schemes are recognised as Financial Investments in the Statement of Financial Position. The fair value of these short term deposits are valued using FRS 102 Level 2 hierarchy, being quoted (unadjusted) prices in active markets for identical assets or liabilities.

Derecognition of financial assets

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- the rights to the cash flows from the asset have expired; or
- the syndicate retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass through’ arrangement and either (a) the syndicate has transferred substantially all the risks and rewards of the asset; or (b) the Syndicate has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the syndicate has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the syndicate’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the syndicate could be required to repay. In that case, the syndicate also recognises an associated liability.

Financial liabilities

The syndicate’s financial liabilities include trade and other payables, borrowings, insurance payables and derivative financial instruments, where applicable. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Significant accounting policies *continued*

Financial liabilities continued

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in investment return in the profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Reinsurance assets

The syndicate cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the syndicate will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2016 or cumulatively to 2015.

Ceded reinsurance arrangements do not relieve the syndicate from its obligations to policyholders.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Significant accounting policies *continued*

Investments

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

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 market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

The returns on investment assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year.

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. All investment return is considered to arise on such funds.

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 are included in the Statement of Financial Position under the heading 'other debtors'.

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

Pension costs

HUL operates a defined contribution pension scheme and its recharges to the syndicate in respect of staff costs include an element for pension costs. These costs are expensed in full in the period to which the charge relates and are included within net operating expenses.

Profit commission

Profit commission is charged by the managing agent at a rate of 15% of profit subject to the operation of a deficit clause.

2. PARTICULARS OF BUSINESS WRITTEN

Segmental analysis: type of business

An analysis of the technical account balance before investment return is set out below:

	GROSS PREMIUMS WRITTEN (NOTES 1 & 4) £'000	GROSS CLAIMS INCURRED (NOTE 2) £'000	GROSS OPERATING EXPENSES £'000	REINSURANCE BALANCE (NOTE 3) £'000	TOTAL £'000
Direct Insurance:					
Accident & Health	50,301	(22,271)	(28,567)	(269)	(807)
Fire and other damage to property	8,657	(5,814)	(2,902)	(1,358)	(1,418)
Third party liability	15,497	(27,542)	(6,818)	3,060	(15,803)
Pecuniary loss	4,191	(2,362)	(735)	(288)	805
	78,646	**(57,989)**	**(39,024)**	**1,145**	**(17,222)**

Note 1: All gross premiums are 100% earned; the foreign exchange difference arising between gross premiums written and gross premiums earned has been taken to the non-technical account as part of exchange gains and losses.

Note 2: Gross claims incurred comprises gross claims paid and gross amounts retained to meet all known and unknown liabilities.

Note 3: The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries paid and reinsurance recoveries anticipated to meet all known and unknown liabilities.

Note 4: All premiums are concluded in the UK.

Geographical analysis: premiums by destination

	£'000
UK	9,424
EU	2,794
Other European	1,781
Australasia	60,600
North America	3,549
Other	498
	78,646

3. REINSURANCE TO CLOSE PREMIUM RECEIVABLE

AS AT 31 DECEMBER 2016

	£'000
Gross reinsurance to close premium receivable	14,322
Reinsurance recoveries anticipated	(796)
Reinsurance to close premium receivable, net of reinsurance	**13,526**

4. NET RESERVES RETAINED TO MEET ALL KNOWN AND UNKNOWN OUTSTANDING LIABILITIES

AS AT 31 DECEMBER 2016

	£'000
Gross amount retained to meet all known and unknown outstanding liabilities	17,845
Reinsurance recoveries anticipated on gross amounts retained to meet all known and unknown outstanding liabilities	(2,220)
Net amount retained to meet all known and unknown outstanding liabilities	**15,625**

5. NET OPERATING EXPENSES

CALENDAR YEAR & CUMULATIVE TO 31 DECEMBER 2016

	£'000 Calendar year	£'000 Cumulative
Acquisition costs:		
Brokerage and commissions	(27)	33,436
Other	-	1,252
Administrative expenses	(1,471)	4,336
	(1,498)	**39,024**

THE LOSS AT 60 MONTHS IS STATED AFTER CHARGING:

	£'000	£'000
Auditor's remuneration:		
Audit of syndicate accounts	41	150
Other services pursuant to Regulations & Lloyd's Bye-Laws	2	3
Standard personal expenses	-	676

6. INVESTMENT RETURN

CALENDAR YEAR & CUMULATIVE TO 31 DECEMBER 2016

	£'000	£'000
	Calendar year	Cumulative
Income from investments	489	1,529
Losses on the realisation of investments	(94)	(342)
	395	1,187

Average amount of syndicate funds available for investment during the period ("average funds")	6.78 million
Split:	
Sterling /Euro	0.77 million
Dollars (Primarily Australian dollars)	6.01 million
Investment return yield	%
Sterling /Euro	0.4
Dollars	4.4

7. FINANCIAL INVESTMENTS

AS AT 31ST DECEMBER 2016

	MARKET VALUE £'000	COST £'000
Holdings in collective investment schemes	2,350	2,350

Under the fair value hierarchy the above investments are all included in the level 2 category. The cost, fair value and market value of these investment schemes are the same and as at 31 December 2016 related to Canadian investment schemes (CAD 3,842,000 and USD 44,000).

