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Aspen Managing Agency Limited
Syndicate 4711
Report and accounts
For the year ended
31 December 2016

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Directors and Advisors

Managing Agent:

Managing Agent

Aspen Managing Agency Limited

Directors

H E Hutter (Chairman)

M Jackson

M E Dean

K A Green

J F Hobbs

H Rose

K R L Vacher

P D Webster

K Mayr

J Roome

Company secretary

H Lipscomb

Managing Agent's registered office

30 Fenchurch Street,

London, EC3M 3BD

United Kingdom

Managing Agent's registered number

06459521

Syndicate:

Active underwriter

M Jackson

Bankers

Citibank N.A.

RBC Dexia

Investment managers

Conning Asset Management Limited

Registered Auditor

KPMG LLP

15 Canada Square

London

E14 5GL

Report of the Directors of the Managing Agent

The Directors of the Managing Agent present their report in respect of Syndicate 4711 ("the Syndicate") for the year ended 31 December 2016.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Results

The result for the year ended 31 December 2016 is a profit £6.7 million (2015 loss £21.3 million) and is set out in the Profit and Loss Account on page 13.

Overview of the business

The principal activity of the Syndicate is the transaction of general insurance and reinsurance business at Lloyd's. A description of the Syndicate's business is as follows:

Marine, Aviation and Energy and Transportation Insurance:

Our marine, aviation and energy insurance segment comprises marine, energy and construction ("MEC") liability, onshore and offshore energy and construction physical damage, marine hull, specie, inland marine and ocean risks and aviation, written on a primary, excess, quota share, program and facultative basis.

- **MEC Liability:** The MEC liability business based in the UK includes marine liability cover mainly related to the liabilities of ship-owners and port operators, including reinsurance of protection and indemnity clubs ("P&I Clubs"). It also provides liability cover globally (including the US) for companies in the oil and gas sector, both onshore and offshore and in the power generation and US construction sectors.
- **Onshore Energy and Construction Physical Damage:** The established MEC property team based in the US underwrites a variety of US and Latin American onshore energy and construction sector classes of business.
- **Upstream Energy:** coverage is offered to insureds principally for physical damage, control of well and other ancillary perils. The account is orientated towards the upstream sector, with coverage provided through all phases of the oil and gas process from the initial risks associated with exploration through subsequent construction, development, transportation and product processing phases.
- **Marine Hull:** Coverage consists primarily of navigating policies for ships, insuring the hull of the vessel and its machinery. Ancillary coverage includes building risks, war risks, port risks, total loss only cover and single voyages.
- **Specie:** The specie business line focuses on the insurance of high value property items on an all risks basis, including fine art, general and bank related specie, jewellers' block and armoured car.
- **Aviation:** The aviation team writes airline, hull deductible, war and aerospace business (comprising of airport and non-critical products business).

Financial and Professional Lines Insurance:

The financial and professional lines comprise financial and corporate risks, professional indemnity, credit and political risks, technology liability and crisis management, written on a primary, excess, quota share, program and facultative basis.

- **Financial and Corporate Risks:** The financial institutions business is written on both a primary and excess of loss basis and consists of professional liability, crime insurance and directors' and officers' ("D&O") cover, with the largest exposure comprising risks headquartered in Australia, followed by the UK, US and Canada. This covers financial institutions including commercial and investment banks, asset managers, insurance companies, stockbrokers and insureds. The account also includes a book of D&O insurance for commercial insureds located outside of the US and a worldwide book of representations and warranties and tax indemnity business.

- **Professional Indemnity Insurance:** The professional indemnity business is written on both a primary and excess of loss basis focused on mainly non-US domiciled insureds and insures a wide range of professions including lawyers, accountants, architects and engineers.
- **Technology Liability:** This account includes a portfolio of worldwide technology liability and data protection insurance. The data protection insurance covers firms for first party costs and third party liabilities associated with their breach of contractual or statutory data protection obligations.
- **Credit and Political Risks:** The credit and political risks team wrote business covering the credit and contract frustration risks on a variety of trade and non-trade related transactions, as well as political risks (including multi-year war on land cover). Credit and political risks covered worldwide are provided, but with concentrations in a number of countries, such as Russia, China, Brazil, the Netherlands and United States.
- **Crisis Management:** The majority of this portfolio is terrorism insurance, but they also write kidnap and ransom insurance designed to protect individuals and corporations operating in high-risk areas around the world, including covering the shipping industry's exposure to acts of piracy.
- **Accident & Health:** The accident and health team write a global portfolio focusing on niche business and relationships focusing on products that afford protection for individuals, groups and companies from the consequences of accidental death, disability and global travel. An extensive range of accident and health covers are offered, including: individual and group PA/disability, credit card, evacuation/repatriation, war, occupational accident, medical expenses, aviation PA, sports PA/disability other specialist products. They also have the ability to provide protection for a wide range of reinsurance clients on an excess of loss and proportional basis.

Other, Including:

- **Global Casualty Insurance:** Our casualty insurance comprises global excess casualty, which includes excess liability cover for the transport and life science sectors, US casualty insurance, and environmental liability. This is written on a primary, excess, quota share, program and facultative basis. The Syndicate also writes an international casualty portfolio underwritten through the DUAL managing general agent.
- **Reinsurance:** this account consists of various businesses requiring our Lloyd's capacity and includes space business written through consortium, Brazilian reinsurance treaty business, China reinsurance treaty business (including property, casualty and specialty business), international property facultative and some casualty business.

2016 Performance

Overall premium for the year has increased to £404.5m (2015: £330.5m) mainly as a result of the syndicate starting underwriting on its new Singapore and China platform. However a small profit for the financial year of £6.7m is more reflective of the market conditions currently being faced. Additional information on the Syndicate's classes of business is set out below.

Marine, Aviation and Energy Insurance

Conditions in all of the markets in which the Syndicate operates have continued to soften. Gross written premium decreased to \$291.5m from \$308.7m in 2015 due to a reduced amount of aviation, offshore energy, physical damage and MEC business written. Overall performance in this segment has improved in 2016 vs 2015 notably.

Financial and Professional Lines Insurance

Gross written premiums have increased in the year to \$194.4m from \$164.6m in 2015. This is primarily due to the addition of accident and health business into Lloyd's for 2016 along with growth in cyber and technology.

Other including Global Casualty Insurance and, Reinsurance

Gross written premium increased to \$57.3m from \$33.5m in 2015, primarily due to growth in the China reinsurance business. The performance of this segment has improved as a result of good claims experience for global casualty during the year.

Key performance indicators

The key financial performance indicators during the year were:

	(£ in millions)
Capacity	475.0
Gross written premium	404.5
Gross earned premium	392.4
Net earned premium	229.3
Investment return	1.4
Underwriting profit	7.3
Expense ratio	40.0%
Claims ratio	57.4%
Combined ratio	97.4%

Outwards reinsurance arrangements

We purchase reinsurance and retrocession to mitigate and diversify our risk exposure to a level consistent with our risk appetite and to increase our insurance and reinsurance underwriting capacity. These agreements provide for recovery of a portion of our losses and loss adjustment expenses from our reinsurers. The amount and type of reinsurance that we purchase varies from year to year and is dependent on a variety of factors, including, but not limited to, the cost of a particular reinsurance contract and the nature of our gross exposures assumed, with the aim of securing cost-effective protection.

We have reinsurance covers in place for the majority of our insurance classes of business, most of which on an excess-of-loss basis and / or proportional treaty basis. The excess of loss covers provide protection in various layers and excess of varying attachment points according to the scope of cover provided. In 2016 we increased the number of proportional reinsurance contracts in size and number of classes covered compared to our previous coverage in 2015. We anticipate this continuing in 2017.

In respect of our purchased non-catastrophe specific reinsurance contracts, in 2017 we will be retaining shares in only a few of our excess of loss contracts and proportional reinsurance treaties in the form of co-insurance.

The Syndicate has an adverse development cover to protect against reserve deterioration over and above the 31 December 2008 net reserve position. Also, the Syndicate has a 20% whole account quota share for the years of account 2009 to 2016 to protect the net retained account. These reinsurance's are placed with Aspen Bermuda Limited, a subsidiary of Aspen Insurance Holdings Limited.

