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# Annual report and accounts 2017



**TOKIO MARINE**  
**KILN**



For Syndicates 510, 557 and 308  
managed by Tokio Marine Kiln Syndicates Limited



TOKIOMARINE  
KILN

# Annual report and accounts 2017

For Syndicates 510, 557 and 308  
managed by Tokio Marine Kiln Syndicates Limited

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# Results summary

## Annual accounting results 2017

Syndicate		2017 £m	2016 £m
<b>510</b>	Gross written premium	<b>1,416.9</b>	1,296.7
	Net earned premium	<b>1,081.9</b>	1,009.4
	(Loss)/profit for the financial year	<b>(98.8)</b>	115.3
	Claims ratio %	<b>69.2</b>	54.2
	Combined ratio %	<b>110.6</b>	89.5
<b>557</b>	Gross written premium	<b>17.7</b>	16.7
	Net earned premium	<b>15.5</b>	15.1
	(Loss)/profit for the financial year	<b>(10.5)</b>	8.5
	Claims ratio %	<b>145.8</b>	42.2
	Combined ratio %	<b>171.3</b>	46.0
<b>308</b>	Gross written premium	<b>39.4</b>	31.7
	Net earned premium	<b>31.1</b>	29.6
	(Loss)/profit for the financial year	<b>(23.3)</b>	1.9
	Claims ratio %	<b>131.8</b>	48.7
	Combined ratio %	<b>175.1</b>	93.5
<b>Total</b>	Gross written premium	<b>1,474.0</b>	1,345.1
	Net earned premium	<b>1,128.5</b>	1,054.1
	(Loss)/profit for the financial year	<b>(132.6)</b>	125.7

Note: The claims ratio is the proportion of net claims incurred to net premiums earned and the combined ratio is the proportion of net claims incurred, net operating expenses (including personal expenses) and profit or loss on exchange to net premiums earned. In each case, a lower ratio represents a better performance. Excluding profit or loss on exchange the combined ratio for Syndicate 510 is 110% (2016: 96%), for Syndicate 557 is 169% (2016: 74%) and for Syndicate 308 is 177% (2016: 93%).

## Underwriting results

Over the seven year cycle from 2009 to 2015 the closed year of account underwriting results, as a percentage of allocated capacity, of managed syndicates 510, 557, 308 and 807 are:

Year of account	<b>510</b> %	<b>557</b> %	<b>308</b> %	<b>807</b> %	<b>All syndicates</b> %
2009	19.05	15.42	6.35	8.21	16.87
2010	2.70	(25.39)	13.38	(24.44)	(3.08)
2011	7.49	10.22	9.17	6.00	7.48
2012	8.51	5.82	6.30	–	8.34
2013	10.88	15.32	1.23	–	10.83
2014	15.70	27.42	2.30	–	15.73
2015	11.10	29.94	(6.27)	–	11.19

2011 was the final year of account for Syndicate 807, which then reinsured to close into the 2012 year of account of Syndicate 510.

# Report of the Chairman

## Richard Bennison, Chairman



### Report of the Chairman

I am pleased to report that Tokio Marine Kiln (TMK) has produced a very good set of results across its non-life syndicates for the 2015 year of account, which closed this year. These results were achieved against a backdrop of political and economic volatility and challenging market conditions, including intense competition and sustained rating pressures.

TMK's proven resilience and reputation for being a 'Good Company' was demonstrated in 2017, which was one of the most expensive loss years on record for natural catastrophes in our industry. The year saw earthquakes in Mexico, wildfires in California and three major hurricanes, which caused tragic loss of life and generated estimated economic and insured losses exceeding US\$330bn and US\$135bn respectively. These events have resulted in significant losses for our non-life syndicates, which have had a material impact on the results of both the 2016 and 2017 years of account.

In view of these considerable challenges, we have remained steadfast in our commitment to supporting our customers and have developed the business in line with our strategy. Charles Franks comments on TMK's specific achievements and developments in his report.

### Operating environment

2017 was a year characterised by challenges and confrontation around the world. The new US administration established a firm position to put 'America First' through policies centred on immigration control and trade. The administration also proposed a sweeping overhaul of the US tax system; an element of which was cutting corporation tax

for companies operating overseas in a bid to drive more profits back to the US. As political divisiveness in the country is set to continue, we are monitoring the impact of any policy changes closely whilst ensuring our business models are robust.

In Europe, conversations were dominated by Brexit as the UK commenced formal negotiations on its exit from the European Union (EU). The debate stirred tensions in the UK government between so-called hard and soft 'Brexiters' with expectations misaligned in a number of key areas. The negotiations also presented uncertainty for many industries including the financial services sector. Irrespective of the outcome of government negotiations, TMK's plans are well advanced. Our priority is to maintain 'business as usual' for our customers, whilst continuing our innovative approach to product development in Europe. To achieve this, our Lloyd's business will be routed through the new Lloyd's European Subsidiary in Brussels, enabling us to ensure continuity for our customers when the UK leaves the EU.

Despite political instability and discord around the world the year also saw a buoyant global economy, with the US, Europe and Asia all showing strong signs of growth. The 28 countries within the European Union grew by 2.5% in 2017, marginally ahead of the US which reported 2.3% growth and well ahead of the UK at 1.8%, while China led the charge in Asia showing growth of 6.9%, according to official reports. Although inflation is below central bank targets in most places around the world, many investors believe it will increase in 2018, which may give rise to interest rate hikes and reduced appetite for investment. We are monitoring the economic situation closely whilst capitalising on the growth we are seeing in key territories through identifying profitable opportunities to invest in new lines of business.

Meanwhile, the insurance industry continued to face competitive pressures driven by surplus capital, rating challenges and thinning margins, as market expenses continued to rise. In the wake of Hurricanes Harvey, Irma and Maria, speculation mounted of a 'market turn', which drove large pre-emptions and expectations of substantial rate increases from other leading insurers. To date, the scale of these increases has not been realised to the extent some anticipated. However, it is encouraging to see that rates have become more acceptable in certain classes and that the appetite for continued reductions we have seen over the past few years has waned.

Beyond the macroeconomic landscape, advancements in technology, data analytics, artificial intelligence and initiatives such as Blockchain presented opportunities as well as challenges to the business world. These developments demonstrate the rapid pace of change that is affecting our clients and the insurance industry, and highlight the vital role insurers play in developing innovative products and delivering exceptional service. While it is impossible to foresee what the future holds, our business is likely to look very different in 10 years' time. We are focused on ensuring our business and operating models are fit to safeguard our continued success.

### Governance

During the year, we said farewell to our Group Chief Risk Officer Andrew Hitchcox, who retired after an illustrious career spanning more than 30 years in insurance, a decade of which he spent at TMK, and to our Group Chief Operating Officer Denise Garland, who left at the end of the year after more than five years with the business. I would like to

extend my personal thanks to Andrew and Denise for their hard work and commitment during their tenures, and wish them both well for the future.

In October, we welcomed Vivek Syal to TMK as Group Chief Risk Officer, who brings to the board a career background in risk and regulation that strengthens our capability and expertise. I am also pleased to welcome our Group Chief Actuary Brian Heffernan to the board. Brian joined TMK in 2011 and has overseen the continued development and expansion of our pricing and analytics, capital modelling and exposure management capabilities in the past few years. His experience will be especially valuable as we navigate our increasingly data-driven world.

### **Regulation**

Doing business the right way is at the heart of TMK, and we have dedicated significant resource and commitment to delivering on our regulatory responsibilities set by the Financial Conduct Authority (FCA), the Prudential Regulatory Authority (PRA) and Lloyd's. New regulations place emphasis on individual accountability and we are working to ensure we meet these requirements.

We were disappointed to have faced regulatory action regarding an international term life policy underwritten through one of our coverholders, which was found to have breached local licensing arrangements. However, the issue is being resolved and we have taken action to ensure there is no material impact on the results of Syndicate 308 which would affect third party Names. We deeply regret the issue and have enhanced our controls to reduce the possibility of incidents like this in the future. This is discussed further in Charles' report as well as the underwriter report on page 14.

### **Being a Good Company**

TMK aspires to be a 'Good Company', and that includes being a great company to do business with and a fulfilling place to work. We aim to make a positive contribution to the communities in which we live and work by providing clear leadership and acting responsibly in our marketplace, workplace, community and environment.

We believe that our success is achieved through empowering our people and engaging them in a consistent strategy to drive the profitability, innovation and agility that is needed to meet the demands of our clients in this complex and uncertain climate.

As one of the signatories of the Lloyd's Diversity & Inclusion Charter, we value the unique differences that each of our colleagues bring to work every day, and are committed to ensuring there are a variety of perspectives and backgrounds in roles across the company. Our policies and benefits, such as those around maternity and parental leave, are designed to ensure that all employees are supported in achieving their ambitions in the workplace whilst maintaining a good work-life balance. We also work with organisations such as The Brokerage to provide work experience placements and opportunities for young people with high potential from diverse backgrounds. TMK has benefited enormously from this partnership, having recruited a number of interns from the scheme into permanent roles.

This year TMK has reported its gender pay gap for the first time, which outlines the difference in pay between male and female

employees. TMK has reported a mean gender pay gap of 33.1%, which reflects the fact that we have more men than women in the most senior roles across the company. We are confident that men and women performing the same roles are receiving the same pay, and we are committed to ensuring that TMK is considered to be a great company to work for by all potential and existing employees irrespective of gender, ethnicity or background. However, the gap reinforces the need for more of our talented women to reach the most senior roles in the business, and we have a number of initiatives to ensure this happens. In addition to stipulating diverse long lists for roles and conducting unconscious bias training for managers, we provide a return to work coaching programme to help women back into work after maternity leave. We also seek to develop and engage all of our people within a meritocratic culture that supports a good work-life balance. Our aim is to ensure that all employees are supported in achieving their ambitions in the workplace, irrespective of their gender or background.

### **Charitable support**

Charitable support is the essence of being a 'Good Company'. We support a range of good causes and focus on building strong partnerships with organisations that make a real and substantial difference to people all over the world.

In 2017, we donated £214,000 including £32,000 in staff fundraising activities to more than 20 charitable organisations globally. Our donations helped to support leading charity Water Aid, children's charity Street Child and London's Air Ambulance. We also donated £11,000 to post-hurricane support projects in the wake of the year's devastating natural catastrophes.

Our employees play a critical role in raising funds and supporting initiatives that make a real difference. In 2017, a team of six runners from TMK participated in the Sierra Leone Marathon in Makeni in aid of Street Child, which seeks to help vulnerable young people into homes and education in one of the poorest countries in the world.

### **Future prospects**

With market conditions continuing to prove challenging and global economies facing the threat of rising inflation, it is clear that insurers must create their own opportunities. Our strategy and focus on underwriting discipline, customer service and innovation will ensure that we are well placed to meet these challenges in the year ahead.

I would like to thank Charles and all of the TMK team for their hard work and continued commitment during a challenging 2017.

### **Richard Bennison**

Chairman  
Tokio Marine Kiln Syndicates Limited  
15 March 2018

# Report of the Chief Executive Officer

## Charles Franks, Chief Executive Officer



### Overview

Despite geopolitical and market challenges, I am delighted to report that TMK has delivered a strong performance across its non-life syndicates for the closing 2015 year of account, with Syndicate 557 achieving its highest return on capacity in recent years. This performance reflects our resilience and commitment to meeting our customers' needs and maintaining underwriting discipline through challenging periods.

2017 was one of the most expensive loss years to date for natural catastrophes. Against a backdrop of political and social division and continuing competitive industry challenges, the year brought wildfires and earthquakes together with a hyperactive Atlantic hurricane season, which destroyed lives and infrastructure on a devastating scale.

The hurricane season began in August, which saw the arrival of Hurricane Harvey to the south east US, one of the costliest tropical cyclones on record. Characterised by catastrophic rainfall, the category 4 storm drenched parts of Texas and Louisiana in more than 40 inches of rain over four days, triggering unprecedented flooding and displacing more than 30,000 people.

Hurricane Irma, one of the strongest category 5 hurricanes in Atlantic hurricane history, followed in September hitting southern and western parts of the Caribbean, then Cuba and the Bahamas and finally reaching Florida as a category 4 storm. As the storm progressed, speculation mounted that Irma was on course to make landfall in Florida's densely developed east coast, an area with the one of the highest concentrations of insured values in the world,

but the hurricane moved west lessening its potential impact. Nonetheless the damage it inflicted across the area generated a series of large, aggregated industry losses that had a significant effect on the market.

In the same month, Hurricane Maria caused catastrophic damage and numerous fatalities across the Caribbean, compounding recovery efforts in areas already affected by Hurricane Irma. The hurricane arrived in Dominica as a category 5 storm before weakening to a high end category 4 as it hit Puerto Rico. Maria was the deadliest storm of the season killing at least 112 people.

The year was also affected by wildfires which blazed through California, killing more than 40 people in the state's deadliest wildfire streak, and two tragic earthquakes that struck Central Mexico in September killing hundreds of people.

Following a number of highly profitable years, the succession of severe catastrophic events in the second half of 2017 has resulted in significant forecast losses for Syndicates 510 and 557 on the 2017 year of account. While it is disappointing to report a loss, our performance is in line with our modelled expectations for these types of event. Such losses serve as a reminder of the critical role insurers like TMK play in supporting our customers in times of need, by paying valid claims promptly and providing exceptional service to our clients during these challenging periods.

It is encouraging to see that the rating environment has improved somewhat, particularly in loss affected classes following several years of rate reductions, and we are seizing opportunities where it is appropriate to do so. However, the improvement has been more muted than we have seen after previous catastrophe events due to the abundance of industry capital, which continues to put pressure on rates. In this highly competitive environment, we are committed to creating our own opportunities through innovation, collaboration and service.

### Strategy

TMK pursues a consistent, long-term strategy which supports our position as a leading international provider of specialist and corporate insurance for clients within the Lloyd's and Company markets. Our aim is to ensure we continue to help customers to thrive in a world full of risk and support them in times of distress. At the heart of this strategy is underwriting discipline. We have always focused on writing for profit not premium, and continue to do so for the benefit of our customers and all of our capital providers. This strategy is underpinned by five objectives: growing profitability; getting closer to our customers; strengthening our competitiveness; investing in our people and being a 'Good Company'.

### Innovation

A core strand of growing profitably is innovation. In 2017 we launched an Ideas Group to provide a pipeline for new product development and drive improvements to our service offering. As part of our focus on reflecting the changing risk profiles of our clients, we are well positioned to capitalise on the growing demand for insurance that protects intangible assets through so-called emerging classes such as cyber and intellectual property, which are showing significant potential for growth.





With digital transformation and disruption presenting opportunities for insurers, we continued to develop our offering via our One TMK digital platform for brokers by adding Construction to the portal during the year. We are also exploring the use of data analytics to inform product design, development and distribution.

### **Distribution**

We continue to build our distribution in areas with strong economic potential, supported through first-class customer service and operational excellence. In addition to our network of international offices and access to Tokio Marine Group's global distribution, TMK benefits from investments in US coverholders WNC and NAS.

A key element of our distribution is our international coverholder network and we have particularly strong representation in the US; a core market for TMK. Following a strategic review of our US business, I am delighted to report that we recently completed the acquisition of WNC, a US-based coverholder specialising in specialist flood, lender-placed and homeowners insurance. TMK has worked in partnership with WNC for more than 30 years and bought a 49 per cent share of the company in June 2011. The purchase of the remaining 51 per cent share in the business, funded by our parent Tokio Marine, gives us our first wholly owned operation in the US where we have set ambitious growth targets for the next three years. Growth will be achieved primarily through WNC, NAS and our broader US-based coverholder network, and we look forward to making progress on this strategy in 2018.

Coverholders are also an important enabler for TMK in the UK, where we sponsored the Managing General Agents Association (MGAA) in 2017. We have continued to work closely with the MGAA to provide our expertise and explore shared opportunities so that we can foster sustainable partnerships throughout the year.

Our Broker Distribution team which supports our underwriters and helps to manage client relationships continues to deliver encouraging results. In addition to exploring cross selling, retention management and new business opportunities, the team has focused on collaborating with brokers on innovation, looking specifically at intangible assets and new ways to distribute products in the digital space.

### **New talent**

We continue to seek out underwriters and teams who are looking to join a company that is part of a parent group which has a proven, long-term growth strategy.

In May we welcomed Marie Laffeter to our Enterprise Risk team, focusing on intellectual property and cyber risks through our Paris office. With a career background in professional indemnity risks in both broking and underwriting, Marie brings a wealth of experience to TMK as we focus on growing these in-demand classes of businesses in Europe. The Enterprise Risk team was expanded further in early 2018 through the appointment of Cyber Underwriter Alex Jomaa. Alex will play a key role in driving the continued development of this important class.

In August, we appointed Kate Nossel to focus on building our Motor book. A specialist in auto physical damage and motor truck cargo risks, Kate brings more than 20 years of experience in the insurance industry to the role, and is helping to drive growth in a class that has bucked the trend of rating pressures that other traditional classes have been exposed to in recent years.

### **Competitiveness**

With the rising costs of regulation and margins under pressure, TMK is committed to finding ways to ensure we are operating efficiently.

In addition to looking at how our processes and tools can support our business more cost-effectively, TMK has embraced the introduction of the electronic placing platform for specialist insurance, Placing Platform Limited (PPL), which aims to speed up placement for the client by facilitating electronic risk capture, placing, signing and closing, delivering lower placement expenses and improved service. Adoption by broking firms is increasing and we will look to support other London Market Modernisation initiatives that are introduced in 2018.

### **Conduct and regulation**

We are living in a world of significant regulatory oversight but we continue to work closely with our regulators: the FCA, the PRA and Lloyd's. In order to meet the requirements we have invested in strengthening our capabilities by growing our Risk and Compliance teams.

In 2017, we appointed Vivek Syal as Group Chief Risk Officer, succeeding Andrew Hitchcox who retired in October. With experience as a senior technical specialist overseeing Solvency II implementation at the PRA, and five years as a director at PwC in the insurance sector, he is well placed to help TMK manage its regulatory and operational risks. Catherine Marshall, who was appointed as Head of Compliance in 2016, has also strengthened her team to ensure we are set up to deal with the changing regulatory landscape we face.

As reported last year, Syndicate 308 was withdrawn from the capacity auctions as it was subject to regulatory action following the discovery that an international term life contract, written through one of its coverholders, had been bound in breach of local licensing requirements. The matter is being resolved with the relevant regulators, and we have taken steps to ensure that there is no material impact on the results of Syndicate 308 which would affect third party Names. We deeply regret the issue and have enhanced our controls to reduce the possibility of incidents like this in the future. We have established an Underwriting Compliance Group to assess regulatory risk for the more complicated policies we see, and have invested in additional training, development and resource to support our underwriters to help guide them through the more stringent landscape in which we are now operating.