8. DEBTORS

AS AT 31ST DECEMBER 2016

AMOUNTS FALLING DUE WITHIN ONE YEAR:	£'000
Arising out of insurance operations – due from policy holders and intermediaries	5,639
Arising out of reinsurance operations	153
Other debtors	1,857
	7,649

9. CREDITORS

AS AT 31ST DECEMBER 2016

	£'000
Arising out of direct insurance operations – due to policy holders and intermediaries	4,129
Arising out of reinsurance operations	120
Amounts owed to credit institutions	1,639
Other creditors	4,242
	10,130

10. CASH AND CASH EQUIVALENTS

AS AT 31ST DECEMBER 2016	£'000
Cash at bank and in hand	1,376
Bank overdraft (see Note 12)	(1,639)
	(263)

11. OTHER ASSETS – OTHER

This comprises overseas deposits of £5,362,000 which are split in to a fair value hierarchy level of 1 (£117,000) and 2 (£5,245,000) respectively. These are lodged as a condition of conducting underwriting business in certain countries.

12. BORROWINGS

During the period to 31st December 2016, the syndicate renewed unsecured overdraft facilities with Barclays Bank plc, as a buffer against any timing differences between premium receipts and claims and other expense payments being made. This facility was available for use against the Sterling, Euro, US and Australian dollar accounts. Balances overdrawn for the 2012 underwriting year as at 31st December 2016 were £1,639,000 and are included in 'Other creditors' in Note 9.

13. RELATED PARTIES

On 1st January 2012 when the 2012 year of account commenced the managing agency was owned by Wild Goose Holdings Pty Ltd (WGH), a company registered in Australia. WGH also owned Kinetic Insurance Brokers Limited (KIBL), a Lloyd's placing broker, which handles the placing of most of the syndicate's binder business through Xchanging. On 1st April 2015 the shareholding of the managing agency and of KIBL was sold by WGH, to Hamilton UK Holdings Limited, a company owned by Hamilton Insurance Group, Ltd, being the ultimate parent company.

Other than directorship fees, salaries and other related remuneration and any potential future investment earnings or growth in capital value arising from shareholdings in these or related companies, no personal benefit is derived by any of the directors from the related party arrangements that exist. All arrangements have been conducted at an arms-length basis.

Transactions between the managing agent and the syndicate

Total fees paid to the managing agency in respect of services provided to the syndicate for the 2012 underwriting year of account amounted to £337,500. These fees were charged in the year ended 31 December 2016.

There is no profit commission payable to the managing agency on the 2012 underwriting year of account due to losses arising.

As at 31 December 2015 the managing agent had recharged £696,000 of administrative expenses to the syndicate. In the year ended 31 December 2016 a further £206,000 of salary and office costs were charged by the managing agent for managing the run-off of this year of account. These include costs for functions which previously had been recharged from Sportscover's service companies (see analysis in *Business transactions* below).

As at 31 December 2016 there were no amounts owing the HUL for expenses charged to the 2012 underwriting year of account but not yet reimbursed from the syndicate bank account.

Business transactions

Within the WGH group were three service companies which contributed 29% of the gross premiums, net of acquisition costs written in the 2012 year of account. The total acquisition costs charged by the WGH owned service companies and by KIBL to the 2012 underwriting year of account amounted to £6,943,000.

Following change of control Mr Brian Duperreault, Mr Robert Deutsch, Mr Malcolm Beane, Mr Dominic Ford and Ms Belinda Taylor, who are all directors of HUL, were also appointed as directors of KIBL, until 30 September 2016, when the company was sold to an external party. They had no interest in the share capital of this company and other than fees paid to Mr Malcolm Beane in his capacity as non-executive director, no director received any remuneration or other benefits for acting as a director of the company from 1 April 2015 to 30 September 2016.