For the 2015 and 2016 underwriting year of account all MEC business was agreed to be written to the Syndicate and an additional 50% quota share with AIUK was purchased to reduce volatility.

Investment performance

The investment policy of the Syndicate is set by the Board of AMAL and managed with support from the Aspen Group Treasury function. The Board monitors investment performance and approves the appointment of investment managers. Conning Asset Management Limited manage the Syndicate's investments.

As at 31 December 2016, the Syndicate was holding £233.4 million in investments which were located in various countries in Europe excluding the UK; being Austria, Denmark, France, Luxembourg, Netherlands, Sweden and Germany. All such investments had a Standard & Poor's rating of at least BBB+. Investment risk is analysed in note 4 to these accounts.

The Syndicate maintains funds in Sterling, US dollars, Euro and Canadian dollars.

The Syndicate's cash flow during the year was strong and at 31 December 2016 the total value of cash and investments was £353.0 million (2015: £263.3 million). Of the total value, 72.4% was held in US dollars, of which 15.1% was invested in money market funds and 25.9% was invested in Canadian and US government bonds. Overall the investment yield for the year was 0.4% on an annualised basis.

Further analysis of the Syndicate's investments can be found in the notes 10 and 11 to these accounts.

Financial Position

The balance sheet of the Syndicate shows total assets of £1,025.1 million and shareholder's equity of £(7.9) million. Of the total assets, £286.8 million is represented by financial investments. The Syndicate maintains all its investments in listed high quality fixed income bonds and liquidity funds.

Insurance reserves of the Branch include a provision for claims outstanding of £369.6 million and a provision for unearned premium of £140.3 million net of reinsurance.

Principal Risks and Uncertainty

Risk management has been embedded in the management and culture of the Aspen Group since its formation in 2002. Aspen Managing Agency Limited ("AMAL") and the Syndicate, as operating entities within the Aspen Group, benefit from the Group's established risk management practices.

The key risks for the Syndicate are largely unchanged during the last year. The ongoing soft Market conditions and its impact on the achievability of both top line and bottom line performance remain a key focus.

During 2011 a Risk Universe was agreed for AMAL, which defines the different types of risk that AMAL faces and how they are monitored and measured. This framework has been applied and refined every year through 2012 - 2016. The risks are defined in the Risk Universe at 3 levels:

- Main risk classification
- Risk category
- Risk sub category

The main risks faced by AMAL are defined as follows:

Core risks - those risks inherent in the running of AMAL's business are listed below:

- 1) Insurance risk: the variation of actual technical results from their expected values other than as a result of execution, operational or counterparty risks.
- 2) Market risk: The risk of variation in the market value of the syndicate assets as a result of changes in the market prices of securities or foreign currencies.

Non-core risks are all risks other than core risks. These are quantified as far as possible and, wherever practical, minimised or avoided. These are listed below:

- 3) Credit risk: The risk of diminution in the value of insurance receivables as a result of counter-party default.
- 4) Liquidity Risk: The risk that AMAL is unable to make payments or provide collateral when required.
- 5) Operational Risk: The risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.
- 6) Strategic Risk: The risk of adverse impact on shareholder value or income and capital of adverse business decisions, poor execution or failure to respond to market changes.
- 7) Emerging Risk: The risk that events not previously identified emerge and impact the profitability and/or balance sheet of AMAL.
- 8) Regulatory Risk The risk of non-compliance with regulatory requirements including ensuring we understand and comply with changes to those requirements are an operational risk. There is a residual risk that changes in regulation impact our ability to operate profitably in some jurisdictions or some lines of business
- 9) Taxation Risk The risk that we do not understand, plan for and manage our tax obligations is an operational risk. There is a residual risk that changes in taxation impact our ability to operate profitably in some jurisdictions or some lines of business.

Operational risk is the most complex of the major risk classifications because it includes multiple risk scenarios arising from multiple processes and circumstances. Because of this we record identified operational risks and their related risk assessments, owners and identified controls in a separate AMAL 'Operational Risk Register' The Operational Risk Register continues to be maintained and monitored via a quarterly review process with key controls tested quarterly and non-key controls tested annually.

During 2011 the current approach to AMAL key risk limits was introduced. These key limits supplement the AMAL risk appetite statement which was first agreed in 2010 and ensure, amongst other things, that specific key accumulation risks faced by AMAL are measured and monitored.

Reporting against the AMAL Risk Appetite and Key Risk Limits has formed part of the quarterly Chief Risk Officer (CRO) reports to the AMAL Executive Committee and Board throughout 2015. The Risk Appetite and Key Risk Limits are formally reviewed annually as part of the business planning process. Changes to the Key Risk Limits throughout the year are reported on via the quarterly CRO reports.

The draft 2016 ORSA report was reviewed by the AMAL Board in March 2016 and a number of changes were requested to be made prior to its submission to Lloyd's at the end of March 2016.

UK's Decision to leave the EU

There is significant uncertainty surrounding the implementation and effect of the UK's decision to leave the EU ('Brexit'). Although the UK continues to be a full member of the EU with access to the single market and is operating under the current passporting regime, Brexit has caused and is likely to cause increased economic volatility and market uncertainty globally, in particular volatility of currency exchange rates, interest rates and credit spreads. AMAL's risk management framework provides the mechanism for managing and mitigating these risks.

In terms of access to European markets, the Syndicate is effected by Lloyd's own response to Brexit which is currently unknown.

Future developments

The Syndicate's capacity for 2017 has increased to £550 million (2016: £475 million).

The Syndicate will look to develop its existing business in line with market conditions. It will grow in areas where opportunities make sense and allow and re-evaluate strategy in classes that are more challenging.

The Syndicate will continue to grow its business written on the Lloyd's Asia and China platforms. This region remains key for establishing a presence in support of (re)insurance diversification and growth plans.

In 2017 we joined the Lloyd's Japanese platform and we will be looking at opportunities in this country also.

It is likely to play a significant part in growth initiatives globally where Lloyd's licensing and ease of access make it a preferred paper.

Directors

The directors of AMAL who held office during the year ended 31 December 2016 and up until the date of this report being signed are as follows:

		Date of Appointment	Date of Resignation
H E Hutter	Non-executive Chairman	28 th February 2008	
K A Green	Chief Executive Officer	26 th March 2008	
M Jackson	Director	4 th July 2016	
K R L Vacher	Director	24 th February 2010	
K Mayr	Non-executive Director	18 th October 2016	
R J S Bucknall	Non-executive Director	28 th February 2008	10 th March 2016
J F Hobbs	Non-executive Director	24 th July 2008	
P D Webster	Non-executive Director	14 th August 2013	
M E Dean	Director	21 st October 2015	
H Rose	Director	3 rd February 2016	
J Roome	Non-executive Director	15 th March 2017	

Research and development

The Syndicate has not undertaken any research and development activities during the year.

Events since the reporting date

On 27th February 2017, the Lord Chancellor announced a reduction in the Ogden discount rate applied for personal injury claims from 2.5% to - 0.75%. The Syndicate has assessed its reported insurance reserves as at 31 December 2016 for the effect of the change and it has been concluded that the impact is immaterial to Syndicate 4711.

Disclosure of information to the Auditors

The directors each confirm that:

- So far as they are aware, there is no relevant audit information of which the Syndicate's auditors are unaware, and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Auditors

Pursuant to Section 14 (2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate accounts) Regulations 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



Helen Lipscomb
Secretary

20th March 2017

Statement of Managing Agent's Responsibilities

The managing agents are responsible for preparing the Syndicate financial statements in accordance with applicable law and regulations.

Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 requires the Managing Agent to prepare their Syndicates financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 the managing agent must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these financial statements, the managing agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements assuming there are no uncertainties surrounding the Syndicate's ability to continue to write business in the future as required to provide a true and fair view

The Managing Agent is 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 financial statements comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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



Helen Rose
Chief Financial Officer

20th March 2017

Independent auditor's report to the member of Syndicate 4711

We have audited the financial statements of Syndicate 4711 for the year ended 31 December 2016, as set out on pages 13 to 46. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the members of the syndicate, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and the syndicate's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Managing Agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 11, the Managing Agent is responsible for the preparation of the syndicate's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the syndicate's financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual 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 annual accounts

In our opinion the annual accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.