## Syndicate 308

At the end of 2017, Tokio Marine Kiln Syndicates Limited reluctantly applied for the cessation of Life Syndicate 308, which was subject to approval by Lloyd's and syndicate members. This difficult decision was taken following withdrawal of capital support by Tokio Marine Underwriting Limited which accounted for more than 50% of the syndicate capacity. The highly competitive market conditions, a rising expense base and increasing losses made it increasingly difficult to expect adequate returns on capital in future. The syndicate has now been placed into run-off, and we remain committed to ensuring existing business is serviced to the highest standards and that there will be no detriment to policyholders as a result. All existing policies still stand and existing policyholders will not be affected by the decision to place the syndicate into run-off. No other syndicates or business lines, including Accident & Health business written through Syndicate 510, are affected by this decision.

## Annual accounting results under UK GAAP

On a UK GAAP basis, the comparison between the 2017 and 2016 calendar year results is shown below in Table 1.

**Table 1: Annual accounting results under UK GAAP**

Syndicate	2017 £m	2016 £m
<b>510</b>	(99)	115
<b>557</b>	(11)	9
<b>308</b>	(23)	2
<b>Total</b>	<b>(133)</b>	126

The impact of the 2017 catastrophes is clear in the stark contrast of the non-life syndicate results when compared with the prior year, which itself experienced sizable losses from the Canadian Wildfires and Hurricane Matthew. Aside from some rating improvement post the catastrophes on loss exposed classes, the pricing environment remained challenging throughout 2017. Nonetheless, Syndicate 510 was able to report growth in premium income through a focus on innovation and adapting to the challenging market conditions, boosted further by the depreciation of the pound.

The drivers of the syndicate and divisional results are discussed in more detail in the underwriters' reports on pages 10 to 15.

## 2015 year of account

Syndicates 510 and 557 each achieved very good results, with the 2015 year of account benefiting from relatively benign catastrophe experience, together with favourable development on prior years. For Syndicate 557 it was the best result seen since the 2006 year of account. Syndicate 308, however, closed the 2015 year of account at a loss as several large claims were experienced on key binders.

The 2015 year of account results, as a percentage of allocated capacity, are compared with the forecasts published in the 2016 report in Table 2. The results of both Syndicates 510 and 557 exceeded the forecast range presented at the end of the previous

calendar year, as they benefited from releases on closed years of account. The loss reported by Syndicate 308 came in greater than expected following a number of late claims.

**Table 2: 2015 year of account results**

Syndicate	Capacity £m	Actual %	Range forecast in prior year %
<b>510</b>	<b>1,063</b>	11.1	6.0 to 11.0
<b>557</b>	<b>35</b>	29.9	23.9 to 28.9
<b>308</b>	<b>32</b>	(6.3)	(5.6) to (0.6)

## 2016 year of account

The revised forecasts for the 2016 year of account were issued in TMK's press release of 15 February 2018, shown in Table 3. Whilst Syndicate 557 has had little exposure to catastrophes and is on track to make a profit, the events in the second half of 2017 saw the mid-point of Syndicate 510's forecast range move into a loss position, having already incurred losses on Hurricane Matthew, the Canadian Wildfires, the Louisiana Floods and the Gatlinburg Wildfire. Syndicate 308's forecast range reflects the outcome of an actuarial review that was undertaken in 2017, resulting in anticipated adverse claims experience.

**Table 3: 2016 forecast year of account range results**

Syndicate	Capacity £m	Forecast range %
<b>510</b>	<b>1,062</b>	(3.7) to 1.3
<b>557</b>	<b>35</b>	11.2 to 16.2
<b>308</b>	<b>32</b>	(14.6) to (9.6)

## 2017 year of account

Table 4 shows the first published forecast ranges for the syndicates. The forecast ranges for Syndicates 510 and 557 were issued in TMK's press release of 15 February 2018, however at that date Lloyd's approval of the run-off plan for Syndicate 308 had not been received and therefore Syndicate 308's forecast range was not disclosed at that stage.

**Table 4: 2017 forecast year of account range results**

Syndicate	Capacity £m	Forecast range %
<b>510</b>	<b>1,131</b>	(14.9) to (4.9)
<b>557</b>	<b>34</b>	(45.0) to (35.0)
<b>308</b>	<b>31</b>	(57.0) to (47.0)

At this early stage, the impact of an active catastrophe environment in the second half of the year is reflected in the forecasts for Syndicates 510 and 557. The 2017 year of account has been affected by losses arising from Hurricanes Harvey, Irma and Maria, the wildfires in California and the

earthquakes in Mexico, all of which had a substantial impact on the forecast ranges. In response to these events, the rating environment, particularly in loss-affected areas, has shown some improvements. Being only 12 months into their development there is still a large amount of unexpired exposure on all syndicates and so the events of 2018 will remain critical to how the year of account develops.

For Syndicate 308, the forecast range includes the impact of the run-off book, namely the additional inwards business that will now be signed to the 2017 year of account as opposed to future years, together with additional costs of the run-off, in terms of outwards reinsurance and expenses. Aside from the run-off, similar to the 2016 year of account, the 2017 forecast also reflects the outcome of the year-end actuarial review that refined our assessment of the adverse claims experience to ultimate extinction.

### 2018 year of account

Table 5 shows the premium rating index (PRI) for Syndicates 510 and 557, which tracks the pricing of renewed risks over the year. Although there continued to be softening in premium rates throughout 2017, the rates achieved were better than had been expected, with most of the divisions of Syndicate 510 either exceeding or coming in very close to their planned PRI. Achieving this required underwriters to demonstrate continued determination in turning away business with inadequate rates. Change came following the events of late 2017, where after several years of relatively benign catastrophe experience compounded by oversupply of capital, loss affected classes began to see some increases in pricing. The most notable improvement was on the open market property book, together with US delegated property and US reinsurance classes going into the 2018 renewals. It remains to be seen whether the price increases will be sustained. There is no doubt that risk selection will continue to be of paramount importance.

**Table 5: PRI for Syndicates 510 and 557**

	2017 YOA as at 31 December 2017 %	2018 YOA as at 28 February 2018 %
<b>Syndicate 510</b>	<b>98.9</b>	103.1
Property & Special Lines	<b>100.0</b>	105.6
Marine & Special Risks	<b>97.5</b>	100.1
Accident & Health	<b>98.9</b>	99.9
Reinsurance	<b>97.9</b>	105.0
Enterprise Risk	<b>97.3</b>	98.4
Aviation	<b>97.0</b>	97.0
<b>Syndicate 557</b>	<b>97.9</b>	105.0

### International

Our international offices in Europe and Asia continue to develop. The book in Asia is running well and the team is set up to take advantage of continued economic growth in the region.

In Europe, our plans for Brexit are advanced. Our team is developing an operating model that will enable us to ensure that the specialist classes we offer in Continental Europe will be processed through the new Lloyd's European Subsidiary in Brussels, providing stability for customers and enabling us to continue offering the products and services they need easily.

### Tokio Marine Kiln

After a decade under Tokio Marine ownership, the relationship between TMK and the wider Tokio Marine Group continues to go from strength to strength. Tokio Marine's vision, which we share, is to be a global 'Good Company' by empowering our people, delivering on commitments and looking beyond profit. The heightened claims activity we experienced in 2017 has put our adherence to these principles to the test, and I am proud to report that we have continued to ensure that the needs of our customers remain at the centre of TMK. Helping our customers in times of distress is why we exist and we will always look for a reason to pay a claim and treat our customers fairly, adopting a human approach.

Empowering and engaging our people is a key enabler for delivering excellent customer service and for being recognised as a great place to work. Our recent engagement survey results have provided us with valuable insights to help us build on our strengths and take action in areas where we can add value. Attracting and developing a diverse talent pool to create a strong pipeline for the future has been central to our people strategy for many years. We are working to ensure we reflect the world around us through our recruitment and development programmes and ensuring the environment we foster is inclusive and meritocratic at all levels of the business.

### Outlook

While market challenges remain and surplus capital continues to drive competition, we are creating our own opportunities rather than waiting for the market to do it for us.

Our resilience through challenging times is driven by our focus on maintaining underwriting discipline, putting customers at the heart of TMK and creating innovative opportunities to grow the business, and I am confident that these strengths will enable us to continue progressing in 2018.

I would like to extend my gratitude to our employees for their enormous efforts during what has been a very challenging year.

Thank you for your continued support.

### Charles Franks

Chief Executive Officer  
Tokio Marine Kiln Syndicates Limited  
15 March 2018

# Underwriters' reports

## Syndicate 510



**Paul Culham**  
Group Chief  
Underwriting Officer

### 2015 underwriting year of account

	Property & Special Lines £m	Marine & Special Risks £m	Accident & Health £m	Reinsurance £m	Enterprise Risk £m	Aviation £m	Syndicate 807 run-off £m	Syndicate 510 £m
Underwriting profit/(loss)	46.2	18.8	6.3	26.4	13.7	6.9	(0.3)	<b>118.0</b>
Allocated capacity	550.1	185.5	110.4	111.9	58.0	47.0	–	<b>1,062.9</b>
Allocated capacity %	8.4	10.1	5.7	23.6	23.6	14.8	–	<b>11.1</b>
Prior years' improvement/ (strengthening)	14.1	12.4	2.7	5.2	3.4	3.3	(0.3)	<b>40.8</b>

Syndicate 510 made an underwriting profit of £118.0m (11.1%) on allocated capacity of £1,062.9m after taking account of operating expenses, Lloyd's expenses and investment income for the 2015 underwriting year of account. This represents one of the highest returns achieved in recent years, with all underwriting divisions making good profitable contributions.

It is a very good result for the syndicate, achieved in the context of a challenging insurance market and an unsettled economic and political environment. From a catastrophe perspective the year of account benefited from a relatively benign experience, although there were still notable losses incurred, primarily from events that occurred during 2016. These included the wildfires in Fort McMurray in Alberta, floods and hailstones in Texas, and Hurricane Matthew, which brought devastation to parts of the Caribbean and south east coast of the US. The losses primarily affected the Property & Special Lines division, while Reinsurance was largely unaffected. In addition to some exposure to the catastrophes, Marine & Special Risks suffered several large losses, the most notable of which was on the energy account relating to a business interruption loss on the Jubilee oil field off Ghana.

The absence of significant insured natural catastrophes during 2015 meant that the market conditions remained very soft, and as such, top-line income has been under significant pressure, particularly for the Property & Special Lines, Marine & Special Risks and Aviation divisions. However, we have been developing new opportunities and strategic areas of growth. Enterprise Risk continued to be a key area of development for the 2015 year of account, and made a significant contribution to the syndicate's result with a profit of £13.7m driven largely by the cyber classes.

The 2015 underwriting year result improved by £40.8m as a result of favourable claims development on prior years, which was seen across most of the book, and particularly on Property & Special Lines. Reinsurance saw improvements on prior years' reserves held for several catastrophe losses, and Marine & Special Risks on a number of specific large losses. Aviation saw a number of adverse movements on the 2014 underwriting year which reduced the overall release compared to prior periods. 2011 was the final year of account for Syndicate 807, which then reinsured to close into the 2012 year of account for Syndicate 510. The strengthening on this book related to the New Zealand earthquakes reserves.

## Syndicate 510

### Annual accounting result

	Property & Special Lines £m	Marine & Special Risks £m	Accident & Health £m	Reinsurance £m	Enterprise Risk £m	Aviation £m	Syndicate 807 run-off £m	Syndicate 510 £m
<b>2017</b>								
Gross written premium	752.9	226.5	152.8	106.2	122.7	56.2	(0.4)	1,416.9
Net earned premium	564.6	197.0	148.4	34.6	88.6	49.0	(0.3)	1,081.9
Result before investment return and profit or loss on exchange	(97.4)	(5.5)	6.8	(24.0)	11.5	(0.5)	(0.3)	(109.4)
(Loss)/profit for the financial year	(92.4)	(3.5)	7.3	(23.0)	12.7	0.4	(0.3)	(98.8)
Claims ratio %	76.1	65.2	52.6	136.6	42.3	57.1	–	69.2
Combined ratio %	117.8	103.2	95.8	170.5	87.5	101.4	–	110.6

	Property & Special Lines £m	Marine & Special Risks £m	Accident & Health £m	Reinsurance £m	Enterprise Risk £m	Aviation £m	Syndicate 807 run-off £m	Syndicate 510 £m
<b>2016</b>								
Gross written premium	709.4	196.2	142.9	101.3	95.3	52.0	(0.4)	1,296.7
Net earned premium	542.3	178.1	136.1	34.6	74.3	44.3	(0.3)	1,009.4
Result before investment return and profit or loss on exchange	15.4	3.4	1.8	7.5	11.7	0.9	3.8	44.5
Profit for the financial year	53.9	14.4	9.1	13.2	16.9	4.0	3.8	115.3
Claims ratio %	55.3	60.8	55.9	42.3	39.3	51.2	–	54.2
Combined ratio %	90.9	92.9	93.7	64.4	78.1	92.5	–	89.5

On an annual accounting basis under UK GAAP the syndicate produced a loss of £98.8m against gross premium written of £1,416.9m and net earned premium of £1,081.9m for the 2017 calendar year.

2017 saw an exceptional series of natural catastrophes. Significant losses on Hurricanes Harvey, Irma and Maria, the earthquakes in Mexico and the wildfires in California were all major contributors to an increase in the net claims ratio to 69.2% from 54.2% in the prior year. Gross premium written increased by 9% in 2017 to £1,416.9m. Overall rates

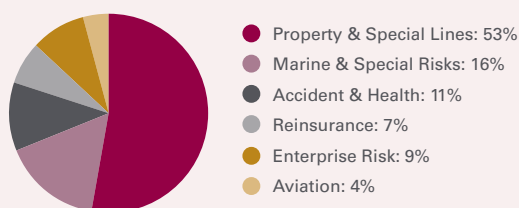
were down 1.1%, however there has been continued focus throughout the year on adapting our underwriting appetite to the market conditions. Although the response to the recent catastrophe activity has been relatively muted, there have been some improvements in loss affected classes.

The combined ratio for the 2017 calendar year is 110.6%.

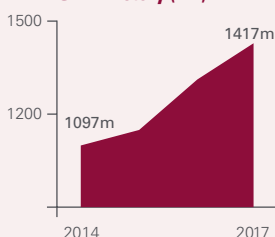
2017 saw a loss on exchange of £5.3m, whereas 2016 had the benefit of a £61.5m profit. Investment income showed an improvement on the prior year attributable to performance of the US fixed income portfolios in a higher yield environment.

## Syndicate 510

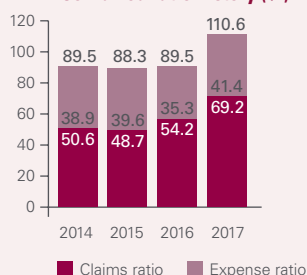
### Divisional split of GWP



### GWP history (£m)



### Combined ratio history (%)



Property & Special Lines, which accounts for 53% of the overall income, experienced a challenging year not only from a loss perspective but also in terms of pricing. Despite this, the division was able to report an increase in premium through developing the US book in line with our strategic objectives, some growth in our International Liability business which has expanded in recent years and building on our motor book.

Reinsurance suffered major losses following catastrophes in the second half of 2017, however the impact to the division was less severe than it might have been as there were a number of different events as opposed to one large event.

Marine & Special Risks has seen rates down 2.5%, with the downward trend continuing on the traditional marine classes. Despite this, the division has achieved premium growth primarily through the Special Risks classes. The energy and marine reinsurance classes suffered several large losses in addition to exposure on the 2017 hurricanes.

Enterprise Risk saw top-line increase by almost one third on the previous year, with continued growth on the cyber delegated book. Meanwhile the cyber open market book experienced highly competitive market conditions in the US.

The Accident & Health division achieved a reduction in claims ratio and improved premium income, where growth was seen on the diversified book of bloodstock and equestrian risks, as well as the personal accident account.

Aviation continued to see soft market conditions across all areas of the portfolio, with rates down 3%.

### 2018 development

Entering 2018 there has been a mixed response to last year's catastrophes. Whilst for some property classes we are exceeding our planned rate increases, for other areas such as reinsurance classes not exposed to the 2017 losses, the market's reaction has been disappointing. However for many of our lines of business rates have either stabilised or are beginning to improve, as the quantum of catastrophe losses experienced in 2017 is forcing a corrective response to inherent inadequate pricing contained in some areas. The sustainability of these price rises is something we will watch closely, as there has been little reduction in insurance or reinsurance capacity. Indeed for the 2018 year of account, Lloyd's has seen at least seven new syndicates entering the market with a combined capacity in excess of £500m. As the supply of capacity continues to outstrip demand, the same pricing pressures seen over the last few years will persist. Our underwriting strategy remains unchanged in 2018, which means we will exercise underwriting discipline across a diverse portfolio of specialist insurance products; growing where we think there is adequate margin, but not being afraid to walk away from risks and classes where competitive pressures have eroded the likelihood of an acceptable return.

Our growth in 2018 will derive from areas largely identified in recent years.

We plan to write more business from our specialist distribution base; through coverholders, our own regional and international offices and by partnering with companies under the Tokio Marine umbrella. This specialist distribution network provides us with access to business we would otherwise find it difficult to write, as well as niche products. Whilst we do not anticipate our number of coverholders to increase, we do expect to do more with our current base. Many of them are growing in their own markets and we expect to develop with them.

As a leading provider of specialist insurance to our many and varied clients, innovation is critical to us in order to stay ahead of the inevitable commoditisation that eventually affects insurance products. Technology and the availability of ever increasing amounts of data bring new competitive pressures, and our underwriters' ability to combine new data and predictive analysis tools with their expertise around current underwriting practices will be crucial for their continued success. We believe in our ability to develop new products and evolve existing products in order to cater for our customers' changing risk profiles and our relevance to them. We have an Innovation team with a track record of developing new products, and we anticipate seeing growth from this area. We have a number of initiatives we have invested in recently, where we expect to see continued growth, some of which arose from our Innovation team: US commercial trucking, fine art and specie, drones, cyber, intellectual property and various products for supply chain risks.

## Syndicate 557



**David Huckstepp**  
Departmental Head  
of Reinsurance

### 2015 underwriting year of account

£m	
Underwriting profit	10.4
Allocated capacity	34.9
Allocated capacity %	29.9
Prior years' improvement	2.0

Syndicate 557 made an underwriting profit of £10.4m (29.9%) on allocated capacity of £34.9m after taking account of operating expenses, Lloyd's expenses and investment income for the 2015 year of account. This represents the highest return on capacity achieved since the 2006 underwriting year, and is a very good result achieved in difficult market conditions. The 2015 underwriting year result improved by £2.0m as a result of a reduction in prior years' reserves on catastrophe losses.

### Annual accounting result

£m	2017	2016
Gross written premium	17.7	16.7
Net earned premium	15.5	15.1
Result before investment return and profit or loss on exchange	(10.6)	3.9
(Loss)/profit for the financial year	(10.5)	8.5
Claims ratio %	145.8	42.2
Combined ratio %	171.3	46.0

On an annual accounting basis under UK GAAP the syndicate produced a loss of £10.5m against gross premium written of £17.7m and net premium earned of £15.5m for the 2017 calendar year. 2017 was notable for the unprecedented level of large catastrophes that occurred, and Hurricanes Harvey, Irma and Maria, as well as the wildfires in California caused significant losses to the account. The combined ratio for the 2017 year is 171.3%. The TMKS Board approved a call of US\$13.4m from the members of the 2017 year of account.