Additionally, recharges to the 2012 underwriting year of account of salary and administrative expenses incurred by WGH's service companies on behalf of Syndicate 3334 amounted to £1,859,000. Expenses plus other recharges directly relating to underwriting operations, which are treated as other acquisition costs in the syndicate's technical account results, account for £1,000,000 of these recharges. These include the costs of the Active Underwriter and Contingency and Bloodstock underwriting teams. There were no charges levied in the year ended 31 December 2016.

In addition the WGH group owns a risk management company in Australia which charged £252,000 for risk surveys undertaken on instruction from the Australian service company. These costs are also included in other acquisition costs in the syndicate's technical account and were expensed in the 36 month period ended 31 December 2014.

Capital support for Syndicate 3334

Of the £44,929,000 of capacity for the 2012 underwriting year of account, 93.8% of the capital support has been provided by SCI Capital Limited, a corporate member company within the WGH group. The Hamilton group has no participation in the 2012 underwriting year of account.

There are no other transactions or arrangements to be disclosed.

14. POST BALANCE SHEET EVENTS

A cash call of £6,000,000 was made on the 9th March 2017 with a due date of 16th June 2017.

15. RISK MANAGEMENT

Governance framework

HUL's Risk Governance framework follows a three lines of defence approach with the Internal Model and risk management at the centre of its business as usual activity. HUL's governance structure was designed to provide robust assurance to the Board and to support effective risk based capital management and decision making.

HUL's Board retains ownership of risk management policies, the ORSA process, the Internal Model and business planning processes and delegates operational responsibility for using the Internal Model to monitor the evolution of Syndicate 3334's risk profile to the first line committees. First line committees compare Key Risk Indicators against Board approved risk appetites and management tolerances, which enables the senior management to make effective decisions to ensure Syndicate 3334's strategic goals are achieved. Deviations from risk appetites and management tolerances are escalated to the Board. The Risk Management Function challenges HUL's first line of defence and provides assurance to the Board with regards the integrity of Internal Model and proportionality of control environment.

Risk profile monitoring informs the ORSA process, which in turn feeds the business planning and the strategy setting process.

The key risk factors affecting the run-off of the 2012 year of account are set out below:

Regulatory risk

The agency is required to comply with the requirements of the PRA and FCA and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The agency has a compliance officer who monitors regulatory developments and assesses the impact on agency policy. He is supported by two assistants who carry out a compliance monitoring programme, the progress against which is reported to the Board on a quarterly basis.

Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long–term claims. The objective of the syndicate is to ensure that sufficient reserves are available to cover these liabilities.

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 syndicate purchases reinsurance as part of its risks mitigation programme and the agency uses catastrophe modelling software to model maximum probable losses from catastrophe-exposed business.

The Board monitors performance and exposures against the business plan on a rolling monthly basis. Reserve adequacy is monitored through quarterly review by the syndicate actuary and the reserving committee.

Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Syndicate. The Syndicate further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities. However, in general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin should decrease. However, due to the uncertainty inherent in the estimation process, the overall claim provision may not always be in surplus.

The table below summarises the development pattern of the 2012 run-off year of account at a pure gross and net level compared to the 2011 pure underwriting year of account. The total of the prior years' reserves is also shown in this table.

	Gross and Net claims development								
£'000	Underwriting pure year	At end of underwriting year	One year later	Two years later	Three years later	Four years later	Five years later	Less: cumulative payments	Outstanding reserves
Gross	2011	4,622	23,169	28,538	30,037	32,917	34,623	30,060	4,563
Gross	2012	12,270	18,577	38,702	38,833	44,274		36,900	7,374
Net	2011	4,622	23,169	28,538	30,037	32,917	33,428	29,007	4,421
Net	2012	12,270	18,388	37,971	36,705	39,874		33,302	6,572

£'000	Underwriting pure year	Outstanding reserves
Gross	2010 & Prior	5,908
Net	2010 & Prior	4,632

Credit risk

The key aspect of credit risk is the risk of default by one or more of the syndicate's reinsurers or other counterparties. Compliance with the policy is monitored and exposures and breaches are reported to the syndicate risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

HUL aims to mitigate credit risk in the following ways:

- A credit risk policy exists that sets out the approach to managing credit risk. Compliance with the policy is monitored via defined management tolerances. Any deviations are highlighted to the Finance and Operations Committee.
- The policy is reviewed regularly as part of the overall documentation review process and for changes to the risk profile.
- Dealing with counterparties with strong credit ratings along with appropriate due diligence as per HUL's compliance procedures.

The following tables provide information relating to the credit risk exposure of the 2012 underwriting year of account as at 31 December 2016. The assets are classified according to Standard & Poor's credit ratings of counterparties. Amounts are stated in £'000.