Timothy Butchart (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London
E14 5GL

21st March 2017

Profit and Loss Account: Technical and Non-Technical Account - General Business
for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Gross premiums written	5	404,459	330,517
Outward reinsurance premiums	5	(182,211)	(135,844)
Net premiums written		222,248	194,673
Change in the provision for unearned premiums			
Gross amount	5	(12,107)	(17,031)
Reinsurers' share	5	19,145	11,865
Net change in provision for unearned premiums		7,038	(5,166)
Earned premiums, net of reinsurance		229,286	189,507
Allocated investment return transferred from the non-technical account	10	1,399	1,623
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	5	(161,324)	(122,743)
Reinsurers' share	5	56,100	25,351
Net claims paid		(105,224)	(97,392)
Change in the provision for claims			
Gross amount	5	(70,250)	(86,309)
Reinsurers' share	5	43,892	52,696
Net change in the provision for claims		(26,358)	(33,613)
Claims incurred, net of reinsurance		(131,582)	(131,005)
Net operating expenses	6	(91,821)	(81,389)
Balance on the technical account - for general business		7,282	(21,264)
Non-Technical Account			
Investment income	10	3,936	2,308
Realised losses on investments	10	(2,129)	(151)
Investment management charges	10	(175)	(157)
Unrealised losses on investments	10	(233)	(377)
Allocated investment return transferred to general business technical account	10	(1,399)	(1,623)
Other charges	7	(583)	—
Profit/(Loss) for the financial year		6,699	(21,264)

All operations are continuing.

Statement of Other Comprehensive Income
for the year ended 31 December 2016

	2016	2015
	£000	£000
Profit/(Loss) for the financial year	6,699	(21,264)
Foreign currency translation differences	(2,211)	76
Total recognised gains and losses in the financial year	4,488	(21,188)

Balance sheet - Assets
at 31 December 2016

	Notes	2016 £000	2015 £000
Investments			
Financial investments	11	<u>286,839</u>	<u>209,674</u>
Reinsurers' share of technical provisions			
Provision for unearned premiums	13	112,096	74,147
Claims outstanding	13	<u>238,244</u>	<u>157,082</u>
		350,340	231,229
Debtors - due within one year			
Debtors arising out of direct insurance operations - intermediaries		166,471	110,675
Debtors arising out of reinsurance operations		82,118	52,626
Other Debtors		<u>2,498</u>	<u>1,519</u>
		251,087	164,820
Debtors - due after one year			
Debtors arising out of direct insurance operations - Intermediaries		5,808	8,650
Debtors arising out of reinsurance operations		<u>2,339</u>	<u>3,716</u>
		8,147	12,366
Other assets			
Cash at bank and in hand	14	9,870	32,399
Other	14	<u>56,303</u>	<u>21,265</u>
		66,173	53,664
Prepayments and accrued income			
Deferred acquisition costs	12	61,784	45,868
Other prepayments and accrued income		<u>692</u>	<u>530</u>
		62,476	46,398
TOTAL ASSETS		<u>1,025,062</u>	<u>718,151</u>

Balance Sheet - Liabilities
at 31 December 2016

	Notes	2016 £000	2015 £000
Capital and reserves			
Member's balance		(7,907)	(12,592)
Technical provisions			
Provision for unearned premiums	13	252,432	195,206
Claims outstanding	13	607,821	437,198
		<u>860,253</u>	<u>632,404</u>
Creditors - due within one year			
Creditors arising out of direct insurance operations - intermediaries		32,767	20,390
Creditors arising out of reinsurance operations		112,537	56,717
Other creditors		—	3,158
		<u>145,304</u>	<u>80,265</u>
Accruals and deferred income		27,412	18,074
TOTAL LIABILITIES		<u><u>1,025,062</u></u>	<u><u>718,151</u></u>

The financial statements on pages 13 to 46 were approved by the Board of Aspen Managing Agency Limited on 20th March 2017 and were signed on its behalf by:



Helen Rose
Chief Financial Officer

20th March 2017

Statement of changes in Members' Balances
at 31 December 2016

	2016 £000	2015 £000
Member's balances at 1 January	(12,592)	8,298
FX Impact on 2013 YOA	204	
Profit/(Loss) for the financial year	6,699	(21,264)
Other recognised gains and losses relating to the financial year	(2,211)	76
Collection of Loss to member	35	684
Member's FIT	(42)	(386)
Member's balance carried forward at 31 December	<u>(7,907)</u>	<u>(12,592)</u>

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year in respect of their membership of a particular year.

Cash Flow Statement
for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Cash flows from operating activities			
Operating result		6,699	(21,264)
Increase in gross technical provisions		227,849	113,994
Increase in reinsurers' share of gross technical provisions		(119,112)	(69,564)
Increase in debtors		(98,124)	(17,303)
Increase in creditors		74,377	7,144
Movement in other assets/liabilities		(35,037)	(386)
Investment return		(1,399)	—
Other		(2,864)	76
Net cash flows from operating activities		52,389	12,697
Cash flows from investing activities			
Purchase of equity and debt instruments		(179,805)	(35,428)
Sale of equity and debt instruments		138,083	58,118
Investment income received/paid		1,807	(386)
Cash flows from financing activities			
Distribution profit (per RX04)		—	—
Distribution loss		35	684
Net increase in cash and cash equivalents		12,509	35,685
Cash and cash equivalents at 1 January		53,664	17,979
Cash and cash equivalents at 31 December		66,173	53,664
Cash at bank and in hand	14	9,870	32,399
Short term deposits with credit institutions	14	56,303	21,265
Cash and cash equivalents at 31 December		66,173	53,664

Notes to the Accounts

At 31 December 2016

1. Basis of preparation

Syndicate 4711 ('The Syndicate') comprises of a member of the Society of Lloyds that underwrites insurance business in the London Market. The address of the syndicate's managing agent is 30 Fenchurch Street, London, EC3M 3BD.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102 ("FRS 102") and Financial Reporting Standard 103 ("FRS 103") being the applicable UK GAAP accounting standards

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

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

2. Judgments and key sources of estimation uncertainty

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 prospectively.

The measurement of the provision for claims outstanding involves judgments 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 balance sheet 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, judgment 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 in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 5.

3. Significant accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's financial statements.

Gross Premiums

Gross written premiums comprise total premiums receivable for the whole period of cover for contracts entered into in the reporting period plus any adjustments to such premiums receivable in respect of business written in prior reporting periods. All premiums are shown gross of commissions payable to intermediaries and exclusive

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of taxes and levies. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified. Revisions to estimates are recognised as they arise.

Reinsurance premiums

Reinsurance premiums relating to reinsurance placed by the Syndicate are accounted for using the same accounting methodology as we use for inwards premiums.

Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date.

Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance and reinsurance contracts.

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Technical Provisions

Technical provisions comprise claims outstanding, provisions for unearned premiums, provisions for unexpired risk and equalisation provisions.

Claims provision

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability is not discounted for the time value of money.

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported to the Syndicate, at the reporting date (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Syndicate, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Syndicate uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Syndicate has regard to the claim circumstance as reported, any information

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available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible the Syndicate adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year. The main projection methodologies that are used are:

- Initial expected loss ratio ("IELR") method: This method calculates an estimate of ultimate losses by applying an estimated loss ratio to an estimate of ultimate earned premium for each accident year.
- Bornhuetter-Ferguson ("BF") method: The BF method uses as a starting point an assumed IELR and blends in the loss ratio implied by the claims experience to date by using benchmark loss development patterns on paid claims data ("Paid BF") or reported claims data ("Reported BF").
- Loss development ("Chain Ladder"): This method uses actual loss data and the historical development profiles on older accident years to project more recent, less developed years to their ultimate position.
- Exposure-based method: This method is used for specific large typically catastrophic events such as a major hurricane. All exposure is identified and we work with known market information and information from our cedants to determine a percentage of the exposure to be taken as the ultimate loss.

In addition to these methodologies, our actuaries may use other approaches depending upon the characteristics of the line of business and available data.

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date computed separately for each insurance contract. Written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unearned premiums are deemed monetary items and are valued using the closing rate.

Unexpired risks

A liability adequacy provision (the unexpired risks provision) is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date, is expected to exceed the provision for unearned premiums, net of deferred acquisition costs, and premiums receivable.