### 2018 development

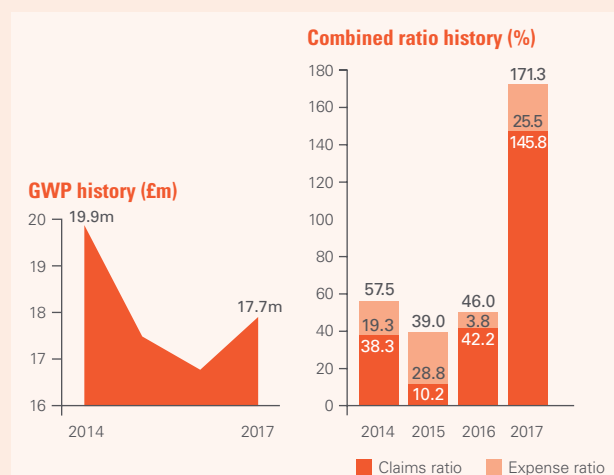
Despite the quantum of losses experienced in 2017, the reinsurance market's appetite for catastrophe business has in no way lessened or abated. Indeed we have seen new competition enter the market both inside and outside of Lloyd's. The supply and demand dynamics which have been a feature of the reinsurance market for the last few years remain unaltered, as capital has moved in to replace that which was lost in 2017.

This may seem all the more incredible given the degree of loss incurred, however whilst the scale cannot be understated, the number of events giving rise to the loss is key when assessing the impact to the reinsurance market. If the overall loss had emanated from one or two events, as opposed to the three major hurricanes, wildfires in California and earthquakes in Mexico, then the impact on capital would have been more pronounced, and the ensuing pricing in the market would undoubtedly be stronger than that witnessed to date.

Nonetheless, rates prevailing in the US are moving upwards, and likewise the competitive international market has arrested the trend of price reductions. We need to see this picture of positive rate movement gather momentum as we continue through 2018 and 2019. The US account continues to offer the best opportunities for profit, and hence our account is very much focused on North America.

At least the losses of 2017 have kept the lid on further detrimental changes to contract wordings. We have witnessed material weakening of wordings over the past few years, all without commensurate pricing adjustments.

Despite the slings and arrows of the market we still retain an enviable client list. We have a fantastic brand and a highly experienced underwriting team which has remained patient and disciplined in a very soft marketplace. All of these factors will allow us to continue to maximise opportunities within the market going forward.



## Syndicate 308



**Tim Prifti**  
Departmental Head of Accident,  
Health & Life

### Cessation

Following the withdrawal of capital support by Tokio Marine Underwriting Limited (TMUL) in October 2017, we regret that it was not possible to secure replacement capital to continue trading forward on a normal basis nor was the syndicate considered viable without this replacement capital. As such, Tokio Marine Kiln Syndicates Limited (TMKS), applied to place the syndicate into run-off. The Lloyd's Capacity Transfer Panel approved the cessation of Syndicate 308 on 19 February 2018.

Two key events crystallised in 2017 which affected the syndicate.

The first related to a licencing breach on a group life policy, written via a coverholder in 2011, to the Austrian branch of United Nations Federal Credit Union (UNFCU). At the time of underwriting, it was understood to be in compliance with all local laws and regulations, however during 2014 it became apparent that uptake of cover was not as expected and there was a concentration of lives resident in the US, predominantly in New York. It was discovered that the policy had been bound in breach of local licencing requirements and after seeking legal advice, it was immediately self-reported to the New York Department of Financial Services (NYDFS). In November 2017 a consent order was issued by the NYDFS, with punitive changes imposed on the policy to remove a cancellation provision, impose a guarantee of continued cover until age 71 and stipulate no rate increases without prior agreement of the NYDFS. Now the situation has reached resolution in New York, TMKS is approaching other affected states in the US. For the US insured lives, this created an estimated actuarial liability of £7.7m, which was booked on the 2016 year of account for UK GAAP reporting at 31 December 2017. Subsequent to the year-end, the UNFCU policy (and hence the liability) was signed forward into the 2018 year of account, which has been constituted with 100% TMUL capacity in order to avoid any effect on third party Names. This is discussed further on the next page.

TMKS has paid Syndicate 308's share of the total fine imposed on all parties of US\$1.5m as contained in the consent order as well as the costs relating to the issue.

The second event related to potential future losses from a group life contract covering investors in a particular investment scheme, written for a 24 month period in 2016 whereby new investors joining the scheme are covered for a two year term. It was underwritten as a mandatory group scheme, which turned out not to be the case, resulting in not only an increased loss ratio but a higher than expected sales volume. This contract has been reserved at a loss ratio of approximately 200% on a forecast ultimate premium, net of commissions, of £8.9m split across the 2016 and 2017 years of account.

The 2017 year of account as the last normal underwriting year, will have exposure relating to long-term policies issued. Syndicate 308 writes long-term policies of up to 10 years, with level term premium payable in annual instalments. The potential uncertainty will not only be around whether claims arise on that exposure, but also if they do, then the syndicate loses the benefit of any future annual premium post loss. TMKS intends to close the 2017 year of account as soon as an equitable RITC premium can be determined and no later than 31 December 2028, being the last date by which all the liabilities on the 2017 year of account are expected to have been run-off to extinction.

Based on the ultimate forecast losses at Q3 2017, the board of TMKS approved a call of £3.0m and £3.8m from the members of the 2015 year of account and 2016 year of account respectively. Both amounts were received in February 2018. Following an improvement during Q4 2017, the loss on the 2015 year of account is now £2.0m and as such, the excess £1.0m will be distributed to members in 2018. The directors have determined to call £10.0m from the 2017 year of account members and it is anticipated that the call will be made for payment in Q2 2018. A further call will be made, dependent on actual cash flows during 2018.



## Syndicate 308

### 2015 Underwriting year of account

£m	
Underwriting loss	(2.0)
Allocated capacity	32
Allocated capacity %	(6.3)
Prior years' improvement	0.6

Syndicate 308 made an underwriting loss of £2.0m. The premium income was steady and the portfolio similarly balanced to prior years of account. Although some growth was possible, there was an increase in claims frequency on key binders and a higher expense ratio, in part caused by increased costs of managing the business through delegated authorities, regulation and compliance.

The 2015 year of account was closed in the normal way at 36 months. 2015 like previously closed years of account had no long-term exposure at 36 months as the long-term policies are treated as annual multiple policies with each instalment having already been signed into the next year of account. At 36 months virtually all other business attaching to the year of account has run-off. Hence determining an equitable RITC premium at this stage is straightforward with little potential for future volatility.

### Annual accounting result

£m	2017	2016
Gross written premium	39.4	31.7
Net earned premium	31.1	29.6
(Loss)/profit for the financial year	(23.3)	1.9
Claims ratio %	131.8	48.7
Combined ratio %	175.1	93.5

On a UK GAAP basis Syndicate 308 produced a loss of £23.3m. There were three main drivers underpinning this result. The largest was the recognition of an unexpired risks provision of £8.6m resulting from the aforementioned investment group life contract.

The second was the estimated actuarial liability of £7.7m in relation to the UNFCU policy. In order to avoid any effect on third party Names, a 2018 year of account has been constituted with 100% TMUL capacity for the exclusive purpose of managing the liabilities and remedies arising from this policy. The UNFCU worldwide group contract was on the 2016 year of account as at 31 December 2017 and this is where the liability has been booked for UK GAAP reporting. The entire worldwide contract has subsequently been signed forward into the 2018 year of account, meaning

that any future transactions, both premiums and claims, will be allocated to the 2018 year of account and attributed exclusively to TMUL. As such, TMKS can include the UNFCU liability in the 2018 year of account for the purposes of the 31 December 2017 Solvency II technical provisions and thus capital setting in order to protect third party Names from funding the contract liabilities.

The third was the establishment of an additional expense reserve of £1.1m to cover the future costs associated with maintaining the long-term contracts, which has been included as part of the long-term business provision.

# Directors, Active Underwriters and administration

## Managing agent

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Tokio Marine Kiln Syndicates Limited

## Directors

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Richard Bennison (Chairman)	
Richard Bucknall (Non-executive)	
David Constable (Non-executive)	
Paul Culham	
James Dover	
Charles Franks (Chief Executive Officer)	
Denise Garland	Resigned 31/12/2017
Rosemary Harris (Non-executive)	
Brian Heffernan	Appointed 13/02/2018
Andrew Hitchcox	Resigned 31/10/2017
Anthony Hulse (Non-executive)	
Vivek Syal	Appointed 29/11/2017
Shinji Urano	

## Company Secretary

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Fiona Molloy

## Registered office

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20 Fenchurch Street  
London EC3M 3BY

## Registered number

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729671

## Bankers

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Barclays Bank plc  
Citibank, N.A.  
Royal Bank of Canada  
J.P. Morgan Europe Limited  
Lloyds Bank plc  
HSBC Bank plc

## Syndicate

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### Tokio Marine Kiln Combined 510

In 2017 Paul Culham was appointed the Active Underwriter for the syndicate as a whole. Prior to that the following individuals held the role of Active Underwriter for each division:

Property & Special Lines	Mark Mortlock (to 5 April 2017)
Marine & Special Risks	Peter Merton (to 5 April 2017)
Accident & Health	Tim Prifti (to 5 April 2017)
Reinsurance	David Huckstepp (to 5 April 2017)
Enterprise Risk	Peter Merton (to 5 April 2017)
Aviation	James Walker (to 5 April 2017)

### Tokio Marine Kiln Catastrophe 557

David Huckstepp

### Tokio Marine Kiln Life 308

Tim Prifti

## Investment managers

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BlackRock Investment Management (UK) Limited  
12 Throgmorton Avenue  
London EC2N 2DL

New England Asset Management Limited  
The Oval-Block 3, Ballsbridge  
Dublin 4, Ireland

## Statutory auditors

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PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London SE1 2RT

## Related parties

The ultimate parent company of Tokio Marine Kiln Syndicates Limited is Tokio Marine Holdings, Inc. incorporated in Japan. The group consolidated accounts are available by request from Tokio Marine Nichido Building Shinkan, 1-2-1 Marunouchi, Chiyoda-ku, Tokyo, 100-0005, Japan. The immediate parent company of Tokio Marine Kiln Syndicates Limited is Tokio Marine Kiln Group Limited, which is incorporated and registered in England and Wales. Copies of the consolidated financial statements of Tokio Marine Kiln Group Limited are available from 20 Fenchurch Street, London EC3M 3BY. Tokio Marine Kiln Syndicates Limited will continue as a Lloyd's managing agent.

Tokio Marine & Nichido Fire Insurance Co., Ltd. wholly owns Tokio Marine Underwriting Limited. Tokio Marine Underwriting Limited participates as a member on Syndicates 510 and 308, as shown in the table below.

Percentages of capacity per year of account					
Company	Syndicate	2015 %	2016 %	2017 %	2018 %
Tokio Marine Underwriting Limited	510	55	55	56	56
	308	50	51	52	100

Syndicate 510 accepted inwards reinsurance business from, and placed outwards reinsurance business with, other Tokio Marine Group entities, including Syndicate 1880. These entities are deemed to be related parties of Tokio Marine Kiln Syndicates Limited by virtue of Tokio Marine Holdings, Inc.'s shareholding in its parent Tokio Marine Kiln Group Limited. Syndicates 557 and 510 are considered to be related parties as Tokio Marine Kiln Syndicates Limited is the managing agent of both syndicates. Syndicate 510 ceded business to Syndicate 557 by way of proportional reinsurance treaty. All transactions between these entities were conducted at arm's length and on normal commercial terms.

Profit commission may be payable by Syndicates 510, 557 and 308 to Tokio Marine Kiln Syndicates Limited in respect of profits earned during the year. Profit commission is subject to deficit clauses and is accrued by the syndicates based on the interim annual accounting results of a year of account under UK GAAP. Final settlement to the managing agent is paid when the year of account is closed after three years. The amount payable to the managing agent is disclosed in the notes to the syndicate accounts.

Managing agency fees were paid by Syndicates 510, 557 and 308 to Tokio Marine Kiln Syndicates Limited based on a percentage of capacity. In addition, expenses were paid to Tokio Marine Kiln Insurance Services Limited in reimbursement at cost for expenses paid on behalf of each syndicate. The amounts are disclosed in the notes to the syndicate accounts.

Disclosable syndicate transactions are shown in the notes to the accounts of the relevant syndicate.

The following table shows allocated capacity of the directors who are members of Lloyd's for the 2016 to 2018 years of account during the period of their appointment. Figures stated are for participations as an individual member underwriting through his own corporate member.

	Total for YOA	510 £'000s	557 £'000s	308 £'000s
Paul Culham	2016	105	14	–
	2017	112	14	–
	2018	112	14	–

A Limited Liability Partnership (LLP) is in place for employees and directors of Tokio Marine Kiln Insurance Services Limited to participate on Syndicate 510. The amounts stated represent the directors', past and present, effective share in the total capacity through their involvement in the LLP.

	Participation			
	2015 £'000s	2016 £'000s	2017 £'000s	2018 £'000s
Charles Franks	197	197	197	197
Paul Culham	400	400	428	428
James Dover	109	103	103	103
Paul Hewitt*	197	n/a	n/a	n/a
Richard Lewis*	295	n/a	n/a	n/a

\*Now resigned. Participations are reported until the calendar year during which the director resigns.

## Syndicate forecast assumptions

The following are the bases and assumptions upon which the syndicate forecasts referred to in the report of the Chief Executive Officer have been made:

- Ultimate net claims settlements have been estimated on the basis of paid and known outstanding claims as at 31 December 2017, together with an assessment of future claim settlements derived from projections based on previous claims history.
- Where liabilities of previous years have been assumed, no profit or loss will arise from their run-off.
- The exchange rates for US dollars and Canadian dollars at 31 December 2018 and 2019 will be the same as at 31 December 2017.
- There will be no significant deviation from projected cash flow patterns or in investment income forecasts.
- The inherent volatility in claims development will not cause the ultimate claim settlements to be materially divergent from those estimated on the basis of underwriting statistics available at 31 December 2017.
- All potential reinsurance recoveries will be collected, except where a specific provision has already been made.
- There will be no significant changes in governmental or legislative controls or policies affecting the activities or claims experience of the syndicates.
- Although a number of policies are still exposed to future losses, there will be no further abnormally large claims or aggregation of claims arising from catastrophe events or other causes.

Annual report and accounts 2017

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited

# Annual Accounts

under UK Generally Accepted Accounting Practice (GAAP)



- 20 Report of the directors of the managing agent
- 25 Statement of managing agent's responsibilities
- 26 Notes and principal accounting policies applying to all syndicates

## Report of the directors of the managing agent

The directors of the managing agent present their report and accounts for the year ended 31 December 2017 under UK GAAP. This report covers Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited as follows:

Tokio Marine Kiln Combined Syndicate 510 – Composite  
Tokio Marine Kiln Catastrophe Syndicate 557 – Non-marine  
Tokio Marine Kiln Life Syndicate 308 – Life

Tokio Marine Kiln Syndicates Limited also manages Syndicate 1880, the report and accounts for which are presented in a separate document.

The annual reports for Syndicates 510, 557 and 308 are 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.

Separate underwriting year accounts for the closed 2015 year of account are set out on pages 107 to 155.

### Principal activity and review of the business

The principal activity of Syndicate 510 remains the transaction of general insurance and reinsurance business on a worldwide basis in the Lloyd's market. Syndicate 557 is positioned as a special purpose syndicate to write a quota share reinsurance of the business of Syndicate 510's Reinsurance division. The principal activity of Syndicate 308 remains the transaction of term life business in the Lloyd's market.

The managing agency's ultimate parent is Tokio Marine Holdings, Inc., the head office of which is in Japan.

### Annual accounting results 2017

2017	Syndicate annual accounting result		
	510 £'000s	557 £'000s	308 £'000s
Year of account			
2017	(183,451)	(14,326)	(13,950)
2016	35,705	1,771	(8,875)
2015 & prior	48,915	2,034	(511)
	(98,831)	(10,521)	(23,336)

2016	Syndicate annual accounting result		
	510 £'000s	557 £'000s	308 £'000s
Year of account			
2016	(66,548)	2,846	(3,423)
2015	81,759	2,306	4,427
2014 & prior	100,049	3,392	936
	115,260	8,544	1,940

### Principal risks and uncertainties

Our business model remains consistent: we are specialist underwriters, providing a wide variety of products tailored to our clients' changing risk profile. This is supported by a comprehensive, enterprise wide framework for the management of risk across the whole of TMK. We focus largely on specialist lines of insurance and reinsurance business where we know that a loss has occurred relatively quickly, and so are able to make more immediate reliable estimates regarding the extent of the losses we might expect. We are substantially exposed to catastrophe related business and have detailed knowledge of the risks we underwrite.

It is our policy to confine exposure to risk primarily to core areas of expertise: the underwriting of specialist insurance and reinsurance risks. This approach means that we are prudent in all areas of financial risk management, such as investment management and reserving. This allows us to protect our capital on the balance sheet and focus our risk appetite on underwriting.

### Capital management

#### Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to supervision by the PRA under the Financial Services and Markets Act 2000, and in accordance with the Solvency II framework.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

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

#### Lloyd's capital setting process

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it is participating but not other members' shares. Accordingly, the capital requirements that Lloyd's set for each member operate on a similar basis. Each member's total SCR is therefore determined by the share of each syndicate's SCR 'to ultimate' on which they participate. Where a member participates on more than one

syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the economic capital assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

### Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's) 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 respective balance sheets, represent resources available to meet members' and Lloyd's capital requirements. The capital uplift applied for 2018 is 35% of the member's SCR 'to ultimate'.

### Capital allocation

We have an approved internal model which is used to calculate capital requirements, allocate capital to business lines and risk categories and assess the value of different business and reinsurance strategies. The calculations are based upon sophisticated mathematical models that reflect the key risks in the business, allowing for the probability of occurrence, the potential impact should losses occur and the interactions between the different risk types.

The results of the modelling confirm that the majority of the capital is required to support the insurance underwriting risk, and that the amount of capital required for non-insurance risk is modest.

### Risk management and risk appetite

We have a comprehensive, enterprise wide risk management framework in place for the management of risk across the whole of TMK. A key element of this is the risk appetite framework which is approved by the board each year and lays out the agreed appetite for each area of risk the business is exposed to.

The risk appetite framework ensures that risk taking is aligned to the business strategy by including a set of risk preferences. These are strategic choices taken by the business to deliver the best result to its stakeholders. These preferences change over time as the strategy develops, ensuring we remain relevant to our clients, whilst adapting to market conditions.

As a business, we are exposed to a number of types of risk and have developed a strategy for categorising, managing and reporting these different risks. This high level categorisation is called the TMK Risk Universe. We define the risk universe as 'the complete view of all possible types of risk that the firm may face, reflecting the risk profile of the business'. The universe includes risks that could positively or negatively impact the business.

### Insurance risk

This is the risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities.

Insurance risk is sub-divided into several categories which include underwriting risk, reinsurance risk and reserving risk.

Due to the cyclical nature of insurance business, there is a risk that future earnings are lower or more volatile than expected with fluctuations in capacity, competition and the frequency and severity of losses, as a result of both man-made and natural disasters.