Credit Risk Ratings - As at December 2016	AAA	AA	A	BBB	BBB or less	Not rated	Total
Shares and other variable yield securities and unit trusts	-	2,350		-	-	-	2,350
Overseas deposits as investments	3,483	1,182	542	146	-	9	5,362
Reinsurer' share of claims outstanding	-	-	2,220	-	-	-	2,220
Reinsurer debtors	-		153	-	-	-	153
Cash at bank and in hand	-	-	1,376	-		-	1,376
Total credit risk	3,483	3,532	4,291	146	-	9	11,461

The following table show the maximum exposure to credit risk (including an analysis of the financial assets exposed to credit risk) for the components of the statement of financial position. Amounts are stated in £'000.

Credit Risk Ageing and Impairment - As at December 2016	Neither due nor impaired	Up to three months	Three to six months	Six months to one year	Greater than one year	Financial assets that have been impaired	Total
Shares and other variable yield securities and unit trusts	2,350	-	-	-	-	-	2,350
Overseas deposits as investments	5,362	-	-	-	-	-	5,362
Reinsurer' share of claims outstanding	2,220	-	-	-	-	-	2,220
Reinsurer debtors	153	-	-	-	-	-	153
Cash at bank and in hand	1,376	-	-	-	-	-	1,376
Insurance debtors	5,639	-	-	-	-	-	5,639
Other debtors	400	-	-	-	-	-	400
Total credit risk	17,500	-	-	-	-	-	17,500

During the year ended 31 December 2016 a provision against outstanding debtors was booked and recorded in administrative expenses: other.

Liquidity risk

Liquidity risk is the risk that the syndicate will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

A number of policies are implemented by the agency to mitigate against the risk of the syndicate being unable to settle its obligations as they fall due. HUL aims to mitigate liquidity risk in the following ways:

- A liquidity risk policy exists that sets out the approach to managing liquidity risk. Compliance with the policy is monitored via defined management tolerances. Any deviations are highlighted to the Finance and Operations Committee. The policy is reviewed regularly as part of the overall documentation review process and for changes to the risk profile.
- An overdraft facility has been set-up and is utilised to close any short-term funding gaps.

Due to all funds under the control of the managing agency being held in instant access cash and cash equivalent accounts there are no stated maturity profiles.

Market risk

The key aspect of market 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 agency's finance committee reviews currency matching quarterly. Where there is a significant mismatch, the agency seeks to mitigate the risk through forward foreign currency contracts, where this is appropriate. However where significant liabilities exist as is the case with a loss-making syndicate, the ability to take corrective action is restricted; many members seek to match their capital disposition by currency against their main currency exposure, and in the case of the 2012 year of account the capital is placed in Sterling and the peak currency exposure is in Australian dollars..

Market risk is made up of three types of risk:

a) Currency risk;

b) Interest rate risk; and

c) Equity price risk

HUL does not hold any investment assets that would be subject to interest rate or equity price risk.

HUL aims to mitigate liquidity risk in the following ways:

A market risk policy exists that sets out the approach to managing market risk. Compliance with the policy is monitored via defined management tolerances. Any deviations are highlighted to the Finance and Operations Committee. The policy is reviewed regularly as part of the overall documentation review process and for changes to the risk profile.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. HUL's functional currency is Sterling and its exposure to foreign exchange risk arises from transactions and assets held in non-sterling currencies. Primarily these are the US, Canadian and Australian Dollars, Euro and Japanese Yen. The following table shows the exposure of the financial assets and liabilities to foreign exchange risk for the 2012 underwriting year. Amounts are stated in £'000 with currencies being converted to Sterling in each column of the table.

At December 2016 - Currency Analysis	GBP	USD	EUR	CAD	AUD	JPY	OTH	Total
Financial investments	-	35	-	2,315	-	-	-	2,350
Overseas deposits	2	183	-	357	4,820	-	-	5,362
Reinsurer's share of technical provisions	270	-	131	1,527	292	-	-	2,220
Insurance and reinsurance receivables	2,226	256	1,053	35	2,223	-	-	5,793
Cash and cash equivalents	-	1,376	-	-	0	-	-	1,376
Other assets	198	-	0	-	202	-	-	400
Total Assets	2,696	1,850	1,184	4,234	7,537	-	-	17,501
Technical Provisions	(5,538)	(129)	(2,768)	(3,012)	(6,398)	-	-	(17,845)
Insurance and reinsurance payables	(123)	103	(230)	(50)	(3,949)	-	-	(4,249)
Other creditors	1,995	108	0	9	(4,322)	-	-	(2,210)
Total Liabilities	(3,666)	82	(2,998)	(3,053)	(14,669)	-	-	(24,304)

Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the syndicate. The agency 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.