The assessment of whether a provision is necessary is made by considering separately each category of business on the basis of information available at the reporting date, after offsetting surpluses and deficits arising on products which are managed together. Investment income is taken into account in calculating the provision.

Deferred acquisition costs

Acquisition costs, arising from the conclusion of insurance contracts are deferred commensurate with the unearned premium provision.

Deferred acquisition costs are deemed to be monetary items and are valued using the closing rate.

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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 statement of profit or loss.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

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. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Financial Instruments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 Financial Instruments to account for all of its financial instruments.

The Syndicate classifies its financial assets into the following categories: Shares and other variable-yield securities and units in unit trusts - at fair value through profit or loss; and Deposits with credit institutions - loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit or loss

A financial asset is classified into this category at inception if:

- i. they are acquired principally for the purpose of selling in the short term; or
- ii. if they form part of a portfolio of financial assets in which there is evidence of short term profit-taking; or
- iii. if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities.

Financial assets designated as at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Syndicate's key management personnel. The Syndicate's investment strategy is to invest in listed and unlisted fixed interest rate debt securities, and derivatives designated upon initial recognition at fair value through profit or loss.

The fair values of financial instruments traded in active markets are based on quoted bid prices on the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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The fair values of financial instruments that are not traded in an active market (for example over-the-counter derivatives), are established by the directors using valuation techniques which seek to arrive at the price at which an orderly transaction would take between market participants.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the profit and loss account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Syndicate intends to sell in the short term or that it has designated as at fair value through profit or loss. When a financial liability is recognised initially it is measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability. Loans and receivables are subsequently measured at amortised cost using the effective interest method. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the directors as having prudent regard to the likely realisable value.

Impairment

For financial assets not at fair value through profit or loss, the Syndicate assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Investment return

Investment return comprises all investment income (which includes the interest income for financial assets carried at amortised cost, using the effective interest method), realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest payable on financial liabilities carried at amortised cost, using the effective interest method.

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. In the case of investments included at amortised cost, realised gains and losses are calculated as the difference between sale proceeds and their latest carrying value. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value 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.

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated equity is made from the non-technical account to the technical account.

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.

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Foreign currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. The Syndicate's assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

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 (currently at 20%) 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 balance sheet under the heading 'other debtors'.

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

The Syndicate will make payments on account of United States Federal Income Tax due on underwriting results and investment income on behalf of its Member. These payments are recorded under the heading 'other debtors' and are recovered by the Syndicate from its Member's.

Member's expenses

Member's expenses comprise managing agent's fees and profit commission, Lloyd's subscriptions and central fund contributions.

Managing agent's fees are recognised in full in the calendar year in which they are paid.

Lloyd's subscriptions and central fund contributions are earned in line with the gross premiums written to the same year of account.

4. Risk and capital management

Introduction and overview

The Syndicate is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are insurance risk, market risk (including interest rate risk and currency risk) credit risk, and liquidity risk.

The key risks for the Syndicate are largely unchanged during the last year. The ongoing soft Market conditions and its impact on the achievability of both top line and bottom line performance remain a key focus.

Risk Governance and Risk Management Strategy

The Board of Directors of the Aspen Managing Agency Limited ("the Board") considers effective identification, measurement, monitoring, management and reporting of the risks facing our business to be key elements of its responsibilities. The Board ensures that the company operates an effective risk management and control framework which includes risk management, compliance and internal control systems. The Syndicate, as an operating entity within the Aspen Group, benefits from the Group's established risk management practices. The Group's risk management policies are established to identify and analyse the risks faced by the Group and the managing agency, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Syndicate and managing agency's activities. Further details on the Group wide risk management strategy can

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be found in the consolidated financial statements of Aspen Insurance Holdings Limited ("AIHL") which are available to the public.

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to supervision by 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 would comply with the 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 4711 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 is participating but not other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

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

Insurance Risk

Insurance risk is defined as the risk that underwriting results vary from their expected amounts, including the risk that reserves established in respect of prior periods are understated.

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Insurance risk includes the following:

- a. Underwriting risk: The variation of accident year technical result from its expected value. Underwriting risk can be further split into sub-categories including:
 - Catastrophe accumulation risk: The risk that losses from natural catastrophes exceed expected levels.
 - Pricing calibration risk: The risk that actual technical results differ from expected values as a result of invalid assumptions, methodology or parameters used in the pricing process.
 - Large claims risk: The risk that losses from a single man-made event, or group of related events, exceed the expected levels.
 - Attritional risk: The risk that the total of all losses other than catastrophe and large losses exceeds the expected level.
 - Reinsurance mitigation risk: The risk that gross losses are not reduced by reinsurance recoveries to the extent expected.
- b. Reserving risk: The variation in policyholder reserves for prior accident years.

Processes for addressing risk

We model our exposure to underwriting and reserving risks using the Internal Model to measure the associated capital requirements on both the one year Solvency Capital Requirement (SCR) measure stipulated by Solvency II and the ultimate SCR basis used by Lloyd's to set capital requirements. Our Internal Model has been assessed by Lloyd's as meeting the tests and standards for Solvency II approval. Lloyd's internal model of which our model is a part has been approved by the PRA. Modelling of insurance risk exposures is the key process for monitoring and managing insurance risk.

The Reserving policy and Aspen Group Underwriting Risk Policy evidence how Aspen manages the risk of loss or of adverse change in the values of insurance and reinsurance liabilities, resulting from inadequate pricing and provisioning assumptions.

The Underwriting Risk Policy requires and defines the use of Aspen Underwriting Principles ("AUPs") for each underwriting team, and similarly the Group Pricing Standard establishes the requirements that must be addressed by the Pricing Policy Document ("PPD") for each portfolio. AUPs set out a series of key principles translated into specific guidelines, requirements, processes and management controls, the compliance of which is mandatory for all Underwriters. The PPDs set out a series of standards and principles to apply to all business underwritten.

The Group Claims risk policy sets out the core risk management requirements for the Claims process. The Syndicate Claims Procedures apply to claims handling in respect of Syndicate claims. It covers the full claims cycle and is supported by a range of detailed procedures. It includes specific considerations in respect of the handling of Syndicate claims.

The Reinsurance Mitigation Policy defines Aspen's approach to managing the risk that gross losses are not reduced by reinsurance recoveries to the extent expected. The Insurance Accumulation Risk policy defines Aspen's approach to categorise, set tolerances and limit, measure, monitor, report and escalate Natural Catastrophe and Non Natural Catastrophe accumulations.

The Key Risk limits are monitored and reported in the Chief Risk Officer's ("CRO's") report to the AMAL Board.

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Concentration of insurance risk

The Syndicate's exposure to insurance risk is well diversified. The following table provides an analysis of the geographical breakdown of its premiums by class of business;

Year 2016	Accident and Health	Marine, aviation and transport	Fire and other damage to property	Third party liability	Miscellaneous	Reinsurance	Total £000
UK	748	6,703	1,348	15,556	7,371	26,079	57,805
Asia	896	8,030	1,615	18,635	8,830	31,241	69,247
Europe	617	5,528	1,112	12,831	6,080	21,511	47,679
US	1,710	15,328	3,084	35,574	16,856	59,640	132,192
Other	1,262	11,310	2,275	26,248	12,437	44,004	97,536
Total	5,233	46,899	9,434	108,844	51,574	182,475	404,459

Year 2015	Accident and Health	Marine, aviation and transport	Fire and other damage to property	Third party liability	Miscellaneous	Reinsurance	Total £000
UK	1,359	6,983	1,411	15,281	13,398	23,970	62,402
Asia	679	3,489	705	7,637	6,695	11,979	31,184
Europe	965	4,956	1,002	10,847	9,510	17,014	44,294
US	2,539	13,042	2,636	28,542	25,024	44,769	116,552
Other	1,657	8,514	1,721	18,632	16,335	29,226	76,085
Total	7,199	36,984	7,475	80,939	70,962	126,958	330,517

Sensitivity of 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 written and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of claims incurred but not reported (IBNR).