### Underwriting risk

This is the risk arising from fluctuations in the frequency and severity of financial losses incurred as a result of the acceptance of the insurance portfolio of business.

Insurance risk is managed by agreeing the syndicates' appetite annually through the risk appetite framework and the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. Volume and price performance is monitored against syndicate business plans monthly, and all of the components of the insurance result and risk appetite quarterly. Catastrophe modelling software is used to model maximum probable losses from catastrophe-exposed business and as part of the realistic disaster scenario (RDS) process. We have adopted a cyber aggregate monitoring tool to manage the growing exposures in this area.

A significant proportion of Syndicate 510's and Syndicate 308's business is written through delegated authorities. A dedicated Delegated Authorities team provides operational and regulatory oversight of our coverholders, carrying out annual due diligence, an ongoing schedule of audits and management of regulatory requirements.

### Reinsurance risk

This is the risk that reinsurance purchased to protect the gross account does not respond as intended due to, inter alia: mismatch with gross losses; poorly worded contracts; reinsurer counterparty risk; or exhaustion of reinsurance limits. The risk is heightened if there is a lack of reinsurance or retrocession availability in the market.

Reinsurance is used to protect capital against underwriting risk volatility, either as a result of large catastrophes or from the severity of losses on individual policies. Reinsurance security is overseen by the Reinsurance Security Committee.

### Reserving risk

This is the risk of loss arising from claims reserves already in the balance sheet being understated, i.e. the risk that reserves are inadequate due to the inherent uncertainty of knowing the ultimate timing and quantum of liabilities incurred.

Claims provisions represent estimates, based on both the underwriters' informed knowledge and judgement and on the Internal Reserving Actuary's statistical projections, of the expectation of the ultimate settlement and administration costs of claims incurred. A variety of estimation techniques are used, generally based upon statistical analyses of historical loss development patterns, to assist in the establishment of appropriate claims reserves.

In addition, the estimates are subject to independent review by external actuaries, who sign an annual Statement of Actuarial Opinion on the sufficiency of the reserves for each of the syndicates. Our policy is to reserve on a consistent basis with a reasonable margin for prudence. Claims run-off tables are used to monitor the history of reserve adequacy, and these show a trend of predominantly positive run-off since they were first prepared in 2001.

### **Credit risk**

This is the risk of loss if another party fails to meet its financial obligations, including failure to meet them in a timely manner.

We are exposed to three types of credit risk: reinsurer credit risk; broker/coverholder credit risk; and investment credit risk. Credit exposure and aggregate exposure to reinsurers are managed by the Reinsurance Security Committee. It assesses, and is required to approve, all new reinsurers before business is placed with them, and it monitors the credit ratings of all reinsurers used. The performance of premium debtors, from brokers and coverholders, is monitored quarterly by the Credit Control Committee. The Investment Committee regularly tracks and reviews our investment portfolio, which is outsourced to two investment managers.

### **Market risk**

This is the risk that arises from fluctuations in values of, or income from, assets, interest rates or exchange rates.

Investments are held as a result of underwriting activities either in premium trust funds or as capital support. The investment policy is set to protect the capital, and not to manage it as a separate profit centre. Funds managed by our investment managers are subject to set guidelines, and the on-going investment strategy and investment objectives that are agreed by the Investment Committee. These include the requirement to comply with the prudent person principle as outlined in the Solvency II Directive text. Additionally, we meet regularly with our fund managers to review performance.

We regularly review our balance of assets and liabilities. Our syndicates maintain a diversified investment portfolio (including an immaterial exposure to equities through investment in an absolute return fund) to restrict the concentration of assets.

Overall, the level of market risk is currently heightened following increased uncertainty in financial markets following Brexit, US protectionism and other events impacting the wider geopolitical environment.

### **Liquidity risk**

This is the risk of the syndicates being unable to meet liabilities in a timely manner due to the lack of liquid resources.

To mitigate liquidity risk, the Finance Group reviews syndicate cash flow projections quarterly, and also stress tests them against RDSs. In the event of a catastrophe loss of a significant size, Syndicates 510 and 557 and 308 have the ability to take advantage of outstanding claims advances from their major reinsurers. The syndicates also have the ability to make cash calls on members in order to manage liquidity.

### **Operational risk**

This is the risk that errors caused by people, processes or systems lead to losses to the managed syndicates.

We seek to manage this risk by the recruitment of high calibre staff and providing them with ongoing, high quality training. Operational risk forms a significant part of the syndicates' risk register. Risks are reviewed on a regular basis with departmental heads responsible for identifying, assessing and controlling operational risks effectively. To assist with this, all departments have in place an internal control framework, documenting their controls. These controls are independently assessed on an annual basis by the Risk Management team.

There is a strong risk reporting and risk governance system in place to ensure effective risk management of operational risk. The Executive Risk Committee and the Risk & Compliance Committee reviews the most material elements of the operational risk profile quarterly, in line with our risk management framework. Particular attention is paid to how the risks from cyber security threats are managed by the Information Security Group.

Tokio Marine Kiln Syndicates Limited is aware of its fiduciary responsibilities to capital providers across each of its four syndicates and is careful to ensure equity between them. As a dual platform business, with an integrated underwriting function, we manage potential conflicts of interest between capital providers using TMK's Underwriting Acceptance Protocols. These protocols, which have been shared with members' agents, govern business not constrained by licence or customer preference. Any proposed exceptions to the protocols must be approved by TMK's Conflicts Committee before a risk is bound.

### **Regulatory risk**

This is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change.

The managing agent is required to comply with the requirements of the FCA, PRA and Lloyd's, including those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. The Compliance function is responsible for monitoring compliance with regulation and monitoring of regulatory change. The Compliance framework outlines the broad regulatory and compliance structure that applies to all staff.



The nature of its business exposes the managing agent to controls and sanctions which regulate international trade. Processes and controls are in place to screen and monitor transactions against relevant requirements to ensure compliance with them.

### **Conduct risk**

This is an important element of regulatory risk and is the risk of financial and/or service detriment which adversely affects our customers due to failings in the customer value chain.

Our conduct objective is to build, maintain and enjoy long-term relationships with our customers whether they be directly or indirectly via a third party. This culture of partnership is fundamental to our dealings with our customers, and comes regardless of the complexity of the risk, the sophistication of the buyer, or the length of the supply chain to the end customer.

The conduct objective is owned by the board and cascaded throughout the organisation. It is central in achieving delivery of the six consumer outcomes (as set out by the FCA), which are at the heart of our business.

The board aims to embed a culture, from the top down, where the conduct risk arising from the execution of the business plan and strategy is appropriately monitored and managed to ensure good outcomes for all our customers. The management of conduct risk applies to all business, regardless of product lines and customer types, across both open market and delegated underwriting and is achieved through the application of the conduct risk framework. The framework is applied in a proportionate, risk-based way which takes account of the different inherent conduct risk across products, distribution and customer types.

The underwriters, with the support of all teams across TMK, take day-to-day ownership of conduct risk as they are the ones empowered to make decisions which commit us to relationships with our customers and business partners. Conduct risk and our treatment of customers is managed and monitored by the Conduct Risk Committee, a sub-committee of the board.

### **Reputational risk**

This is the risk that negative publicity regarding an institution's business practices will lead to a loss of revenue or litigation.

In the modern digital era, reputational risk and the subsequent threat to our strong brand is becoming more significant. Loss of confidence from customers, regulators or capital providers could cause long-term harm to the business.

In light of this, all staff are made aware of their responsibilities to clients and other stakeholders. Reputational risk is included as a specific category in the syndicates' risk register and forms part of the regular risk assessment process, facilitated by the Risk Management team. It is reported on a quarterly basis as part of the ORSA process to the Executive Risk Committee and the Risk & Compliance Committee.

### **Strategic risk**

Strategic risk refers to the risk associated with the achievement of the business' strategic objectives. A key element of strategic risk is the risk of making poor business decisions in the context of the internal and external market environment in which we operate.

Strategic risk is managed via the board which is ultimately responsible for setting and monitoring our strategic direction. Below the board, various sub-committees discuss and challenge the businesses strategy. The Risk Management team facilitates our risk assessment process, including identification, assessment and mitigation of strategic risks. Reporting on these risks is included in the quarterly ORSA process to the Executive Risk Committee and the Risk & Compliance Committee.

### **308 Run-off risk**

This is the risk that we fail to manage the run-off of Syndicate 308 efficiently and effectively, in the best interests of all members and not to the detriment of policyholders. The various risks associated with the run-off include the reputational risk of putting a syndicate into run-off (in terms of potential policyholder concerns, the negative impact it may have on relationships with brokers and coverholders, and the potential for the run-off to be perceived adversely within the wider market), regulatory risk and the impact it may have from a resourcing perspective in terms of the potential for distraction from business as usual activities.

These risks require careful management and are a key priority for management. It is clearly stated in our initial run-off plan that the run-off will be managed for all members in accordance with Lloyd's requirements and with full regard to our duties and obligations as a Managing Agent. We are managing the run-off in line with existing TMK policies and procedures and with the Lloyd's Minimum Standards. A Run-Off Committee has been put in place to oversee the management of the run-off and this reports upwards to the Executive Committee on a monthly basis and to the TMKS Board quarterly. Reporting on the risks associated with the run-off will also be considered as part of our ORSA process and reported to the Executive Risk Committee and the Board Risk & Compliance Committee.

### **Emerging risk**

We define an emerging risk as an issue that is perceived to be potentially significant but which may not be fully understood or allowed for in insurance terms and conditions, pricing, reserving or capital setting, and may relate to issues which are changing rapidly or are uncertain.

We are committed to the continual research and identification of emerging risks and actively undertake research independently, and via Lloyd's as a representative on the Lloyd's Emerging Risks Special Interest Group. Emerging risk analysis is included in the TMK quarterly and annual ORSA process. Through the effective management of emerging risks we are able to identify external trends and threats, and improve risk selection and knowledge of



future risk exposures. Emerging risks may present both threats and opportunities to the business and, as we have done in the past, we will readily capitalise on identified opportunities in this area.

### **Underwriters' reports**

The underwriters' reports on pages 10 to 15 set out further commentaries on the principal activities and one year annual accounting results for Syndicates 510, 557 and 308. They also include commentaries on the year of account result for the 2015 closed year, and a discussion of future developments in the coming year.

### **Directors**

The directors of the managing agent who served during the year ended 31 December 2017, as well as any subsequent changes, are listed under the section 'Directors, Active Underwriters and administration' on page 16. The directors' participations in the premium income of the syndicates are set out in the related parties note on page 17.

### **Disclosure of information to the auditors**

As far as each person who was a director of the managing agent at the date of approving this report is aware, there is no relevant audit information, which is information needed by the auditors in connection with its report, of which the auditors are unaware. Having made enquiries of fellow directors of the managing agent and the syndicates' auditors, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### **Reappointment of auditors**

The board approved the reappointment of PricewaterhouseCoopers LLP as auditors for the current year and on an ongoing basis for the managed syndicates, managing agent and other Tokio Marine Kiln Group entities.

### **Syndicate annual general meeting**

In accordance with the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000) the managing agent does not propose holding a syndicate annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by syndicate members in writing to the Company Secretary within 21 days of this notice.

### **Approved by the Board of directors**

#### **Charles Franks**

Chief Executive Officer  
Tokio Marine Kiln Syndicates Limited  
15 March 2018



## Statement of managing agent's responsibilities

The managing agent is responsible for preparing the syndicate annual report and annual accounts for each of Syndicates 510, 557 and 308 in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('2008 Regulations') requires the managing agent to prepare syndicate annual accounts for each syndicate at 31 December each year, in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The annual accounts are required by law to give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss for that year.

In preparing the syndicates' annual accounts, 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 United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- prepare the annual accounts on the basis that each syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of each syndicate and enable it to ensure that the syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of each syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on its website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors of the managing agent confirm that they have complied with the above requirements in preparing the syndicate annual accounts.



## Notes and principal accounting policies applying to all syndicates

as at 31 December 2017

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 1. Statement of compliance

These annual accounts have been prepared in accordance with Regulation 5 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Accounting Standards in the United Kingdom, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and Financial Reporting Standard 103, 'Insurance Contracts' (FRS 103). The general and life business results are determined on an annual basis of accounting.

These financial statements are prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

### 2. Funds at Lloyd's

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

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

### 3. Critical accounting judgements and estimation uncertainty

The preparation of the syndicates' annual accounts requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the syndicates' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are those listed below. The judgements and estimation uncertainty are disclosed within the individual accounting policies:

- Premiums written – general and life business
- Earned premiums – general and life business
- Claims provisions and related recoveries – general and life business
- Provision for unexpired risks
- Pension costs

## 4. Accounting policies

### a) Going concern

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Whilst as disclosed in the underwriter report on page 14, Syndicate 308 has been placed into run-off but will continue in operation for the foreseeable future in accordance with a plan approved by the directors.

### b) Premiums written – general and life business

Inwards premiums written comprise premiums on contracts incepting during the financial year as well as adjustments made in the year to premiums on contracts incepting in prior accounting periods. Premiums in respect of insurance contracts underwritten under facilities such as binding authorities, lineslips or consortium arrangements are estimated based on information provided by the broker, past underwriting experience and prevailing market conditions. The estimates are updated on a regular basis. It is assumed that the majority of risks incept even across the period of the facility, however bespoke writing patterns are used for a small number of facilities. Therefore only the proportion of risks incepted at the year end date are reported as written. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums on a risk by risk basis, representing the difference between the written and signed premium, which is held on the balance sheet as an asset.

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Single premium life contracts consist of those contracts under which there is no expectation of continuing premiums being paid at regular intervals. Additional single premiums paid in respect of existing individuals' contracts are also included within single premiums.

Periodic premium life contracts include those contracts under which premiums are payable at regular intervals during the policy year, including repeated or recurrent single premiums where the level of premiums is defined. For policies with recurrent single premiums and a policy term of greater than 12 months, premium is written on an annual basis, at the anniversary of inception, into the youngest year of account.

### c) Earned premiums – general and life business

Inwards and outwards earned premium represents the amount of written premium deemed to have been exposed to loss according to defined earnings patterns. The earning patterns are based primarily on time apportionment, with an adjustment for the risk profile of certain classes of business, particularly those exposed to seasonal weather related events. The provision for unearned premium comprises the proportion of gross premiums written which is estimated to be earned after the balance sheet date.

Reinstatement premiums arise on both inwards and outwards policies when a loss has been incurred on a policy and there is a clause which requires the reinstatement of the policy with the payment of a further premium by the policyholder.



They are recognised as written and earned in full at the date of the event giving rise to the reinstatement premium. Outwards reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

For those policies in Syndicate 308 reserved under a long-term methodology, written premium is treated as fully earned from inception, or anniversary of inception, and no unearned premium reserve is held. Instead these policies are reserved using a gross premium valuation methodology to calculate the provision required to meet future expected claims and expenses less future expected premiums ('mathematical reserves'). Where mathematical reserves for an individual long-term life contract creates a deficit from inception on a best estimate basis, assets will be transferred from the year of account which originally underwrote the business to the year of account carrying the liability in order to maintain equity between capital providers. The assessment for this requirement is made on a 'managed together' basis.

#### **d) Claims provisions and related recoveries – general and life business**

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including outstanding claims estimated on a case by case basis and also the cost of claims Incurred But Not Reported (IBNR). The estimated cost of claims includes expenses to be incurred in settling claims. All reasonable steps are taken to ensure that the appropriate information regarding claims exposures is obtained. 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. All claims provisions are reported on an undiscounted basis, with the exception of Syndicate 308 where a discount rate is applied (see note 4 of the Syndicate 308 annual accounts).

The estimation of claims 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 insurer until many years after the event giving rise to the claim has occurred. Classes of business where the IBNR proportion of the total reserves 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 a variety of estimation techniques is used, 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 including:

- changes in syndicate processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal and regulatory environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

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, regard is given to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

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

Where possible, multiple techniques are adopted in order 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 amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

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

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

An estimate of the future cost of indirect claims handling is calculated as a percentage of the gross claims reserves held at the balance sheet date.



### **Property, Enterprise Risk, Reinsurance, and Accident & Health**

These business areas are predominantly short-tail, in that there is not a significant delay between the occurrence of the claim and the claim being reported, with the exception of the liability risks written in the Property division. For short-tail risks, the costs of claims notified to the syndicate at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications.

### **Liability**

For liability risks, claims may not be apparent for many years after the event giving rise to the claim, and there will typically be greater variation between initial estimates and final outcomes compared with other classes. Differences between the estimated cost and subsequent re-estimation or settlement of claims are reflected in the technical account for the year in which these claims are re-estimated or settled.

### **Marine and aviation**

These business areas have a mix of hull and cargo risks that are short-tail in nature, and liability risks which are longer tail. The methodology uses a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimate of the loss ratio based on the experience of previous years adjusted for factors such as premium rate changes and claims inflation, and on the anticipated market experience, is an important assumption in this estimation technique. The assessment of claims inflation and anticipated market experience is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. This class of business is also potentially subject to the emergence of new types of latent claims but no specific allowance is included for this as at the balance sheet date.

### **Life**

The long-term business provision is determined annually by an actuarial valuation and is calculated initially to comply with the reporting requirements of the PRA's Prudential Sourcebook for Insurers. These are the amounts shown in the balance sheet. This statutory solvency basis is then adjusted in respect of general contingency reserves and other reserves required for statutory solvency purposes. This adjusted basis is referred to as the modified statutory solvency basis.

The long-term business provision includes a newly established additional expense reserve to cover the future costs associated with maintaining the long-term contracts. The level of expenses is based on a prudent assessment of the expected costs, necessary to maintain the in-force policies.

Further details of the assumptions used are given in note 4 of the annual accounts of Syndicate 308.

### **e) Provision for unexpired risks**

Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision. The expected claims are calculated having regard only to events that have occurred prior to the balance sheet date. The need for an unexpired risks provision is assessed on a 'managed together' basis. Unexpired risks surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises. The unexpired risks provision is included within other technical provisions.

All reasonable steps are taken to ensure that the appropriate information regarding claims exposures is obtained. The calculation is based upon statistical analyses of historical experience, which assumes that the development pattern of premiums and claims will be similar to past experience. However, given the uncertainty in establishing a provision for unexpired risks, it is likely that the final outcome will prove to be different from the original liability established.

### **f) Acquisition costs**

For both general and life business, acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date. Where inwards business is ceded to an outwards proportional reinsurance treaty, an estimate of the relevant proportion of the inwards acquisition costs is calculated and deferred in line with the outwards unearned premium at the balance sheet date.

Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written off where they are no longer considered to be recoverable.

### **g) Foreign currencies**

#### **Functional currency**

Items included in the annual accounts are measured using the currency of the primary economic environment in which the syndicates operate (the functional currency). The annual accounts are presented in pounds sterling which is also the functional currency of the syndicates.

#### **Transactions and balances**

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions or an appropriate average rate of exchange. At each period end foreign currency monetary items are translated using the closing rate. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items.