A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss:

2016		2015	
5 per cent increase	5 per cent decrease	5 per cent increase	5 per cent decrease
£000	£000	£000	£000
(17,894)	17,894	(13,578)	13,578

Claims Development

Reserves are required owing to the time between the occurrences, reporting and eventual settlement of a loss, which, for some lines of business, can be several years. Since reserves are an estimate of the likely outcome of these future events, they are subject to a degree of volatility. That is, the actual emergence of ultimate losses can be expected to differ, perhaps materially, from any estimate of such losses.

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The users should be aware that loss payment and loss reporting patterns are not the only considerations in establishing loss reserves.

In setting claims provisions the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease.

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

Gross

	2011	2012	2013	2014	2015	2016	Total
	£000	£000	£000	£000	£000	£000	£000
Pure underwriting year							
Estimate of gross claims							
at end of underwriting year	79,719	84,595	98,391	83,707	112,471	105,538	
One year later	187,713	176,195	187,902	211,229	266,425	—	
Two years later	179,832	190,664	198,507	228,584	—	—	
Three years later	176,286	209,861	173,081	—	—	—	
Four years later	171,770	207,486	—	—	—	—	
Five years later	169,765	—	—	—	—	—	
Less gross claims paid	147,913	137,438	122,403	93,155	51,022	6,065	
Gross reserve	21,852	70,048	50,678	135,429	215,403	99,473	592,883
Gross claims reserve for 2010 and prior years							14,938
Gross claims reserves							607,821

Net

	2011	2012	2013	2014	2015	2016	Total
	£000	£000	£000	£000	£000	£000	£000
Pure underwriting year							
Estimate of net claims							
at end of underwriting year	60,883	62,305	73,810	61,001	61,628	59,825	
One year later	111,834	129,314	133,836	144,915	159,984	—	
Two years later	104,161	138,832	142,787	154,408	—	—	
Three years later	97,791	153,115	125,183	—	—	—	
Four years later	95,977	152,516	—	—	—	—	
Five years later	94,316						
Less net claims paid	85,332	102,996	89,723	68,118	35,730	4,813	
Net reserve	8,984	49,520	35,460	86,290	124,254	55,012	359,520
Net claims reserve for 2010 and prior years							10,057
Net claims reserves							369,577

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Market Risk

Market risk is the risk of variation in the income generated by, and the fair value of, our investment portfolio, cash and cash equivalents and derivative contracts including the effect of changes in foreign currency exchange rates. Within our Risk Universe we define five categories of market risk:

- (i) Foreign currency risk;
- (ii) Fixed Income Security risk which sub-divides into
 - interest rate risk; and
 - spread risk.
- (iii) Equity risk
- (iv) Market risk mitigation risk
- (v) Asset concentration risk

Processes for addressing risk

As with Insurance risk, we model our exposure to market risks using the Internal Model to measure the associated capital requirements on both the one year Solvency Capital Requirement (SCR) measure stipulated by Solvency II and the ultimate SCR basis used by Lloyd's to set capital requirements.

The Investment Risk Policy describes the measurement of market risks, and specifically describes what is permissible with regards to the use of derivatives in order to manage currency positions, portfolio duration and hedge interest rate risk in the investment portfolio.

Use of derivatives is limited to interest rate swaps, forward rate transactions, bond options, interest rate futures, foreign exchange spot and forward transactions and currency options. As at 31 December 2016 Syndicate has not entered into any derivative transactions.

The Asset and Liability Management Policy defines Aspen's approach to duration and currency matching. Management monitors the value, currency and duration of cash and investments held by the Company to ensure that the Company is able to meet the insurance and other liabilities as they become due. The following components of both cash matching and duration matching are employed to manage the investment portfolio:

- The average duration of liabilities;
- The outlook for interest rates and the yield curve;
- The need for cash to pay claims;
- Total return.

As with Insurance risks market risk is inherently unpredictable. It is difficult to predict the frequency of events of this nature and to estimate amount of loss that any given occurrence will generate. As with Insurance risks as well as modelling our exposures and the capital required to address potential market risks using our internal model we define and monitor a number of key Risk limits to measure and manage our Market risk exposure.

Key Risk limits regarding the shape (in terms of limits on asset type concentrations), overall credit rating and volatility of the Syndicate investment portfolio have been defined by management and approved by the AMAL Board. The Investment Guidelines are reviewed and approved annually by the AMAL Board and define additional investment limits for the Syndicate.

The Key Risk limits are monitored and reported in the Chief Risk Officer's ("CRO's") report to the AMAL Board.

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Foreign currency risk

The table below summarises the carrying value of the Syndicate's assets and liabilities, at the reporting date:

	Sterling £000	Euro £000	US dollar £000	Other £000	Total £000
Year 2016					
Financial investments:					
Shares and other variable yield securities and units in unit trusts	—	—	46,399	7,077	53,476
Debt securities and other fixed income securities	—	—	208,007	25,356	233,363
	—	—	254,406	32,433	286,839
Reinsurers' share of technical provisions	227	1,033	348,945	135	350,340
Debtors	39,063	2,380	211,921	3,372	256,736
Cash and cash equivalents	52,960	1,099	5,389	6,725	66,173
Other assets	3,565	4,236	54,057	3,116	64,974
Total Assets	95,815	8,748	874,718	45,781	1,025,062
Technical provisions	(88,899)	(39,367)	(663,528)	(68,459)	(860,253)
Creditors	(4,204)	(17)	(141,083)	—	(145,304)
Other Creditors	(3,392)	—	(20,724)	(3,296)	(27,412)
Total liabilities	(96,495)	(39,384)	(825,335)	(71,755)	(1,032,969)
Net assets	(680)	(30,636)	49,383	(25,974)	(7,907)

The sterling liability balances above include liabilities in other currencies that will be settled in sterling.

	Sterling £000	Euro £000	US dollar £000	Other £000	Total £000
Year 2015					
Financial investments:					
Shares and other variable yield securities and units in unit trusts	—	—	11,972	9,302	21,274
Debt securities and other fixed income securities	—	—	171,157	17,243	188,400
	—	—	183,129	26,545	209,674
Reinsurers' share of technical provisions	144	51	231,034	—	231,229
Debtors	5,078	—	121,840	48,749	175,667
Cash and cash equivalents	41,314	5,024	2,899	4,427	53,664
Other assets	3,243	2,349	40,474	1,851	47,917
Total Assets	49,779	7,424	579,376	81,572	718,151
Technical provisions	(56,684)	(26,408)	(507,090)	(42,222)	(632,404)
Creditors	(29,777)	(3,369)	(43,953)	(8)	(77,107)
Other Creditors	(1,051)	(1,152)	(15,992)	(3,037)	(21,232)
Total liabilities	(87,512)	(30,929)	(567,035)	(45,267)	(730,743)
Net assets	(37,733)	(23,505)	12,341	36,305	(12,592)

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The Syndicate manages its foreign exchange risk against its functional currency. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

In order that Syndicate can manage the currency mismatch risks within the regulatory parameters required, a limit approved by the AMAL Board, is in force. This limit ensures that the value of assets in each currency is above 85% of the value of insurance liabilities in that currency, subject to these assets exceeding 5% of the value of assets in all currencies. This ensures that Syndicate's compliance with the only Lloyd's regulatory requirement identified. In March 2016 the AMAL Board approved a change to this risk limit to make it symmetrical requiring the value of assets in each currency to also be less than 115% of the value of insurance liabilities in that currency, subject to these assets exceeding 5% of the value of assets in all currencies.

The Syndicate is primarily exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than the U.S. Dollar, the Syndicate's functional currency. Other significant currencies to which the Company is exposed are the Pound Sterling, Australian Dollars, Canadian Dollars and the Euro. The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

At the 31st December 2016, if the U.S. Dollar had weakened / strengthened by 10 percent with all other variables held constant then profit for the year would have been £3.6m (2015: £1.2m) / £4.4m (2015: £0.1m) higher / lower, mainly as a result of foreign exchange gains / losses on the translation of non U.S. Dollar denominated financial assets, and foreign exchange losses / gains on translation of non U.S. Dollar denominated insurance liabilities.

Fixed Income Securities - Interest rate risk

The Company's investment portfolio consists primarily of fixed income securities. Fluctuations in interest rates have a direct impact on the market valuation of these securities. The Syndicate manages interest rate risk by maintaining a short to medium duration financial assets to reduce the effect of interest rate changes on fair value, and taking out interest rate swaps where appropriate.

The Syndicate's sensitivity to Interest rate risk is shown below:

	2016 Profit or loss for the year £000	2015 Restated Profit or loss for the year £000
Interest rate risk		
=+ 50 basis points shift in yield curves	(1,783)	(1,342)
=- 50 basis points shift in yield curves	1,783	1,342

Fixed Income Securities - Spread Risk

The yield of a non-government fixed income security can be divided into two parts:

- The 'risk free' rate, being the yield of the treasury security issued by the country in which the issuer operates which is closest to it in maturity
- The 'spread' of the yield over the risk free rate (= total yield -risk free rate)

The spread is normally positive because it represents the extra consideration required by the market to compensate for the greater risk (compared to the Government issuer) of default on interest or redemption. The spread may also be influenced by the actual or perceived liquidity or marketability of the security.

The spread of a bond also adjusts over time to reflect the spread required on similar new issues. This movement up or down in spread therefore also contributes to overall market risk and we call this 'spread risk'. We also include within spread risk the risk that a security falls in value as a result of being downgraded by a rating agency as this will also cause the spread to increase. We also include the risk of actual default on interest or redemption as a

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special case of spread risk. This default risk is actually a type of credit risk but it is convenient to deal with it here under market risk because of the way we model it in the Internal Model as an extreme case of downgrade risk.

We manage spread risk by limiting the overall credit quality of our investment portfolio and the concentrations of investments with specific issuers of investments. This risk is mitigated by limiting exposure to any single counterparty

Equity Risk

We define Equity risk as the risk of adverse movements in the market price of investments (or their derivatives) other than fixed income securities. Unlike Fixed Income Securities the value of equities is not directly linked too interest rates and spreads, there are many factors that affect the value of investments.

The Syndicate does not invest in equities so this risk is not currently relevant to the Syndicate.

Market risk mitigation risk

We define Market risk mitigation risk as the risk of variation in the value or effectiveness of hedging positions. The Syndicate does not currently use any hedging instruments

Asset concentration risk

The aggregate value of our investment portfolio may be at greater risk if it is over exposed to the same asset or a group of similar assets with similar risk dynamics.

Concentrations which we seek to manage for this reason include types of asset (e.g. mortgage backed securities), economic sector of issuer and securities of the same issuer

Credit Risk

Credit risk is the risk of loss to the Syndicate if a counterparty to a financial instrument or reinsurance agreement fails to meet its contractual obligations. The Syndicate is exposed to credit risk through its investment holdings (cash, debt securities and other fixed income securities), its reinsurers' shares of insurance liabilities and amounts due from reinsurers in respect of claims already paid. As already stated within our Internal Model and our management process we treat credit risk relating to our fixed Income security investments as part of Market risk

The Syndicate is also exposed to credit risk through the diminution in the value of insurance receivables as a result of counterparty default. This principally comprises default and concentration risks relating to amounts receivable from intermediaries, policyholders and reinsurers. Reinsurance and retrocession does not isolate the Syndicate from its obligations to policyholders. In the event that a reinsurer or retrocessionaire fails to meet its obligation, the Syndicate's obligations remain.

Processes for addressing risk

As with Insurance risk, we model our exposure to credit risks using the Internal Model to measure the associated capital requirements on both the one year Solvency Capital Requirement (SCR) measure stipulated by Solvency II and the ultimate SCR basis used by Lloyd's to set capital requirements.

The processes for addressing credit risk in relation to financial Instruments has already been dealt with as part of the explanation of our processes to address Market Risk. This Group Insurance Credit Risk policy defines the processes for assessing, monitoring and managing credit exposure to intermediaries, policyholders and reinsurance counterparties. The Syndicate manages the levels of credit risk by placing limits on its exposure to a single counterparty, or groups of counterparty. Such risks are subject to regular review.

The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy.

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The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the balance sheet, with analysis by credit ratings of the counterparties issued by Standard and Poor's. AAA is the highest possible rating.

Year 2016	AAA £000	AA £000	A £000	BBB £000	Not rated £000	Total £000
Financial Investments:						
Shares and other variable yield securities and unit trusts	—	—	—	—	53,476	53,476
Debt securities	47,278	99,503	75,765	10,817	—	233,363
Overseas deposits as investments	—	—	—	—	56,303	56,303
	47,278	99,503	75,765	10,817	109,779	343,142
 Reinsurer's share of claims outstanding	—	12,176	225,027	1,041	—	238,244
Reinsurance debtors	—	770	14,239	66	—	15,075
Cash at bank and in hand	—	—	—	—	9,870	9,870
Total	47,278	112,449	315,031	11,924	119,649	606,331

Year 2015	AAA £000	AA £000	A £000	BBB £000	Not rated £000	Total £000
Financial Investments:						
Shares and other variable yield securities and unit trusts	—	—	—	—	21,274	21,274
Debt securities	35,604	86,587	57,748	8,461	—	188,400
Overseas deposits as investments	—	—	—	—	21,265	21,265
	35,604	86,587	57,748	8,461	42,539	230,939
 Reinsurer's share of claims outstanding	—	23,778	132,560	744	—	157,082
Cash at bank and in hand	—	—	—	—	32,399	32,399
Total	35,604	110,365	190,308	9,205	74,938	420,420

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The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. The Syndicate do not consider these debtors to be impaired on the basis of stage of collection of amount owed to Syndicate.

An analysis of the carrying amounts of past due debtors is presented in the table below.

	Debtors arising from direct insurance £000
Year 2016	
Past Due but not impaired financial assets:	
Past due by:	
1 to 30 days	7,190
31 to 90 days	2,077
91 to 180 days	2,127
More than 180 days	1,133
	<u>12,527</u>
Past Due but not impaired financial assets:	<u>—</u>
Impaired financial assets	<u>12,527</u>
Gross value of past due and impaired financial assets	<u>159,753</u>
Neither overdue nor impaired financial assets	<u>172,280</u>
Net carrying value	<u>172,280</u>

All reinsurance debtors are classed as not yet due.

	Debtors arising from direct insurance operations £000
Restated 2015	
Past Due but not impaired financial assets:	
Past due by:	
1 to 30 days	5,163
31 to 90 days	2,185
91 to 180 days	1,648
More than 180 days	414
	<u>9,410</u>
Past Due but not impaired financial assets:	<u>—</u>
Impaired financial assets	<u>9,410</u>
Gross value of past due and impaired financial assets	<u>109,915</u>
Neither overdue nor impaired financial assets	<u>119,325</u>
Net carrying value	<u>119,325</u>

The 2015 figures have been restated to be in line with the latest methodology being used in 2016.

Liquidity Risk

Liquidity risk is defined as the risk of failing to maintain sufficient liquid financial resources to meet liabilities as they fall due or to provide collateral as required for commercial or regulatory purposes.

Liquidity risk includes the following:

- (a) Payment default risk: The risk that there is insufficient cash to make payments when due and that no additional cash can be made available by borrowing, sale of assets or capital raising.
- (b) Risk of unplanned asset realisation losses: The risk that securities are required to be sold at a loss to meet liquidity requirements.
- (c) Risk of failure of credit facility: The risk that advances from the credit facility are unavailable.

Notes to the Accounts

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- (d) Group liquidity risk: The risk that liquidity cannot be secured for a Group company from elsewhere in the Group.
- (e) Collateral risk The risk that the Syndicate is unable to provide collateral to a third party when contractually required to do so.

Processes for addressing risk

Unlike Insurance, Market and Credit Risk we do not model and manage liquidity risk using our internal model. This is because it is not a risk that is mitigated by holding capital against it.

The Managing Agency's annual Stress & Scenario Testing (SST) process is used to determine the basis of the Key Liquidity risk limit. The Liquidity Risk policy provides further details of how Liquidity risks are identified, monitored, managed and modelled. This includes details of an escalation process for a breach of the minimum free funds limit.

The Liquidity Risk Policy highlights the measures that Aspen have put in place in order to maintain an agreed amount of assets in cash and cash equivalents. These measures include concentration limits to ensure the liquidity of assets, appropriateness of the marketability or realisability of assets and a liquidity contingency funding plan.