Foreign exchange gains and losses resulting from the settlement of transactions and from the measurement at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account for general business and the technical account for long-term business.

Exchange rates used are as follows:

	Average rate		Year end rate	
	2017	2016	2017	2016
US dollar	1.29	1.35	1.35	1.24
Canadian dollar	1.67	1.79	1.70	1.66

The distributable result on closing a year of account, usually at 36 months, is calculated using the exchange rates prevailing at the date of closure.

#### **h) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

#### **i) Investments**

The syndicates have chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The syndicates classify their financial assets held for investment purposes (investments) into 'shares and other variable-yield securities', 'debt securities and other fixed-income securities' and 'deposits with credit institutions' – all at fair value through profit or loss. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

An investment is classified as fair value through profit or loss at inception if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities.

Financial assets designated as fair value through profit or 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 key management personnel. The investment strategy is to invest in listed government and corporate bonds, fixed and floating interest rate debt securities, bond exchange traded funds and absolute return funds designated upon initial recognition as fair value through profit or loss.

The fair values of financial instruments traded in active markets are based on quoted bid prices at the balance sheet date, and include interest accrued at that 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.

Net gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are presented in the statement of comprehensive income within 'unrealised gains on investments' or 'unrealised losses on investments' in the period in which they arise.

#### **j) Derivative financial instruments**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the statement of comprehensive income. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

#### **k) Investment return**

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. Realised gains and losses on investments carried at fair value through profit or loss are calculated as the difference between sale proceeds and the fair value at the previous balance sheet date, or purchase price if acquired during the year. Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and the fair value at the previous balance sheet date, or purchase price if acquired during the year.

Investment return on general business is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account. Investment return on long-term business is recorded directly in the technical account.

#### **l) Investment yield**

The calendar year investment yield is calculated as the ratio of 'aggregate investment return' to 'average funds available', expressed as a percentage. Aggregate investment return is the total amount of net appreciation, investment income and accrued interest received during the year, after deducting investment management costs but before deducting tax. Average funds available is the average value of all investments (including accrued interest), deposits and surplus cash at the beginning of the year and at each quarter end revalued at market prices.

#### **m) Financial assets**

Basic financial assets, including receivables and cash at bank and in hand, are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount



and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**n) Financial liabilities**

Basic financial liabilities, including payables, are initially recognised at transaction price.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expired.

**o) Taxation**

Under Schedule 19 of the Finance Act 1993 the syndicates do not pay UK taxation, their profits being allocated and assessed to tax on their members in direct proportion to their capacity.

The syndicates pay various overseas direct and premium based taxes, the majority of which are allocable to their members in direct proportion to their capacity and which can be claimed by members either as double tax relief or as an expense against tax liabilities.

**p) Pension costs**

Tokio Marine Kiln Syndicates Limited operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicates and included within net operating expenses.

Tokio Marine Kiln Syndicates Limited also operates a defined benefit scheme through the R J Kiln & Co. Limited Pension and Assurance Scheme (closed to future benefit accruals from 1 May 2003). This fund is valued at the balance sheet date by the scheme actuary. The fair value of plan assets is measured in accordance with FRS 102 fair value hierarchy and in accordance with the policy for similarly held assets.

The surplus or deficit arising on the scheme at each balance sheet date is transferred or recharged to the syndicates. The syndicates share of the surplus or deficit is based on the working patterns of the scheme's active members as at the date of the closure of the Scheme and is recognised as an asset or liability respectively. The syndicates also recognise a corresponding liability or asset which represents the amount which is recoverable from syndicate members in future years.

The charge recognised during the year represents each syndicate's share of pension scheme funding paid during the year as required to meet the funding obligation of the scheme.

**q) Profit commission**

Profit commission is charged by the managing agent at a rate of 12.5% of profit for Syndicate 510 and 17.5% for Syndicates 557 and 308, subject to the operation of a two year deficit clause. Syndicate 510's profit commission is calculated after the deduction of a 5% divisional profit share payable to underwriting staff, again subject to the operation of a divisional two year deficit clause. Profit commission is estimated on an ultimate basis for each year of account, and accrued by the syndicates based on the interim annual accounting results of the year of account under UK GAAP. Final settlement to the managing agent is made when the year of account closes; normally at 36 months. Divisional profit share does not become payable until after the appropriate year of account closes; normally at 36 months.

**r) Contingencies**

Contingent liabilities arise as a result of past events when either it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the syndicate's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

**5. Catastrophe losses**

The following table shows the expected losses resulting from Hurricanes Harvey, Irma and Maria, as well as the California Wildfires which fall principally on the reinsurance and property portfolios of Syndicates 510 and 557.

Syndicate	As at 31 December 2017 Gross £m	As at 31 December 2017 Net £m
<b>510</b>	<b>352,991</b>	<b>172,909</b>
<b>557</b>	<b>21,762</b>	<b>21,762</b>
	<b>374,752</b>	<b>194,671</b>



Annual report and accounts 2017

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited  
Annual accounts under UK GAAP

# Syndicate 510

Tokio Marine Kiln Combined Syndicate  
Composite



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## Independent auditors' report to the members of Syndicate 510 – Report on the syndicate annual accounts

### Opinion

In our opinion, 510's syndicate annual accounts (the "syndicate annual accounts"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the Annual Report and accounts 2017 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017, the statement of comprehensive income, the statement of changes in members' balances and the cash flow statement for the year then ended, the accounting policies, and the notes to the syndicate annual accounts, which include other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the syndicate annual accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the syndicate annual accounts are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Managing Agent's Report, we also considered whether the disclosures required by Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### Managing Agent's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent's Report for the year ended 31 December 2017 is consistent with the syndicate annual accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent's Report.

## Responsibilities for the syndicate annual accounts and the audit

### Responsibilities of the managing agent for the syndicate annual accounts

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 25, the managing agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended for the syndicate to cease operations, or it has no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the syndicate annual accounts

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

A further description of our responsibilities for the audit of the syndicate annual accounts is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- certain disclosures of managing agent remuneration specified by law are not made; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

### Marcus Hine

Senior Statutory Auditor  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
15 March 2018



## Statement of comprehensive income: technical account – general business

for the year ended 31 December 2017

	Note	2017 £'000s	2016 £'000s
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	1	1,416,940	1,296,737
Outward reinsurance premiums		(332,038)	(288,543)
Net premiums written		1,084,902	1,008,194
Change in the provision for unearned premiums:			
Gross amount		(11,757)	(7,460)
Reinsurers' share		8,750	8,679
Change in the net provision for unearned premiums		(3,007)	1,219
<b>Earned premiums, net of reinsurance</b>		<b>1,081,895</b>	<b>1,009,413</b>
<b>Allocated investment return transferred from the non-technical account</b>		<b>15,810</b>	<b>9,226</b>
<b>Claims incurred, net of reinsurance</b>			
Claims paid:			
Gross amount		(723,492)	(580,964)
Reinsurers' share		139,585	106,284
Net claims paid		(583,907)	(474,680)
Change in the provision for claims:			
Gross amount		(321,803)	(88,112)
Reinsurers' share		157,092	16,117
Change in the net provision for claims		(164,711)	(71,995)
<b>Claims incurred, net of reinsurance</b>		<b>(748,618)</b>	<b>(546,675)</b>
<b>Members' standard personal expenses</b>		<b>(25,838)</b>	<b>(40,726)</b>
<b>Net operating expenses</b>	2,3,4	<b>(416,796)</b>	<b>(377,486)</b>
<b>Balance on the technical account for general business</b>		<b>(93,547)</b>	<b>53,752</b>

All operations are continuing.

## Statement of comprehensive income: non-technical account

for the year ended 31 December 2017

	Note	2017 £'000s	2016 £'000s
<b>Balance on the general business technical account</b>		<b>(93,547)</b>	53,752
Investment income	5	<b>18,500</b>	15,916
Investment expenses and charges	5	<b>(2,453)</b>	(3,784)
Net unrealised losses on investments	5	<b>(237)</b>	(2,906)
Allocated investment return transferred to the general business technical account	5,6	<b>(15,810)</b>	(9,226)
(Loss)/profit on exchange		<b>(5,284)</b>	61,508
<b>(Loss)/profit for the financial year</b>		<b>(98,831)</b>	115,260

There is no other comprehensive income.



## Balance sheet: assets

as at 31 December 2017

	Note	2017 £'000s	2016 £'000s
<b>Investments</b>			
Other financial investments	7	870,148	1,024,482
Deposits with ceding undertakings		562	606
		<b>870,710</b>	1,025,088
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	8	124,577	123,980
Claims outstanding	8,9	407,391	272,566
		<b>531,968</b>	396,546
<b>Debtors</b>			
Debtors arising out of direct insurance operations	10	423,811	426,559
Debtors arising out of reinsurance operations		230,280	216,642
Other debtors		24,903	24,882
		<b>678,994</b>	668,083
<b>Other assets</b>			
Cash at bank and in hand		16,618	19,843
Overseas deposits	11	155,323	158,730
		<b>171,941</b>	178,573
<b>Prepayments and accrued income</b>			
Deferred acquisition costs	12	191,146	193,951
Other prepayments and accrued income		1,191	1,170
		<b>192,337</b>	195,121
<b>Total assets</b>		<b>2,445,950</b>	2,463,411

## Balance sheet: liabilities

as at 31 December 2017

	Note	2017 £'000s	2016 £'000s
<b>Capital and reserves</b>			
Members' balances		(106,622)	158,464
<b>Technical provisions</b>			
Provision for unearned premiums	8	617,684	641,551
Claims outstanding	8,9	1,548,723	1,307,362
		<b>2,166,407</b>	1,948,913
<b>Deposits received from reinsurers</b>			
		<b>1,199</b>	1,344
<b>Creditors</b>			
Creditors arising out of direct insurance operations	13	89,621	93,753
Creditors arising out of reinsurance operations		224,962	171,485
Other creditors	14	35,245	53,594
		<b>349,828</b>	318,832
<b>Accruals and deferred income</b>			
Reinsurers' share of deferred acquisition costs	12	34,891	35,434
Other accruals and deferred income		247	424
		<b>35,138</b>	35,858
<b>Total liabilities</b>		<b>2,445,950</b>	2,463,411

The annual accounts, which comprise pages 31 to 56 and the notes and principal accounting policies applicable to all syndicates on pages 26 to 30, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 13 March 2018 and were signed on its behalf by

### James Dover

Chief Financial Officer  
Tokio Marine Kiln Syndicates Limited  
15 March 2018

## Statement of changes in members' balances

for the year ended 31 December 2017

	<b>2017</b> <b>£'000s</b>	<b>2016</b> <b>£'000s</b>
Members' balances brought forward at 1 January	<b>158,464</b>	102,099
(Loss)/profit for the financial year	<b>(98,831)</b>	115,260
Payments of profit to members' personal reserve funds	<b>(163,379)</b>	(55,173)
Members' agents' fee advances	<b>(2,876)</b>	(3,722)
Members' balances carried forward at 31 December	<b>(106,622)</b>	158,464

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



## Cash flow statement

for the year ended 31 December 2017

	Note	2017 £'000s	2016 £'000s
<b>Cash flows from operating activities:</b>			
Operating (loss)/profit on ordinary activities		(98,831)	115,260
Increase in gross technical provisions		217,494	323,382
(Increase) in reinsurers' share of technical provisions		(135,422)	(73,502)
(Increase) in debtors		(8,127)	(112,352)
Increase in creditors		30,276	48,016
Unrealised foreign currency losses/(gains)		93,313	(163,037)
Investment return		(15,810)	(9,226)
<b>Net cash inflow from operating activities</b>		<b>82,893</b>	<b>128,541</b>
<b>Cash flows from investing activities:</b>			
Sale of shares and other variable yield securities		2,817	27,368
Purchase of debt securities and other fixed income securities		(452,253)	(1,048,571)
Sale of debt securities and other fixed income securities		496,458	997,817
Purchase of derivatives		(18)	(599)
Investment income received		17,473	13,760
Other		(1,408)	(5,332)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>63,069</b>	<b>(15,557)</b>
<b>Cash flows from financing activities:</b>			
Transfer to members in respect of underwriting participations		(163,379)	(55,173)
Members' agents' fees paid on behalf of members		(2,876)	(3,722)
<b>Net cash (outflow) from financing activities</b>		<b>(166,255)</b>	<b>(58,895)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(20,293)</b>	<b>54,089</b>
Cash and cash equivalents at beginning of year		195,476	130,634
Foreign exchange (losses)/gains on cash and cash equivalents		(3,242)	10,753
Cash and cash equivalents at end of year		171,941	195,476
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand		16,618	19,843
Overseas deposits	11	155,323	158,730
Short-term deposits presented within other financial investments		–	16,903
<b>Cash and cash equivalents at end of year</b>		<b>171,941</b>	<b>195,476</b>



## Notes to the accounts

as at 31 December 2017

### 1. Segmental analysis

An analysis of the result before investment return and profit or loss on exchange is set out below:

	Gross premium written £'000s	Gross premium earned £'000s	Gross incurred claims £'000s	Gross operating expenses £'000s	Reinsurance balance £'000s	Total £'000s	Net technical provisions £'000s
<b>2017</b>							
Division:							
Property & Special Lines	752,865	749,173	(638,689)	(282,554)	74,629	(97,441)	835,220
Marine & Special Risks	226,523	227,825	(134,327)	(83,754)	(15,235)	(5,491)	327,100
Accident & Health	152,836	155,859	(80,762)	(64,470)	(3,794)	6,833	131,494
Reinsurance	106,221	105,566	(117,292)	(26,658)	14,415	(23,969)	112,915
Enterprise Risk	122,719	110,073	(40,298)	(46,201)	(12,066)	11,508	126,124
Aviation	56,164	57,075	(33,997)	(22,200)	(1,368)	(490)	93,305
Syndicate 807 run-off	(388)	(388)	70	–	11	(307)	8,281
	<b>1,416,940</b>	<b>1,405,183</b>	<b>(1,045,295)</b>	<b>(525,837)</b>	<b>56,592</b>	<b>(109,357)</b>	<b>1,634,439</b>

The divisions accepted the following inwards reinsurance business as a proportion of gross written premium: Reinsurance (100.0%); Aviation (29.4%); Accident & Health (25.8%); Marine & Special Risks (15.3%); Property & Special Lines (12.5%) and Enterprise Risk (10.6%).

	Gross premium written £'000s	Gross premium earned £'000s	Gross incurred claims £'000s	Gross operating expenses £'000s	Reinsurance balance £'000s	Total £'000s	Net technical provisions £'000s
<b>2016</b>							
Division:							
Property & Special Lines	709,398	703,899	(386,561)	(280,419)	(21,422)	15,497	753,967
Marine & Special Risks	196,193	203,302	(115,173)	(71,944)	(12,727)	3,458	342,165
Accident & Health	142,945	141,858	(78,538)	(59,311)	(2,231)	1,778	139,191
Reinsurance	101,317	104,009	(33,085)	(31,673)	(31,743)	7,508	99,119
Enterprise Risk	95,311	84,829	(32,808)	(35,304)	(5,047)	11,670	109,106
Aviation	51,987	51,794	(25,481)	(21,506)	(3,943)	864	100,047
Syndicate 807 run-off	(414)	(414)	2,570	–	1,595	3,751	8,772
	<b>1,296,737</b>	<b>1,289,277</b>	<b>(669,076)</b>	<b>(500,157)</b>	<b>(75,518)</b>	<b>44,526</b>	<b>1,552,367</b>

The divisions accepted the following inwards reinsurance business as a proportion of gross written premium: Reinsurance (100.0%); Aviation (28.2%); Accident & Health (26.0%); Marine & Special Risks (16.7%); Property & Special Lines (12.5%) and Enterprise Risk (10.5%).

Of the direct business written, each division accepted premium as classified in The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 as follows:

- Property & Special Lines – 59% fire and other damage to property (2016: 62%), 23% third party liability (2016: 20%), 8% motor (other classes) (2016: 6%) and 2% motor (third party liability) (2016: 3%)
- Marine & Special Risks – 51% marine, aviation and transport (2016: 57%), 21% pecuniary loss (2016: 16%), 13% fire and other damage to property (2016: 14%)
- Accident & Health – 82% accident and health (2016: 84%)
- Enterprise Risk – 96% third party liability (2016: 97%)
- Aviation – 100% marine, aviation and transport (2016: 100%)

All business was concluded in the UK.

The total commission payable on direct business was £383,130,458 (2016: £338,594,197).

The geographical analysis of premium by location of the client is below.

	<b>2017</b> <b>£'000s</b>	<b>2016</b> <b>£'000s</b>
UK	<b>199,607</b>	158,765
Other EU countries	<b>151,757</b>	136,627
US	<b>578,852</b>	582,549
Canada	<b>174,221</b>	143,427
Other	<b>312,503</b>	275,369
	<b>1,416,940</b>	1,296,737

## 2. Net operating expenses

	<b>2017</b> <b>£'000s</b>	<b>2016</b> <b>£'000s</b>
Acquisition costs	<b>427,796</b>	388,409
Change in deferred acquisition costs	<b>(7,506)</b>	(2,482)
Administrative expenses	<b>79,709</b>	73,504
Gross operating expenses	<b>499,999</b>	459,431
Reinsurance commissions and profit participations	<b>(83,203)</b>	(81,945)
	<b>416,796</b>	377,486

Included within administrative expenses is auditors' remuneration:

	<b>2017</b> <b>£'000s</b>	<b>2016</b> <b>£'000s</b>
Audit services:		
Fees payable to the syndicate's auditor for the audit of the syndicate annual accounts	<b>148</b>	148
Other services:		
Other services pursuant to legislation	<b>335</b>	337
	<b>483</b>	485

The charge incurred for other services relates to the audit and review of the syndicate's regulatory returns and the provision of statements of actuarial opinion on the reserves.



### 3. Staff numbers and costs

Staff are employed by Tokio Marine Kiln Insurance Services Limited. The following amounts were recharged to the syndicate in respect of salary costs and are included within administrative expenses:

	<b>2017</b> <b>£'000s</b>	<b>2016</b> <b>£'000s</b>
Wages and salaries	<b>25,058</b>	24,047
Social security costs	<b>2,688</b>	2,618
Other pension costs	<b>2,583</b>	2,398
	<b>30,329</b>	29,063

Of this amount £129,877 (2016: £126,852) was paid as consulting fees to other Tokio Marine Group companies in respect of staff working on the syndicate with the remainder recharged to the syndicate by Tokio Marine Kiln Insurance Services Limited.

Included in other pension costs are amounts related to the defined benefit pension scheme recharged by the managing agent:

	<b>2017</b> <b>£'000s</b>	<b>2016</b> <b>£'000s</b>
Net charge from managing agent during year	<b>1,138</b>	1,138
Amount funded in year	<b>1,138</b>	1,138

The average number of full-time employees working for the syndicate during the year was as follows:

	<b>2017</b>	<b>2016</b>
Administration and finance	<b>159</b>	129
Underwriting	<b>87</b>	92
Claims	<b>41</b>	38
	<b>287</b>	259

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is applied in the table above. Of this number 284 (2016: 256) are employed by Tokio Marine Kiln Insurance Services Limited and the remainder by other Tokio Marine Group companies.