Liquidity stress testing is carried out against the Syndicate & Group's risk profile at least annually by the Risk Management and Analytics function as part of the Stress and Scenario Testing programme. This allows management to identify the potential strains on the Syndicate's liquidity as a result of the scenarios assessed as well as gaining understanding of the Group's ability to support the liquidity needs of entities such as the Syndicate as the need arises.

The table below analyses the Syndicate's monetary assets into their relevant maturity groups based on the period remaining at the year end to their contractual maturities or expected settlement dates:

	Carrying amount £000	Total cash flows £000	Undiscounted net cash flows			
			Less than 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000
Year 2016						
Financial investments:						
Shares and other variable yield securities and units in unit trusts	53,476	53,476	53,476	—	—	—
Debt securities	233,363	233,363	233,363	—	—	—
Reinsurers share of technical provisions	350,340	350,340	22,119	165,617	104,714	57,890
Debtors and accrued interest	259,926	259,926	258,793	1,133	—	—
Cash at bank and in hand	9,870	9,870	9,870	—	—	—
Other	56,303	56,303	56,303	—	—	—
Total assets	963,278	963,278	633,924	166,750	104,714	57,890
Technical provisions	860,253	860,253	94,190	398,621	236,724	130,718
Creditors	145,304	145,304	145,304	—	—	—
Total Liabilities	1,005,557	1,005,557	239,494	398,621	236,724	130,718

Notes to the Accounts

At 31 December 2016

	Carrying amount £000	Total cash flows £000	Undiscounted net cash flows			
			Less than 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000
Year 2015						
Financial investments:						
Shares and other variable yield securities and units in unit trusts	21,274	21,274	21,274	—	—	—
Debt securities	188,400	188,400	188,400	—	—	—
Reinsurers share of technical provisions	231,229	231,229	19,801	126,647	58,091	26,690
Debtors and accrued interest	177,716	177,716	165,350	12,366	—	—
Cash at bank and in hand	32,399	32,399	32,399	—	—	—
Other	21,265	21,265	21,265	—	—	—
Total assets	672,283	672,283	448,489	139,013	58,091	26,690
Technical provisions	632,404	632,404	85,817	179,182	241,209	126,196
Creditors	80,265	80,265	80,265	—	—	—
Total Liabilities	712,669	712,669	166,082	179,182	241,209	126,196

Notes to the Accounts

At 31 December 2016

5. Segmental Information

An analysis of the underwriting result before investment return is presented in the table below:

2016

	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct Insurance:						
Marine aviation and transport	46,898	46,405	(22,976)	(14,728)	(9,069)	(368)
Energy	41,913	41,874	12,431	(13,163)	(28,459)	12,683
Fire and other damage to property	9,435	8,654	(2,354)	(2,963)	(2,145)	1,192
Third party liability	108,844	94,943	(67,000)	(34,182)	(2,128)	(8,367)
Pecuniary loss	9,662	22,665	(10,979)	(3,034)	(10,551)	(1,899)
Accident & health	5,232	4,930	(925)	(1,643)	(1,169)	1,193
Total direct	221,984	219,471	(91,803)	(69,713)	(53,521)	4,434
Reinsurance	182,475	172,881	(139,771)	(56,982)	25,321	1,449
Total	404,459	392,352	(231,574)	(126,695)	(28,200)	5,883

2015 Restated

	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct Insurance:						
Marine aviation and transport	36,984	41,710	(15,597)	(11,377)	(4,315)	10,421
Energy	47,834	39,231	(41,523)	(14,715)	1,375	(15,632)
Fire and other damage to property	7,475	7,237	2,669	(2,300)	(1,569)	6,037
Third party liability	80,939	73,395	(42,078)	(24,897)	(4,082)	2,338
Pecuniary loss	23,128	21,135	(9,097)	(7,114)	(2,830)	2,094
Accident & health	7,199	6,002	(5,536)	(2,215)	(302)	(2,051)
Total direct	203,559	188,710	(111,162)	(62,618)	(11,723)	3,207
Reinsurance	126,958	124,776	(97,891)	(39,109)	(13,870)	(26,094)
Total	330,517	313,486	(209,053)	(101,727)	(25,593)	(22,887)

All premiums were underwritten in the UK.

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At 31 December 2016

6. Net operating expenses

	2016	2015
	£000	£000
Brokerage and commissions	(85,904)	(62,580)
Other acquisition costs	(13,896)	(15,094)
Change in deferred acquisition costs	5,755	4,341
Administrative expenses	(32,650)	(24,347)
Reinsurers' commissions and profit participations	34,874	20,338
Profit/(loss) on exchange	—	(4,047)
	<u>(91,821)</u>	<u>(81,389)</u>

	2016	2015
	£000	£000
<i>Administrative expenses include:</i>		
Auditors' remuneration:		
Fees payable to the Syndicate's auditors for the audit of these financial statements	123	118
Fees payable to the Syndicate's auditors and its associates in respect of other services pursuant to legislation	142	106
Managing agent's fees	(2,850)	(2,466)

Total commissions for direct insurance business for the year amounted to £49.1million (2015: £41.2million).

7. Other Charges

Other charges consist of foreign exchange gains and losses on monetary assets and liabilities, arising from translation into US Dollars at the exchange rate prevailing at the balance sheet date.

8. Key management personnel compensation

The directors of AMAL received £876k (2015: £1,225k) aggregate remuneration which has been charged to the Syndicate and included within net operating expenses:

No other compensation was payable to key management personnel.

The active underwriter received the following remuneration charged as a Syndicate expense:

	2016	2015
	£000	£000
Emoluments	257	436

Notes to the Accounts

At 31 December 2016

9. Staff numbers and costs

The Company has no employees of its own. All of the personnel employed in the Company's business are employed by Aspen Insurance UK Services Limited ("AIUKS"). AIUKS is fellow subsidiary of AIHL.

AIUKS encourages its employees to develop their full potential by providing opportunities for training and professional development. Such opportunities, as well as career development and promotion, are equally available to disabled employees, whether newly recruited or existing employees who become disabled whilst in AIUKS's employment.

AIUKS's equal opportunities policy aims to ensure that no potential or existing employee receives less favourable treatment because of his / her sex, actual or perceived sexual orientation, gender (including gender reassignment), marital or family state, age, ethnic origin, disability, race, colour, nationality, national origin, creed, political affiliation, part-time status, or any other condition, unless it can be shown to be legally justifiable.

10. Investment return

The investment return transferred from the technical account to the non-technical account comprises the following:

	2016	2015
	£000	£000
Investment income	3,936	2,308
Realised losses on investments	(2,129)	(151)
Unrealised losses on investments	(233)	(377)
Investment management charges	(175)	(157)
	<u>1,399</u>	<u>1,623</u>

The total income, expenses, net gains or losses, including changes in fair value, recognised on all financial assets and financial liabilities comprises the following:

	2016	2015
	£000	£000
Interest income	3,936	2,308
Interest expense	(2,362)	(528)
Investment management expenses excluding interest	(175)	(157)
Total investment return	<u>1,399</u>	<u>1,623</u>

Notes to the Accounts

At 31 December 2016

The table below presents the average amounts of funds in the year per currency and analysis by major currency the average investment yields in the year.

	2016	2015
	£000	£000
Average amount of syndicate funds available for investment during year:		
Sterling	52,893	41,314
Euro	1,099	5,024
US dollar	259,815	186,024
Canadian dollar	39,139	30,976
Singapore Dollar	66	—
	353,012	263,338
Gross calendar year investment yield:	%	%
Sterling	0.46	0.40
Euro	—	—
US dollar	0.46	0.56
Canadian dollar	1.17	1.23
Combined in Sterling	0.40	0.62

11. Financial Investments

The Syndicate classifies its financial instruments held at fair value in its balance sheet using a fair value hierarchy, as follows:

Level 1 -Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 -Prices based on recent transactions in identical assets (either unadjusted or adjusted)

Level 3 -Prices determined using a valuation technique

The table below analysis financial instruments held at fair value in the Syndicate's balance sheet at the reporting date by its level in the fair value hierarchy.

	Market value		Cost	
	2016	2015	2016	2015
	£000	£000	£000	£000
Shares and other variable yield securities and units in unit trusts	53,476	21,274	53,476	21,274
Debt securities and other fixed income securities	233,363	188,400	234,504	189,023
	286,839	209,674	287,980	210,297

All debt securities and other fixed income securities are listed, which makes up 100% of total investments.