#### 4. Emoluments of the directors and Active Underwriters

The Tokio Marine Kiln Group of companies operates a bonus pooling arrangement such that profit-related pay is generated from the managing agency profit commission, the group's share of the underwriting result through the corporate member Tokio Marine Underwriting Limited whose participations are managed by Tokio Marine Kiln Syndicates Limited. A considerable portion of the profit-related pay is therefore borne by other Tokio Marine Kiln Group entities. The directors of Tokio Marine Kiln Syndicates Limited received the following aggregate remuneration in relation to their work on the syndicate:

	2017 £'000s	2016 £'000s
Emoluments	2,151	2,002

Of the above amount, £825,898 (2016: £1,042,059) was charged to the syndicate as an expense, with the remainder borne by other group entities.

The Active Underwriters received the following remuneration charged as a syndicate expense:

	2017 £'000s	2016 £'000s
Emoluments	1,386	2,356

The above includes the emoluments for all individuals who held the role of Active Underwriter for the periods in which they held this role. For further details on the changes, please refer to page 16.

The profit commission included within the emoluments is in relation to the 2014 year of account (2016: 2013 YOA), as the allocation to underwriters was only determined following its closure.

#### 5. Investment income and expenses

	2017 £'000s	2016 £'000s
Investment income:		
Income from investments	16,009	13,388
Realised gains on investments	2,491	2,528
Unrealised gains on investments	5,213	4,777
Investment expenses:		
Investment management expenses, including interest	(1,426)	(1,628)
Realised losses on investments	(1,027)	(2,156)
Unrealised losses on investments	(5,450)	(7,683)
	15,810	9,226



## 6. Calendar year investment yield

	2017 £'000s	2016 £'000s
Average amount of syndicate funds during the year:		
Sterling fund	62,745	64,919
US dollar fund	584,271	669,135
Canadian dollar fund	313,412	245,987
Euro fund	73,288	60,779
Aggregate gross investment return:		
Before investment expenses	17,236	10,854
After investment expenses	15,810	9,226
Calendar year investment yield:	%	%
Before investment expenses	1.7	1.0
After investment expenses	1.5	0.9
Analysis of calendar year investment yield by fund:	%	%
Sterling fund	1.6	1.5
US dollar fund	2.2	1.0
Canadian dollar fund	0.1	0.3
Euro fund	2.5	1.7

The sterling fund balance includes investments held in all currencies other than US dollars, Canadian dollars and Euros.

## 7. Other financial investments

	Fair value		Purchase price	
	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s
Shares and other variable yield securities	207,713	201,594	203,873	195,077
Debt securities and other fixed income securities	657,062	817,148	659,699	822,192
Deposits with credit institutions	4,772	5,106	4,772	5,106
Other investments	601	634	–	–
	<b>870,148</b>	1,024,482	<b>868,344</b>	1,022,375

All financial instruments are designated as fair value through profit or loss upon initial recognition.

Other investments are comprised of forward currency contracts.

The syndicate manages the foreign exchange risk posed by writing insurance policies in certain regions by using forward currency contracts. The total notional value of these contracts at 31 December 2017 was £77,317,002 (2016: £50,471,418).

## 8. Reconciliation of insurance balances

The reconciliation of the opening and closing provision for unearned premiums is as follows:

	Gross		Reinsurers' share	
	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s
<b>At 1 January</b>	<b>641,551</b>	555,002	<b>(123,980)</b>	(99,220)
Premiums written during the year	<b>1,416,940</b>	1,296,737	<b>(332,038)</b>	(288,543)
Premiums earned during the year	<b>(1,405,183)</b>	(1,289,277)	<b>323,288</b>	279,864
Foreign exchange adjustments	<b>(35,624)</b>	79,089	<b>8,153</b>	(16,081)
<b>At 31 December</b>	<b>617,684</b>	641,551	<b>(124,577)</b>	(123,980)

The reconciliation of the opening and closing provision for claims outstanding is as follows:

	Gross		Reinsurers' share	
	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s
<b>At 1 January</b>	<b>1,307,362</b>	1,070,529	<b>(272,566)</b>	(223,824)
Claims incurred during the year	<b>1,045,295</b>	669,076	<b>(296,677)</b>	(122,401)
Claims paid during the year	<b>(723,492)</b>	(580,964)	<b>139,585</b>	106,284
Foreign exchange adjustments	<b>(80,442)</b>	148,721	<b>22,267</b>	(32,625)
<b>At 31 December</b>	<b>1,548,723</b>	1,307,362	<b>(407,391)</b>	(272,566)



## 9. Claims outstanding

Within the calendar year technical result, a surplus of £20.9m (2016: £16.2m) relates to the reassessment of net claims incurred for previous accident years.

The following tables show the development of gross and net claims incurred including IBNR and the claims handling provision over the last seven years and include the historical development of Syndicate 807 which was reinsured to close into the 2012 year of account. The claims development tables are prepared on an underwriting year of account basis, and therefore reflect the pattern of earned premium and risk exposure over a number of years. All figures are shown converted at current year-end rates.

### Gross of reinsurance

Year of Account	2010 and prior £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	Total £m
Year 1		355.6	432.1	298.8	318.9	267.6	342.4	602.2	
Year 2		646.8	693.5	612.4	621.2	604.7	765.8		
Year 3		646.6	714.4	632.9	639.5	619.9			
Year 4		636.9	710.5	626.3	640.6				
Year 5		620.2	710.2	615.2					
Year 6		611.6	702.9						
Year 7		603.5							
Cumulative claims paid		576.3	636.7	542.4	488.6	401.4	347.7	143.6	
Outstanding claims reserve	135.3	27.2	66.2	72.8	152.0	218.5	418.1	458.6	1,548.7

### Net of reinsurance

Year of Account	2010 and prior £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	Total £m
Year 1		277.0	309.9	247.1	244.5	233.3	274.6	397.3	
Year 2		546.2	542.1	505.3	509.9	517.3	624.1		
Year 3		566.3	554.6	518.8	526.4	531.4			
Year 4		537.2	550.2	511.3	516.2				
Year 5		521.9	547.9	506.6					
Year 6		514.1	541.6						
Year 7		507.3							
Cumulative claims paid		486.1	490.4	437.7	404.1	351.3	290.0	99.4	
Outstanding claims reserve	75.8	21.2	51.2	68.9	112.1	180.1	334.1	297.9	1,141.3



## 10. Debtors arising out of direct insurance operations

	2017 £'000s	2016 £'000s
Amounts due from intermediaries within one year	415,812	420,481
Amounts due from intermediaries after one year	7,999	6,078
	<b>423,811</b>	426,559

## 11. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

## 12. Reconciliation of deferred acquisition costs

The reconciliation of the opening and closing deferred acquisition costs is as follows:

	Gross		Reinsurers' share	
	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s
<b>At 1 January</b>	<b>193,951</b>	168,723	<b>(35,434)</b>	(30,912)
Expenses for the acquisition of insurance contracts deferred during the year	<b>427,796</b>	388,409	<b>(85,110)</b>	(81,393)
Amortisation	<b>(420,290)</b>	(385,927)	<b>83,203</b>	81,945
Foreign exchange adjustments	<b>(10,311)</b>	22,746	<b>2,450</b>	(5,074)
<b>At 31 December</b>	<b>191,146</b>	193,951	<b>(34,891)</b>	(35,434)

## 13. Creditors arising out of direct insurance operations

	2017 £'000s	2016 £'000s
Amounts due to intermediaries within one year	88,028	91,081
Amounts due to intermediaries after one year	1,593	2,672
	<b>89,621</b>	93,753

## 14. Other creditors

The following balances are included within other creditors:

	2017 £'000s	2016 £'000s
Forward currency contracts – held to maturity	477	257
	<b>477</b>	257

The syndicate manages the foreign exchange risk posed by writing insurance policies in certain regions by using forward currency contracts. The total notional value of these contracts at 31 December 2017 was £145,843,758 (2016: £122,851,699). The above balances are stated at fair value.

## 15. Related parties

Syndicate 510 accepted inwards reinsurance business from, and placed outwards reinsurance business with, other Tokio Marine Group entities, including Syndicate 1880, that are deemed to be related parties of Tokio Marine Kiln Syndicates Limited by virtue of the shareholding in Tokio Marine Kiln Group Limited by Tokio Marine Holdings, Inc. Syndicate 557 and Syndicate 510 are considered to be related parties as Tokio Marine Kiln Syndicates Limited is the managing agent of both syndicates. All transactions between these entities were conducted at arm's length and on normal commercial terms.

Syndicate 510 accepted written premium from related parties in the 2017 calendar year of £6,448,361 (2016: £6,863,993). The unpaid premiums due from related parties at the period end were £2,446,940 (2016: £1,458,815). The outstanding claims, including an element of IBNR, were £4,712,718 (2016: £3,673,018). Written premiums ceded by Syndicate 510 to related parties for the 2017 calendar year were £91,064,915 (2016: £79,107,080). Paid recoveries from related parties during the period were £57,325,337 (2016: £28,345,271). Unpaid recoveries at the period end amounted to £55,360,296 (2016: £78,613,048) and future recoveries on outstanding claims, including an element of IBNR, were £175,542,421 (2016: £117,413,641).

Treaty profit commission due to Syndicate 510 from related parties for the 2017 calendar year was £nil (2016: £nil). Profit commissions received from related parties during the period were £nil (2016: £nil). Profit commission receivable at the period end amounted to £nil (2016: £nil).

The syndicate received business through the following service and related companies whose investments were held ultimately by the managing agent: Tokio Marine Kiln Hong Kong Limited (100% owned), Tokio Marine Kiln Singapore Pte Limited (100% owned), Tokio Marine Kiln Regional Underwriting Limited (100% owned) and Ibex Insurance Services Ltd (30% owned).

The syndicate also received business through Tokio Marine Kiln Europe S.A. which was 100% owned by Tokio Marine Kiln Group Limited, WNC Insurance Services, Inc., whose parent WNC Holding Company, LP was 49% owned within the Tokio Marine Kiln Group (the remaining 51% share was purchased in January 2018) and NAS Insurance Services, Inc. which was 49% owned within the Tokio Marine Kiln Group as at 31 December 2017. Profit commission on inwards business of £470,705 was paid to related parties for the 2017 calendar year (2016: £918,602) and profit commission payable was £nil as at the balance sheet date (2016: £nil).

Profit commission of £9,786,157 was payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of the 2017 calendar year (2016: £33,520,771). Profit commission is accrued by the syndicate based on the interim annual accounting results of each year of account under UK GAAP and final settlement to the managing agent is paid when the year of account is closed after three years.

Managing agency fees of £8,346,684 (2016: £7,833,933) were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £57,747,737 (2016: £52,343,065) were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 17 provides further information regarding all syndicates and related parties.

## 16. Risk management

Details of the syndicate's risk management framework are given in the 'principal risks and uncertainties section' on pages 20 to 24.

### a) Insurance risk

Further details on the management of the syndicate's insurance risk are given on page 21.

#### Concentrations of insurance risk

The risks assumed in the syndicate's day-to-day business activities are subject to controls over aggregation of risk. Concentration of risk is monitored by line of business, geographical location and credit quality amongst other elements.

The following tables set out the concentration of gross claims provision and reinsurance recoveries by line of business.

<b>2017</b>	<b>Gross claims provision £'000s</b>	<b>Reinsurance claims provision £'000s</b>	<b>Net claims provision £'000s</b>
Division:			
Property & Special Lines	813,329	(254,662)	558,667
Marine & Special Risks	281,838	(33,159)	248,679
Accident & Health	77,297	(4,908)	72,389
Reinsurance	166,135	(59,749)	106,386
Enterprise Risk	86,999	(6,682)	80,317
Aviation	110,602	(43,989)	66,613
Syndicate 807 run-off	12,523	(4,242)	8,281
	<b>1,548,723</b>	<b>(407,391)</b>	<b>1,141,332</b>

<b>2016</b>	<b>Gross claims provision £'000s</b>	<b>Reinsurance claims provision £'000s</b>	<b>Net claims provision £'000s</b>
Division:			
Property & Special Lines	603,109	(136,047)	467,062
Marine & Special Risks	295,197	(39,169)	256,028
Accident & Health	78,338	(4,208)	74,130
Reinsurance	117,465	(24,561)	92,904
Enterprise Risk	74,780	(11,024)	63,756
Aviation	122,262	(50,119)	72,143
Syndicate 807 run-off	16,211	(7,438)	8,773
	<b>1,307,362</b>	<b>(272,566)</b>	<b>1,034,796</b>



The following table sets out the concentration of gross claims provision by geographical location.

	Gross claims provision	
	2017 £'000s	2016 £'000s
UK	141,607	113,114
Other EU countries	219,939	205,945
US	636,122	505,357
Other	551,055	482,946
	<b>1,548,723</b>	1,307,362

#### Earned premium sensitivity analysis

Earned premium is estimated based on assumptions of how each risk is earned according to its method of placement and class of business. Each risk falling within a class of business is earned according to the estimated pattern applying to that class of business, which takes into account the class characteristics including exposure to seasonal weather related events. This approach is applied consistently year-on-year.

A sensitivity analysis has been applied by adjusting the percentage earned of each open year of account by 1%. This indicates that an increase in earned premium of 1% would result in £14.1m (2016: £12.9m) more premium being reported (gross of acquisition costs), and applying the underlying attritional loss ratio would result in an estimated increase in the net result (after acquisition costs) of £2.2m (2016: £1.8m). A decrease of 1% would result in £14.1m (2016: £12.9m) less premium being reported and an estimated £2.2m (2016: £1.8m) reduction in the net result. The impact on the result is at the net level i.e. after the adjustment for the effect of profit commission.

#### Claims sensitivity analysis

The claims ratio for 2017 is 69% (2016: 54%). A sensitivity analysis has been applied by adjusting the claims ratio by 1%. This indicates that an increase in the claims ratio of 1% would result in claims increasing by £10.8m (2016: £10.1m) and the result reducing by £10.8m (2016: £8.3m).

#### b) Financial risk

The syndicate is exposed to a range of financial risks through its financial assets and financial 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 and investment contracts as they fall due. The most important components of this financial risk are credit risk, liquidity risk and market risk (including interest rate risk and currency risk).

These risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The risks that the syndicate primarily faces due to the nature of its investment and liabilities are interest rate risk and currency risk.

## Credit risk

For details of the management of the syndicate's credit risks please refer to page 22.

The following table provides information regarding credit risk exposures of the syndicate by classifying assets according to the Standard & Poor's credit rating of the counterparties. Where a security has no credit rating, the rating of the issuer is used. During the year there were no material breaches in exposure limits. The basis of determining the credit rating was revised for the year ended 31 December 2017, and as such the prior year figures have been re-presented on a comparable basis.

2017	AAA £'000s	AA £'000s	A £'000s	<A £'000s	NR £'000s	Total £'000s
Financial investments:						
Other financial investments	302,676	175,282	185,558	10,833	195,799	870,148
Overseas deposits	69,213	34,247	21,278	30,430	155	155,323
Deposits with ceding undertakings	–	–	–	–	562	562
Cash at bank and in hand	–	–	13,625	2,764	229	16,618
Reinsurers' share of outstanding claims including reinsurers' IBNR	–	59,929	249,702	87	97,673	407,391
Reinsurance recoverable on paid claims neither due nor impaired	–	4,739	16,783	–	20,541	42,063
	<b>371,889</b>	<b>274,197</b>	<b>486,946</b>	<b>44,114</b>	<b>314,959</b>	<b>1,492,105</b>

2016	AAA £'000s	AA £'000s	A £'000s	<A £'000s	NR £'000s	Total £'000s
Financial investments:						
Other financial investments	333,339	249,550	225,934	23,602	192,057	1,024,482
Overseas deposits	63,667	43,163	16,719	35,174	7	158,730
Deposits with ceding undertakings	–	–	–	–	606	606
Cash at bank and in hand	–	–	17,118	2,725	–	19,843
Reinsurers' share of outstanding claims including reinsurers' IBNR	–	52,521	176,455	–	43,590	272,566
Reinsurance recoverable on paid claims neither due nor impaired	–	4,220	21,938	–	10,258	36,416
	<b>397,006</b>	<b>349,454</b>	<b>458,164</b>	<b>61,501</b>	<b>246,518</b>	<b>1,512,643</b>

Of the total reinsurers' share of outstanding claims including reinsurers' IBNR, 0.3% (2016: 0.5%) is collected under Outstanding Claims Advances (OCAs) which is a form of cash deposit allowing crystallisation of an outstanding reinsurance recovery. The majority of the collateral values relating to the granting of OCAs are for US Situs losses only. Surplus reinsurance treaties allow the syndicate to call upon OCAs at its discretion.

In respect of the reinsurers' share of claims, there are collateralised reinsurers including ILS arrangements, which comprise letters of credit and trust accounts totalling \$852.1m (2016 re-presented: \$617.8m).

The largest potential reinsurance credit exposure to the syndicate at 31 December 2017 was 26.3% (2016: 23.0%) with Tokio Marine & Nichido Fire Insurance Co. Ltd, which is an A+ rated security. The Reinsurance Security Committee of the managing agent reviews the level of this exposure and takes appropriate action where necessary. This includes requesting a letter of credit for all reinsurers, related parties included.



An aged analysis of financial assets past due is shown below.

<b>2017</b>	<b>Fully performing £'000s</b>	<b>Past due £'000s</b>	<b>Impairment £'000s</b>	<b>Total £'000s</b>
Financial investments:				
Other financial investments	870,148	–	–	870,148
Overseas deposits	155,323	–	–	155,323
Deposits with ceding undertakings	562	–	–	562
Cash at bank and in hand	16,618	–	–	16,618
Reinsurers' share of outstanding claims including reinsurers' IBNR	407,391	–	–	407,391
Insurance debtors	367,671	56,140	–	423,811
Reinsurance recoverable on paid claims	42,063	2,850	–	44,913
Other debtors	527,184	–	–	527,184
	<b>2,386,960</b>	<b>58,990</b>	<b>–</b>	<b>2,445,950</b>

<b>2016</b>	<b>Fully performing £'000s</b>	<b>Past due £'000s</b>	<b>Impairment £'000s</b>	<b>Total £'000s</b>
Financial investments:				
Other financial investments	1,024,482	–	–	1,024,482
Overseas deposits	158,730	–	–	158,730
Deposits with ceding undertakings	606	–	–	606
Cash at bank and in hand	19,843	–	–	19,843
Reinsurers' share of outstanding claims including reinsurers' IBNR	272,566	–	–	272,566
Insurance debtors	376,515	50,044	–	426,559
Reinsurance recoverable on paid claims	36,416	5,530	–	41,946
Other debtors	518,679	–	–	518,679
	<b>2,407,837</b>	<b>55,574</b>	<b>–</b>	<b>2,463,411</b>

For assets to be classified as past-due the contractual payments are in arrears by more than 30 days. An impairment adjustment is recorded in the statement of comprehensive income for assets impaired. The syndicate operates mainly on a 'neither past-due nor impaired basis' and when evidence is available, sufficient collateral will be obtained for 'past-due and impaired' assets. An impairment assessment will also be performed if applicable.

## Liquidity risk

For details of the management of the syndicate's liquidity risks please refer to page 22.

The syndicate writes a significant proportion of US Situs and Canadian business which requires the deposit of appropriate monies into specific trust funds. Some of these trust funds are regulated, requiring quarterly assessment of the adequacy of funding. Surplus funds or additional funding requirements are settled each quarter between the regulated and non-regulated trust funds. In exceptional circumstances, and with approval from Lloyd's, inter-fund settlement can take place outside the quarterly process. As at 31 December 2017 the balance held in these trust funds was US\$385.8m (2016: US\$423.6m) and Canadian \$457.6m (2016: Canadian \$398.0m).

The following table analyses the financial liabilities and claims outstanding into their relevant maturity groups based on the remaining period at the year end date to their contractual maturities or expected settlement dates. The projected settlement of claims outstanding is modelled using actuarial techniques. These estimates assume that future claims settlement patterns will be broadly similar to those experienced in the past.

<b>2017</b>	<b>Up to 1 year £'000s</b>	<b>1–3 years £'000s</b>	<b>3–5 years £'000s</b>	<b>Over 5 years £'000s</b>	<b>Total £'000s</b>
Forward currency contracts	477	–	–	–	477
Deposits received from reinsurers	1,199	–	–	–	1,199
Creditors	327,405	9,804	12,142	–	349,351
Financial liabilities	329,081	9,804	12,142	–	351,027
Claims outstanding	640,214	539,084	199,065	170,360	1,548,723
Financial liabilities and claims outstanding	969,295	548,888	211,207	170,360	1,899,750

<b>2016</b>	<b>Up to 1 year £'000s</b>	<b>1–3 years £'000s</b>	<b>3–5 years £'000s</b>	<b>Over 5 years £'000s</b>	<b>Total £'000s</b>
Forward currency contracts	257	–	–	–	257
Deposits received from reinsurers	1,344	–	–	–	1,344
Creditors	296,178	9,575	12,822	–	318,575
Financial liabilities	297,779	9,575	12,822	–	320,176
Claims outstanding	540,557	451,018	173,134	142,653	1,307,362
Financial liabilities and claims outstanding	838,336	460,593	185,956	142,653	1,627,538



### Foreign currency market risk

For further details of the management of the syndicate's market risk please refer to page 22.

The syndicate maintains bank accounts, investment portfolios and claims reserves in pounds sterling, US dollars, and Canadian dollars (the Lloyd's closing currencies). Additionally, bank accounts and investment portfolios are maintained in Euros. Transactions arising in other currencies are translated to the Lloyd's closing currencies as they occur. Certain other currencies are held for regulatory purposes. The majority of the syndicate's financial assets are denominated in the same currencies as its insurance liabilities and thus the developing profit or loss that remains embedded within the syndicate gives rise to the main currency exposure. The profit or loss is distributed, or settled, in accordance with Lloyd's rules using a combination of pounds sterling and US dollars after deduction of the member level charges.

Foreign currency liquidity and exposure for the syndicate is the responsibility of the Chief Financial Officer. Strategy is recommended by the Finance Group and agreed by the Investment Committee. The syndicate currency exposure and future cash flows are monitored by currency and potential exposures and shortfalls addressed by foreign currency transactions, hedges or cash calls on members.

A substantial proportion of the syndicate's business is written in currencies other than pounds sterling, in particular US dollars. The syndicate's business is therefore exposed to changes in exchange rates and there is no assurance that foreign currency risk mitigation initiatives undertaken by the syndicate will be successful in preventing any losses due to such changes.

The syndicate uses forward currency contracts to manage its exposure to foreign currency risks arising from material losses in the Canadian dollar and non-closing currencies. The use of financial derivatives is governed by the syndicate's policies approved by the Investment Committee, which provides written principles on the use of financial derivatives. More information is available in the 'fair value estimation' in part (c) of this note.

### Exchange rate sensitivity analysis

The analysis below is performed for possible movements in key variables, with all other variables held constant, showing the impact on the result and net assets. The correlation of variables will have a significant effect in determining the ultimate impact. However, to isolate and demonstrate the effect due to changes in variables, each variable has been changed on an individual basis.

The following table gives an indication of the impact on the result and net assets of a ten percent change in the relative strength of the pound sterling against the value of the US dollar and Canadian dollar, excluding the effect of hedges. The basis of determining the exchange rate sensitivity was revised for the year ended 31 December 2017, and as such the prior year figures have been re-presented on a comparable basis.

	<b>2017</b> <b>£'000s</b>	<b>2016</b> <b>£'000s</b>
Sterling strengthens 10% against US dollar	<b>(11,550)</b>	(36,482)
Sterling strengthens 10% against Canadian dollar	<b>(692)</b>	(632)
Sterling weakens 10% against US dollar	<b>11,550</b>	36,482
Sterling weakens 10% against Canadian dollar	<b>692</b>	632



### Interest rate market risk

For further details of the management of the syndicate's market risk please refer to page 22.

The syndicate holds investments in its balance sheet and the performance of its investment portfolio may have an effect on the result. The income derived by the syndicate from its investments, and the capital value of its investments, may fall as well as rise. Therefore, changes in interest rates, credit ratings and other economic variables could substantially affect the syndicate's profitability.

The use of financial derivatives is governed by the syndicate's policies approved by the Investment Committee, which provides written principles on the use of financial derivatives. More information is available in the 'fair value estimation' in part (c) of this note.

### Interest rate sensitivity analysis

The analysis below is performed for possible movements in key variables with all other variables held constant, showing the impact on the result. The correlation of variables will have a significant effect in determining the ultimate impact. However, to isolate and demonstrate the effect due to changes in variables, each variable has been changed on an individual basis. It should be noted that movements in these variables are non-linear.

The table below shows the estimated impact on the result and net assets of a 50 basis point movement in interest rates on the market value of the syndicate's investments.

	<b>2017</b> <b>£'000s</b>	<b>2016</b> <b>£'000s</b>
Impact of 50 basis point increase on result	<b>(6,669)</b>	(8,782)
Impact of 50 basis point decrease on result	<b>7,190</b>	8,662
Impact of 50 basis point increase on net assets	<b>(6,669)</b>	(8,782)
Impact of 50 basis point decrease on net assets	<b>7,190</b>	8,662

### Capital management

Disclosures on capital management can be found on page 20.



### c) Fair value estimation

Financial instruments that are fair valued through profit and loss are classified using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

- Level 1 financial instruments comprise government bonds and securities which have been valued at fair value using quoted prices in an active market.
- Level 2 financial instruments are less regularly traded government agency bonds, supranational bonds, corporate bonds, money market and open-ended funds. These fair values have been derived from market observable inputs.
- The fair value for level 3 financial instruments is derived from inputs that are not observable. The syndicate held no level 3 securities as at 31 December 2017.

2017	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Derivative financial instruments:				
Forward currency derivatives – assets	601	–	–	601
Forward currency derivatives – liabilities	(477)	–	–	(477)
Shares and other variable yield securities	–	207,713	–	207,713
Debt securities and other fixed income securities	195,027	462,035	–	657,062
Loans and deposits with credit institutions	4,772	–	–	4,772
Overseas deposits	93,223	62,100	–	155,323
	<b>293,146</b>	<b>731,848</b>	–	<b>1,024,994</b>

2016	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Derivative financial instruments:				
Forward currency derivatives – assets	634	–	–	634
Forward currency derivatives – liabilities	(257)	–	–	(257)
Shares and other variable yield securities	–	201,594	–	201,594
Debt securities and other fixed income securities	238,934	578,214	–	817,148
Loans and deposits with credit institutions	5,106	–	–	5,106
Overseas deposits	98,792	59,938	–	158,730
	<b>343,209</b>	<b>839,746</b>	–	<b>1,182,955</b>

At 31 December 2017 the syndicate held forward currency contracts, for which the fair value is a net asset of £124,474 (2016: £377,387) with the gain (2016: gain) going through investment income in the statement of comprehensive income.

Annual report and accounts 2017

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited  
Annual accounts under UK GAAP

# Syndicate 557

Tokio Marine Kiln Catastrophe Syndicate  
Non-marine



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## Independent auditors' report to the members of Syndicate 557 – Report on the syndicate annual accounts

### Opinion

In our opinion, 557's syndicate annual accounts (the "syndicate annual accounts"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the Annual Report and accounts 2017 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017, the statement of comprehensive income, the statement of changes in members' balances and the cash flow statement for the year then ended, the accounting policies, and the notes to the syndicate annual accounts, which include other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the syndicate annual accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the syndicate annual accounts are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Managing Agent's Report, we also considered whether the disclosures required by Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### Managing Agent's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent's Report for the year ended 31 December 2017 is consistent with the syndicate annual accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent's Report.

## Responsibilities for the syndicate annual accounts and the audit

### Responsibilities of the managing agent for the syndicate annual accounts

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 25, the managing agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended for the syndicate to cease operations, or it has no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the syndicate annual accounts

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

A further description of our responsibilities for the audit of the syndicate annual accounts is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- certain disclosures of managing agent remuneration specified by law are not made; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

### Marcus Hine

Senior Statutory Auditor  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
15 March 2018

## Statement of comprehensive income: technical account – general business

for the year ended 31 December 2017

	Note	2017 £'000s	2016 £'000s
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	1	17,679	16,718
Outward reinsurance premiums		(2,106)	(2,064)
Net premiums written		15,573	14,654
Change in the provision for unearned premiums:			
Gross amount		(89)	509
Reinsurers' share		(22)	(46)
Change in the net provision for unearned premiums		(111)	463
<b>Earned premiums, net of reinsurance</b>		<b>15,462</b>	<b>15,117</b>
<b>Allocated investment return transferred from the non-technical account</b>		<b>496</b>	<b>375</b>
<b>Claims incurred, net of reinsurance</b>			
Claims paid:			
Gross amount		(11,764)	(9,043)
Reinsurers' share		200	(2)
Net claims paid		(11,564)	(9,045)
Change in the provision for claims:			
Gross amount		(10,776)	2,659
Reinsurers' share		(200)	2
Change in the net provision for claims		(10,976)	2,661
<b>Claims incurred, net of reinsurance</b>		<b>(22,540)</b>	<b>(6,384)</b>
<b>Members' standard personal expenses</b>		<b>(1,059)</b>	<b>(2,068)</b>
<b>Net operating expenses</b>	2,3,4	<b>(2,456)</b>	<b>(2,734)</b>
<b>Balance on the technical account for general business</b>		<b>(10,097)</b>	<b>4,306</b>

All operations are continuing.

## Statement of comprehensive income: non-technical account

for the year ended 31 December 2017

	Note	2017 £'000s	2016 £'000s
<b>Balance on the general business technical account</b>		<b>(10,097)</b>	4,306
Investment income	5	<b>667</b>	804
Investment expenses and charges	5	<b>(75)</b>	(255)
Net unrealised losses on investments	5	<b>(96)</b>	(174)
Allocated investment return transferred to the general business technical account	5,6	<b>(496)</b>	(375)
(Loss)/profit on exchange		<b>(424)</b>	4,238
<b>(Loss)/profit for the financial year</b>		<b>(10,521)</b>	8,544

There is no other comprehensive income.

## Balance sheet: assets

as at 31 December 2017

	Note	2017 £'000s	2016 £'000s
<b>Investments</b>			
Other financial investments	7	34,451	50,813
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	8	331	377
Claims outstanding	8,9	1,219	1,535
		1,550	1,912
<b>Debtors</b>			
Debtors arising out of reinsurance operations		4,247	3,593
Other debtors		351	221
		4,598	3,814
<b>Other assets</b>			
Cash at bank and in hand		2,562	806
Overseas deposits	10	13	19
		2,575	825
<b>Prepayments and accrued income</b>			
Deferred acquisition costs	11	98	99
Other prepayments and accrued income		5	6
		103	105
<b>Total assets</b>		<b>43,277</b>	<b>57,469</b>



## Balance sheet: liabilities

as at 31 December 2017

	Note	2017 £'000s	2016 £'000s
<b>Capital and reserves</b>			
Members' balances		(24)	21,141
<b>Technical provisions</b>			
Provision for unearned premiums	8	3,148	3,296
Claims outstanding	8,9	36,321	27,621
		39,469	30,917
<b>Creditors</b>			
Creditors arising out of reinsurance operations		371	652
Other creditors	12	3,461	4,759
		3,832	5,411
<b>Total liabilities</b>		<b>43,277</b>	57,469

The annual accounts, which comprise pages 57 to 80 and the notes and principal accounting policies applicable to all syndicates on pages 26 to 30, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 13 March 2018 and were signed on its behalf by

### James Dover

Chief Financial Officer  
Tokio Marine Kiln Syndicates Limited  
15 March 2018

## Statement of changes in members' balances

for the year ended 31 December 2017

	<b>2017</b> <b>£'000s</b>	<b>2016</b> <b>£'000s</b>
Members' balances brought forward at 1 January	<b>21,141</b>	19,541
(Loss)/profit for the financial year	<b>(10,521)</b>	8,544
Payments of profit to members' personal reserve funds	<b>(10,461)</b>	(6,659)
Members' agents' fee advances	<b>(183)</b>	(285)
Members' balances carried forward at 31 December	<b>(24)</b>	21,141

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

## Cash flow statement

for the year ended 31 December 2017

	Note	2017 £'000s	2016 £'000s
<b>Cash flows from operating activities:</b>			
Operating (loss)/profit on ordinary activities		(10,521)	8,544
Increase in gross technical provisions		8,552	518
Decrease/(increase) in reinsurers' share of technical provisions		362	(246)
(Increase)/decrease in debtors		(782)	193
(Decrease)/increase in creditors		(1,579)	626
Unrealised foreign currency losses/(gains)		3,161	(6,153)
Investment return		(496)	(375)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(1,303)</b>	<b>3,107</b>
<b>Cash flows from investing activities:</b>			
Purchase of shares and other variable yield securities		–	(5,831)
Sale of shares and other variable yield securities		7,792	–
Purchase of debt securities and other fixed income securities		(9,795)	(57,241)
Sale of debt securities and other fixed income securities		15,167	62,773
Purchase of derivatives		–	(14)
Sale of derivatives		14	–
Investment income received		629	582
Other		(128)	(206)
<b>Net cash inflow from investing activities</b>		<b>13,679</b>	<b>63</b>
<b>Cash flows from financing activities:</b>			
Transfer to members in respect of underwriting participations		(10,461)	(6,659)
Members' agents' fees paid on behalf of members		(183)	(285)
<b>Net cash (outflow) from financing activities</b>		<b>(10,644)</b>	<b>(6,944)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,732</b>	<b>(3,774)</b>
Cash and cash equivalents at beginning of year		825	4,516
Foreign exchange gains on cash and cash equivalents		18	83
Cash and cash equivalents at end of year		<b>2,575</b>	<b>825</b>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand		2,562	806
Overseas deposits	10	13	19
<b>Cash and cash equivalents at end of year</b>		<b>2,575</b>	<b>825</b>

## Notes to the accounts

as at 31 December 2017

### 1. Segmental analysis

An analysis of the result before investment return and profit or loss on exchange is set out below:

	Gross premium written £'000s	Gross premium earned £'000s	Gross incurred claims £'000s	Gross operating expenses £'000s	Reinsurance balance £'000s	Total £'000s	Net technical provisions £'000s
<b>2017</b>							
Reinsurance acceptances	17,679	17,590	(22,540)	(3,515)	(2,128)	(10,593)	37,919
	17,679	17,590	(22,540)	(3,515)	(2,128)	(10,593)	37,919

	Gross premium written £'000s	Gross premium earned £'000s	Gross incurred claims £'000s	Gross operating expenses £'000s	Reinsurance balance £'000s	Total £'000s	Net technical provisions £'000s
<b>2016</b>							
Reinsurance acceptances	16,718	17,227	(6,384)	(4,802)	(2,110)	3,931	29,005
	16,718	17,227	(6,384)	(4,802)	(2,110)	3,931	29,005

All business was concluded in the UK.

The total commission payable on direct business was £nil (2016: £nil).

The geographical analysis of premium by location of the client is as follows:

	2017 £'000s	2016 £'000s
UK	17,679	16,718
	17,679	16,718

## 2. Net operating expenses

	2017 £'000s	2016 £'000s
Acquisition costs	627	610
Change in deferred acquisition costs	(4)	26
Administrative expenses	1,833	2,098
Gross and net operating expenses	2,456	2,734

Included within administrative expenses is auditors' remuneration:

	2017 £'000s	2016 £'000s
Audit services:		
Fees payable to the syndicate's auditor for the audit of the syndicate annual accounts	28	26
Other services:		
Other services pursuant to legislation	57	61
	85	87

The charge incurred for other services relates to the audit and review of the syndicate's regulatory returns and the provision of statements of actuarial opinion on the reserves.



### 3. Staff numbers and costs

Staff are employed by Tokio Marine Kiln Insurance Services Limited. The following amounts were recharged to the syndicate in respect of salary costs and are included within administrative expenses:

	2017 £'000s	2016 £'000s
Wages and salaries	825	1,045
Social security costs	89	110
Other pension costs	132	140
	<b>1,046</b>	1,295

Of this amount £8,146 (2016: £8,642) was paid as consulting fees to other Tokio Marine Group companies in respect of staff working on the syndicate with the remainder recharged to the syndicate by Tokio Marine Kiln Insurance Services Limited.

Included in other pension costs are amounts related to the defined benefit pension scheme recharged by the managing agent:

	2017 £'000s	2016 £'000s
Net charge from managing agent during year	87	87
Amount funded in year	87	87

The average number of full-time employees working for the syndicate during the year was as follows:

	2017	2016
Administration and finance	7	9
Underwriting	1	2
Claims	1	1
	<b>9</b>	12

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is applied in the table above. Of this number, the equivalent of less than one full-time employee was employed by other Tokio Marine Group companies (2016: less than one).

### 4. Emoluments of the directors and Active Underwriter

The Tokio Marine Kiln Group of companies operates a bonus pooling arrangement such that profit-related pay is generated from the managing agency profit commission, the group's share of the underwriting result through the corporate member Tokio Marine Underwriting Limited whose participations are managed by Tokio Marine Kiln Syndicates Limited. A considerable portion of the profit-related pay is therefore borne by other Tokio Marine Kiln Group entities. The directors of Tokio Marine Kiln Syndicates Limited received the following aggregate remuneration in relation to their work on the syndicate:

	2017 £'000s	2016 £'000s
Emoluments	38	25

Of the above amount £14,763 (2016: £13,105) was charged to the syndicate as an expense, with the remainder borne by other group entities.

The Active Underwriter received the following remuneration charged as a syndicate expense:

	<b>2017</b> <b>£'000s</b>	<b>2016</b> <b>£'000s</b>
Emoluments	<b>117</b>	131

The profit commission included within the emoluments is in relation to the 2014 year of account (2016: 2013 YOA), as the allocation to underwriters was only determined following its closure.