There was no material change in fair value for financial instruments held at fair value (other than derivatives) attributable to own credit risk in the current or comparative period.

There have been no day 1 profits recognised in respect of financial instruments designated at fair value through profit or loss.

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	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
2016				
Shares and other variable yield securities and units in unit trusts	—	53,476	—	53,476
Debt securities and other fixed income securities	50,272	183,091	—	233,363
Loans and deposits with credit institutions	56,303	—	—	56,303
Total	106,575	236,567	—	343,142

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
2015 Restated				
Shares and other variable yield securities and units in unit trusts	—	21,274	—	21,274
Debt securities and other fixed income securities	36,011	152,389	—	188,400
Loans and deposits with credit institutions	21,265	—	—	21,265
Total	57,276	173,663	—	230,939

The new fair value disclosure requirements for financial instruments issued by the UK Financial Reporting Council ("FRC") in March 2016, which is effective for periods on or after 1 January 2017, has been adopted early by the Syndicate and has been applied in the preparation of the fair value hierarchy for 2016 and 2015, which has been restated.

Information on the methods and assumptions used to determine fair values for each major category of financial instrument measured at fair value is provided below.

Debt securities are generally valued using prices provided by external pricing vendors. Pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may make adjustments for the elapsed time from a trade date to the valuation date to take into account available market information. Lacking recently reported trades, pricing vendors will use modeling techniques to determine a security price.

Some government and supranational securities are listed on recognised exchanges and are generally classified as level 1 in the fair value hierarchy. Those that are not listed on a recognised exchange are generally based on composite prices of recent trades in the same instrument and are generally classified as level 2 in the fair value hierarchy.

Corporate bonds, including asset backed securities, that are not listed on a recognised exchange or are traded in an established over-the-counter market are also mainly valued using composite prices. Where prices are based on multiple quotes and those quotes are based on actual recent transactions in the same instrument the securities are classified as level 2, otherwise they are classified as level 3 in the fair value hierarchy.

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12. Deferred acquisition costs

The table below shows changes in deferred acquisition costs assets from the beginning of the period to the end of the period.

	2016	2015
	£000	£000
Balance at 1 January	45,868	40,699
Amortisation	5,755	4,341
Effect of movements in exchange rates	10,161	830
Balance at 31 December	61,784	45,870

13. Technical provisions

The table below shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

	2016			2015		
	Gross provision £000	Reinsurance assets £000	Net £000	Gross provision £000	Reinsurance assets £000	Net £000
Claims outstanding						
Balance at 1 January	437,198	(157,082)	280,116	344,778	(106,208)	238,570
Change in claims outstanding	70,250	(43,892)	26,358	86,309	(52,696)	33,613
Effect of movements in exchange rates	100,373	(37,270)	63,103	6,111	1,822	7,933
Balance at 31 December	607,821	(238,244)	369,577	437,198	(157,082)	280,116
Claims notified	283,352	(47,351)	236,001	197,074	(20,277)	176,797
Claims incurred but not reported	324,469	(190,893)	133,576	240,124	(136,805)	103,319
Balance at 31 December	607,821	(238,244)	369,577	437,198	(157,082)	280,116
Unearned premiums						
Balance at 1 January	195,206	(74,147)	121,059	173,632	(60,535)	113,097
Change in unearned premiums	12,107	(19,145)	(7,038)	17,031	(11,865)	5,166
Effect of movements in exchange rate	45,119	(18,804)	26,315	4,543	(1,747)	2,796
Balance at 31 December	252,432	(112,096)	140,336	195,206	(74,147)	121,059

Notes to the Accounts

At 31 December 2016

14. Cash

	2016	2015
	£000	£000
Cash at bank and in hand	9,870	32,399
Deposits with credit institutions	56,303	21,265
Total cash and cash equivalents	66,173	53,664

Only deposits with credit institutions with maturities of three months or less that are used by the Syndicate in the management of its short-term commitments are included in cash and cash equivalents.

15. Related parties

AMAL is the managing agency of the Syndicate. The Syndicate has paid the following amounts to AMAL in the year:

	2016	2015
	£000	£000
Managing agency fees	2,850	2,466

The Syndicate is supported by Aspen Underwriting Limited ("AUL"), who provides 100% of its underwriting capacity.

The ultimate holding company and controlling party of AMAL and AUL is AIHL.

AIUKS provides services to the Syndicate. The amounts charged to and balances due from the Syndicate at the end of the year are:

	2016	2015
	£000	£000
Expenses recharged	31,959	25,931
Year end balance	2,658	2,685

Aspen Bermuda Limited ("ABL") provides services to the Syndicate. The amounts charged to and balances due from the Syndicate at the end of the year are:

	2016	2015
	£000	£000
Expenses recharged	590	343
Year end balance	(3)	25

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Aspen Reinsurance America ("ARA") provides services to the Syndicate. The amounts charged to and balances due from the Syndicate at the end of the year are:

	2016	2015
	£000	£000
Expenses recharged	2,291	243
Year end balance	188	23

The Syndicate also participates in a 50% Quota Share with AIUK. This Quota Share arrangement commenced in January 2015.

The Syndicate has incurred the following amounts in the year and the balances due from the syndicate at the end of the year relating to these are:

	2016	2015
	£000	£000
Quota share ceded to AIUK	(589)	1,698
Year end balance	11,234	4,651

The Syndicate cedes a 20% Quota Share Treaty for year of accounts 2009 to 2016 to ABL. It also has an Adverse Development Cover protection contract providing a 20% quota share against reserve deterioration above the 31 December 2008 net reserves.

The Syndicate has recognised the following amounts in the year and the balances due from the Syndicate at the end of the year relating to these are:

	2016	2015
	£000	£000
Quota share ceded to Aspen Bermuda Limited	4,363	10,176
Year end balance	2,476	5,340

The Syndicate also cedes premium to ABL as part of its excess of loss ceded reinsurance arrangements, with the following reinsurance amounts in the year and the balances due at the end of the year are:

	2016	2015
	£000	£000
Premium Ceded	14,800	17,204
Reinsurance Recoveries	15,225	9,220

The Syndicate also participates in a reciprocal (\$10m xs \$10m) excess of loss reinsurance with Aspen Insurance (UK) Limited ("AIUK").

Notes to the Accounts

At 31 December 2016

The Syndicate has been charged the following amounts in the year and the balances due from the Syndicate at the end of the year are:

	2016	2015
	£000	£000
Premium incurred in the year payable to AIUK	—	—
Premium incurred in the year receivable from AIUK	—	—
Incurred Claims Movement	(10,859)	4,085
Year end balance	—	—

Aspen UK Syndicate Services Limited ("AUKSSL"), an intermediary which is 100% owned by Aspen, provides business to Syndicate 4711.

The Syndicate has written the following premium amounts in the year and the balances due to the Syndicate at the end of the year are:

	2016	2015
	£000	£000
Premium written in year	1,190	1,179
Year end balance	626	3,753

Asset Protection Jersey ("APJ"), an insurance company, which is 100% owned by Aspen, provides business to Syndicate 4711.

The Syndicate has written the following premium amounts in the year and the balances due to the Syndicate at the end of the year are:

	2016	2015
	£000	£000
Premium written in year	656	1,374
Year end balance	2,102	(192)

Aspen Singapore PTE Limited ("ASPL") acts as an agent for Lloyd's Asia Scheme and provides services to the Syndicate.

The amounts charged to and balances due to the Syndicate at the end of the year are: -

	2016	2015
	£000	£000
Expenses	1,576	—
Year end balance	185	—

Notes to the Accounts

At 31 December 2016

16. Funds at Lloyd's

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

FAL is set with regards 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 accounts 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 on behalf of the Syndicate.

100% of the FAL is provided by ABL, which is a 100% owned subsidiary of Aspen Insurance Holdings Limited.

The FAL lodged significantly exceeds the £7.9m member balance deficit as at 31 December 2016.

17. Foreign exchange rates

The following currency exchange rates have been used for principal foreign currency translations:

	2016		2015	
	Year-end rate	Average rate	Year-end rate	Average rate
Euro	1.17	1.21	1.39	1.38
US dollar	1.24	1.34	1.52	1.53
Canadian dollar	1.66	1.77	2.09	1.96