### 5. Investment income and expenses

	<b>2017</b> <b>£'000s</b>	<b>2016</b> <b>£'000s</b>
Investment income:		
Income from investments	<b>545</b>	603
Realised gains on investments	<b>122</b>	201
Unrealised gains on investments	<b>7</b>	28
Investment expenses:		
Investment management expenses, including interest	<b>(37)</b>	(33)
Realised losses on investments	<b>(38)</b>	(222)
Unrealised losses on investments	<b>(103)</b>	(202)
	<b>496</b>	375

### 6. Calendar year investment yield

	<b>2017</b> <b>£'000s</b>	<b>2016</b> <b>£'000s</b>
Average amount of syndicate funds during the year:		
Sterling fund	<b>11,424</b>	13,692
US dollar fund	<b>29,912</b>	34,379
Canadian dollar fund	<b>1,568</b>	1,558
Euro fund	<b>574</b>	537
Aggregate gross investment return:		
Before investment expenses	<b>533</b>	408
After investment expenses	<b>496</b>	375
Calendar year investment yield:	%	%
Before investment expenses	<b>1.2</b>	0.8
After investment expenses	<b>1.1</b>	0.7
Analysis of calendar year investment yield by fund:	%	%
Sterling fund	<b>0.4</b>	1.2
US dollar fund	<b>1.5</b>	0.6
Canadian dollar fund	<b>0.8</b>	0.6
Euro fund	–	–

The sterling fund balance includes investments held in all currencies other than US dollars, Canadian dollars and Euros.



## 7. Other financial investments

	Fair value		Purchase price	
	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s
Shares and other variable yield securities	15,459	24,205	15,506	24,179
Debt securities and other fixed income securities	18,992	26,589	18,948	26,689
Deposits with credit institutions	–	5	–	5
Other investments	–	14	–	–
	<b>34,451</b>	50,813	<b>34,454</b>	50,873

All financial instruments are designated as fair value through profit or loss upon initial recognition.

Other investments are comprised of forward currency contracts.

The syndicate manages the foreign exchange risk posed by writing insurance policies in certain regions by using forward currency contracts. The total notional value of these contracts at 31 December 2017 was £nil (2016: £6,583,281).

## 8. Reconciliation of insurance balances

The reconciliation of the opening and closing provision for unearned premiums is as follows:

	Gross		Reinsurers' share	
	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s
<b>At 1 January</b>	<b>3,296</b>	3,323	<b>(377)</b>	(372)
Premiums written during the year	17,679	16,718	(2,106)	(2,064)
Premiums earned during the year	(17,590)	(17,227)	2,128	2,110
Foreign exchange adjustments	(237)	482	24	(51)
<b>At 31 December</b>	<b>3,148</b>	3,296	<b>(331)</b>	(377)

The reconciliation of the opening and closing provision for claims outstanding is as follows:

	Gross		Reinsurers' share	
	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s
<b>At 1 January</b>	<b>27,621</b>	27,076	<b>(1,535)</b>	(1,294)
Claims incurred during the year	22,540	6,384	–	–
Claims paid during the year	(11,764)	(9,043)	200	(2)
Foreign exchange adjustments	(2,076)	3,204	116	(239)
<b>At 31 December</b>	<b>36,321</b>	27,621	<b>(1,219)</b>	(1,535)



## 9. Claims outstanding

Within the calendar year technical result, a surplus of £3.7m (2016: £1.9m) relates to the reassessment of net claims incurred for previous accident years.

The following tables show the development of gross and net claims incurred including IBNR and the claims handling provision over the last seven years. The claims development tables are prepared on an underwriting year of account basis, and therefore reflect the pattern of earned premium and risk exposure over a number of years. All figures are shown converted at current year-end rates.

### Gross of reinsurance

Year of Account	2010 and prior £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	Total £m
Year 1		23.7	28.8	14.3	8.1	3.3	6.7	24.4	
Year 2		21.5	26.5	16.1	8.3	4.2	6.4		
Year 3		20.2	25.7	15.4	7.5	3.6			
Year 4		19.1	26.6	15.0	7.1				
Year 5		18.3	26.3	14.7					
Year 6		17.9	26.3						
Year 7		17.7							
Cumulative claims paid		17.2	22.1	13.8	6.7	2.2	3.7	6.4	
Outstanding claims reserve	8.2	0.5	4.2	0.9	0.4	1.4	2.7	18.0	36.3

### Net of reinsurance

Year of Account	2010 and prior £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	Total £m
Year 1		23.4	28.8	14.3	8.1	3.3	6.7	24.4	
Year 2		21.4	26.5	16.1	8.3	4.2	6.4		
Year 3		20.2	25.7	15.4	7.5	3.6			
Year 4		19.0	26.6	15.0	7.1				
Year 5		18.2	26.3	14.7					
Year 6		17.8	26.3						
Year 7		17.6							
Cumulative claims paid		17.3	22.1	13.8	6.7	2.2	3.7	6.4	
Outstanding claims reserve	7.2	0.3	4.2	0.9	0.4	1.4	2.7	18.0	35.1



### 10. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

### 11. Reconciliation of deferred acquisition costs

The reconciliation of the opening and closing deferred acquisition costs is as follows:

	2017 £'000s	2016 £'000s
<b>At 1 January</b>	<b>99</b>	115
Expenses for the acquisition of insurance contracts deferred during the year	<b>627</b>	610
Amortisation	<b>(623)</b>	(636)
Foreign exchange adjustments	<b>(5)</b>	10
<b>At 31 December</b>	<b>98</b>	99

### 12. Other creditors

The following balances are included within other creditors:

	2017 £'000s	2016 £'000s
Forward currency contracts – held to maturity	<b>15</b>	–
	<b>15</b>	–

The syndicate manages the foreign exchange risk posed by writing insurance policies in certain regions by using forward currency contracts. The total notional value of these contracts at 31 December 2017 was £5,813,987 (2016: £nil). The above balances are stated at fair value.

### 13. Related parties

As noted on page 17, Syndicate 557 is considered to be a related party of, and accepted inwards reinsurance business from, Syndicate 510. All transactions with this entity were conducted at arm's length and on normal commercial terms.

Syndicate 557 accepted written premium from Syndicate 510 in the 2017 calendar year of £17,370,969 (2016: £16,108,476). The unpaid premiums due from Syndicate 510 at the period end were £3,845,086 (2016: £3,275,830). The outstanding claims, including an element of IBNR, were £36,321,050 (2016: £27,621,378). No business was ceded to related parties.

Profit commission of £804,128 was payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of the 2017 calendar year (2016: £1,808,682). Profit commission is accrued by the syndicate based on the interim annual accounting results of each year of account under UK GAAP and final settlement to the managing agent is paid when the year of account is closed after three years.

Managing agency fees of £255,223 (2016: £259,781) were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £1,977,228 (2016: £2,317,098) were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 17 provides further information regarding all syndicates and related parties.

## 14. Risk management

Details of the syndicate's risk management framework are given in the 'principal risks and uncertainties section' on pages 20 to 24.

### a) Insurance risk

Further details on the management of the syndicate's insurance risk are given on page 21.

#### Concentrations of insurance risk

The risks assumed in the syndicate's day-to-day business activities are subject to controls over aggregation of risk. Concentration of risk is monitored by line of business, geographical location and credit quality amongst other elements.

The following tables set out the concentration of gross claims provision and reinsurance recoveries by line of business.

2017	Gross claims provision £'000s	Reinsurance claims provision £'000s	Net claims provision £'000s
Reinsurance acceptances	36,321	(1,219)	35,102
	36,321	(1,219)	35,102

2016	Gross claims provision £'000s	Reinsurance claims provision £'000s	Net claims provision £'000s
Reinsurance acceptances	27,621	(1,535)	26,086
	27,621	(1,535)	26,086

The following table sets out the concentration of gross claims provision by geographical location.

	Gross claims provision	
	2017 £'000s	2016 £'000s
Other EU countries	2,605	3,260
US	18,670	13,459
Other	15,046	10,902
	36,321	27,621

#### Earned premium sensitivity analysis

Earned premium is estimated based on assumptions of how each risk is earned according to its method of placement and class of business. Each risk falling within a class of business is earned according to the estimated pattern applying to that class of business, which takes into account the class characteristics including exposure to seasonal weather related events. This approach is applied consistently year-on-year.

A sensitivity analysis has been applied by adjusting the percentage earned of each open year of account by 1%. This indicates that an increase in earned premium of 1% would result in £0.2m (2016: £0.2m) more premium being reported (gross of acquisition costs), and applying the underlying attritional loss ratio would result in an estimated increase in the net result (after acquisition costs) of £0.1m (2016: £0.1m). A decrease of 1% would result in £0.2m (2016: £0.2m) less premium being reported and an estimated £0.1m (2016: £0.1m) reduction in the net result. The impact on the result is at the net level i.e. after the adjustment for the effect of profit commission.



### Claims sensitivity analysis

The claims ratio for 2017 is 146% (2016: 42%). A sensitivity analysis has been applied by adjusting the claims ratio by 1%. This indicates that an increase in the claims ratio of 1% would result in claims increasing by £0.2m (2016: £0.2m) and the result reducing by £0.2m (2016: £0.1m).

### b) Financial risk

The syndicate is exposed to a range of financial risks through its financial assets and financial 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 and investment contracts as they fall due. The most important components of this financial risk are credit risk, liquidity risk and market risk (including interest rate risk and currency risk).

These risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The risks that the syndicate primarily faces due to the nature of its investment and liabilities are interest rate risk and currency risk.

### Credit risk

For details of the management of the syndicate's credit risk please refer to page 22.

The following table provides information regarding credit risk exposures of the syndicate by classifying assets according to the Standard & Poor's credit rating of the counterparties. Where a security has no credit rating, the rating of the issuer is used. During the year there were no material breaches in exposure limits. The basis of determining the credit rating was revised for the year ended 31 December 2017, and as such the prior year figures have been re-presented on a comparable basis.

	AAA £'000s	AA £'000s	A £'000s	<A £'000s	NR £'000s	Total £'000s
<b>2017</b>						
Financial investments:						
Other financial investments	10,421	4,407	7,186	1,844	10,593	34,451
Overseas deposits	1	8	3	1	–	13
Cash at bank and in hand	–	–	2,448	–	114	2,562
Reinsurers' share of outstanding claims including reinsurers' IBNR	–	–	1,132	–	87	1,219
	<b>10,422</b>	<b>4,415</b>	<b>10,769</b>	<b>1,845</b>	<b>10,794</b>	<b>38,245</b>
<b>2016</b>						
Financial investments:						
Other financial investments	19,542	7,425	9,536	2,125	12,185	50,813
Overseas deposits	1	14	3	1	–	19
Cash at bank and in hand	–	–	806	–	–	806
Reinsurers' share of outstanding claims including reinsurers' IBNR	–	–	157	–	1,378	1,535
	<b>19,543</b>	<b>7,439</b>	<b>10,502</b>	<b>2,126</b>	<b>13,563</b>	<b>53,173</b>

In respect of the reinsurers' share of claims, there are collateralised reinsurers, which comprise letters of credit and trust accounts totalling \$18.6m (2016 re-presented: \$18.6m).

The largest potential reinsurance credit exposure to the syndicate at 31 December 2017 was 50% with a fully collateralised security (2016: 50% with a fully collateralised security). The Reinsurance Security Committee of the managing agent reviews the level of this exposure and takes appropriate action where necessary. This includes requesting a letter of credit for all reinsurers, related parties included.

An aged analysis of financial assets past-due is shown below.

<b>2017</b>	<b>Fully performing £'000s</b>	<b>Past due £'000s</b>	<b>Impairment £'000s</b>	<b>Total £'000s</b>
Financial investments:				
Other financial investments	34,451	–	–	34,451
Overseas deposits	13	–	–	13
Cash at bank and in hand	2,562	–	–	2,562
Reinsurers' share of outstanding claims including reinsurers' IBNR	1,219	–	–	1,219
Other debtors	5,032	–	–	5,032
	<b>43,277</b>	<b>–</b>	<b>–</b>	<b>43,277</b>

<b>2016</b>	<b>Fully performing £'000s</b>	<b>Past due £'000s</b>	<b>Impairment £'000s</b>	<b>Total £'000s</b>
Financial investments:				
Other financial investments	50,813	–	–	50,813
Overseas deposits	19	–	–	19
Cash at bank and in hand	806	–	–	806
Reinsurers' share of outstanding claims including reinsurers' IBNR	1,535	–	–	1,535
Reinsurance recoverable on paid claims	–	3	–	3
Other debtors	4,293	–	–	4,293
	<b>57,466</b>	<b>3</b>	<b>–</b>	<b>57,469</b>

For assets to be classified as past-due the contractual payments are in arrears by more than 30 days. An impairment adjustment is recorded in the statement of comprehensive income for assets impaired. The syndicate operates mainly on a 'neither past-due nor impaired basis' and when evidence is available, sufficient collateral will be obtained for 'past-due and impaired' assets. An impairment assessment will also be performed if applicable.

### Liquidity risk

For details of the management of the syndicate's liquidity risks please refer to page 22.

The syndicate writes a significant proportion of US Situs business and a smaller proportion of Canadian business which require the deposit of appropriate monies into specific trust funds. Some of these trust funds are regulated, requiring quarterly assessment of the adequacy of funding. Surplus funds or additional funding requirements are settled each quarter between the regulated and non-regulated trust funds. In exceptional circumstances, and with approval from Lloyd's, inter-fund settlement can take place outside the quarterly process. As at 31 December 2017 the balance held in these trust funds was US\$1.0m (2016: US\$1.5m) and Canadian \$9,803 (2016: Canadian \$7,839).

The following table analyses the financial liabilities and claims outstanding into their relevant maturity groups based on the remaining period at the year end date to their contractual maturities or expected settlement dates. The projected settlement of claims outstanding is modelled using actuarial techniques. These estimates assume that future claims settlement patterns will be broadly similar to those experienced in the past.

	Up to 1 year £'000s	1-3 years £'000s	3-5 years £'000s	Over 5 years £'000s	Total £'000s
<b>2017</b>					
Forward currency contracts	15	–	–	–	15
Creditors	3,817	–	–	–	3,817
Claims outstanding	19,317	11,647	2,962	2,395	36,321
Financial liabilities and claims outstanding	23,149	11,647	2,962	2,395	40,153
	Up to 1 year £'000s	1-3 years £'000s	3-5 years £'000s	Over 5 years £'000s	Total £'000s
<b>2016</b>					
Creditors	5,411	–	–	–	5,411
Claims outstanding	13,797	8,682	2,782	2,360	27,621
Financial liabilities and claims outstanding	19,208	8,682	2,782	2,360	33,032

## Foreign currency market risk

For further details of the management of the syndicate's market risk please refer to page 22.

The syndicate maintains bank accounts, investment portfolios and claims reserves in pounds sterling, US dollars, and Canadian dollars (the Lloyd's closing currencies). Additionally, bank accounts and investment portfolios are maintained in Euros. Transactions arising in other currencies are translated to the Lloyd's closing currencies as they occur. Certain other currencies are held for regulatory purposes. The majority of the syndicate's financial assets are denominated in the same currencies as its insurance liabilities and thus the developing profit or loss that remains embedded within the syndicate gives rise to the main currency exposure. The profit or loss is distributed, or settled, in accordance with Lloyd's rules using a combination of pounds sterling and US dollars after deduction of the member level charges.

Foreign currency liquidity and exposure for the syndicate is the responsibility of the Chief Financial Officer. Strategy is recommended by the Finance Group and agreed by the Investment Committee. The syndicate currency exposure and future cash flows are monitored by currency and potential exposures and shortfalls addressed by foreign currency transactions, hedges or cash calls on members.

A substantial proportion of the syndicate's business is written in currencies other than pounds sterling, in particular US dollars. The syndicate's business is therefore exposed to changes in exchange rates and there is no assurance that foreign currency risk mitigation initiatives which the syndicate undertakes will be successful in preventing any losses due to such changes.

The syndicate uses forward currency contracts to manage its exposure to foreign currency risks arising from material losses in the Canadian dollar and non-closing currencies. The use of financial derivatives is governed by the syndicate's policies approved by the Investment Committee, which provides written principles on the use of financial derivatives. More information is available in the 'fair value estimation' in part (c) of this note.

## Exchange rate sensitivity analysis

The analysis below is performed for possible movements in key variables, with all other variables held constant, showing the impact on the result and net assets. The correlation of variables will have a significant effect in determining the ultimate impact. However, to isolate and demonstrate the effect due to changes in variables, each variable has been changed on an individual basis.

The following table gives an indication of the impact on the result and net assets or liabilities of a ten percent change in the relative strength of the pound sterling against the value of the US dollar and Canadian dollar, excluding the effect of hedges. The basis of determining the exchange rate sensitivity was revised for the year ended 31 December 2017, and as such the prior year figures have been re-presented on a comparable basis.

	2017 £'000s	2016 £'000s
Sterling strengthens 10% against US dollar	(561)	(2,740)
Sterling strengthens 10% against Canadian dollar	13	89
Sterling weakens 10% against US dollar	561	2,740
Sterling weakens 10% against Canadian dollar	(13)	(89)

**Interest rate market risk**

For further details of the management of the syndicate’s market risk please refer to page 22.

The syndicate holds investments in its balance sheet and the performance of its investment portfolio may have an effect on the result. The income derived by the syndicate from its investments, and the capital value of its investments, may fall as well as rise. Therefore, changes in interest rates, credit ratings and other economic variables could substantially affect the syndicate’s profitability.

The use of financial derivatives is governed by the syndicate’s policies approved by the Investment Committee, which provides written principles on the use of financial derivatives. More information is available in the ‘fair value estimation’ in part (c) of this note.

**Interest rate sensitivity analysis**

The analysis below is performed for possible movements in key variables with all other variables held constant, showing the impact on the result. The correlation of variables will have a significant effect in determining the ultimate impact. However, to isolate and demonstrate the effect due to changes in variables, each variable has been changed on an individual basis. It should be noted that movements in these variables are non-linear.

The table below shows the estimated impact on the result and net assets of a 50 basis point movement in interest rates on the market value of the syndicate’s investments.

	<b>2017</b> <b>£'000s</b>	<b>2016</b> <b>£'000s</b>
Impact of 50 basis point increase on result	<b>(252)</b>	(377)
Impact of 50 basis point decrease on result	<b>248</b>	372
Impact of 50 basis point increase on net assets	<b>(252)</b>	(377)
Impact of 50 basis point decrease on net assets	<b>248</b>	372

**Capital management**

Disclosures on capital management can be found on page 20.



### c) Fair value estimation

Financial instruments that are fair valued through profit and loss are classified using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

- Level 1 financial instruments comprise government bonds and securities which have been valued at fair value using quoted prices in an active market.
- Level 2 financial instruments are less regularly traded government agency bonds, supranational bonds, corporate bonds, money market and open-ended funds. These fair values have been derived from market observable inputs.
- The fair value for level 3 financial instruments are derived from inputs that are not observable. The syndicate held no level 3 securities as at 31 December 2017.

	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
<b>2017</b>				
Derivative financial instruments:				
Forward currency derivatives – liabilities	(15)	–	–	(15)
Shares and other variable yield securities	–	15,459	–	15,459
Debt securities and other fixed income securities	–	18,992	–	18,992
Loans and deposits with credit institutions	–	–	–	–
Overseas deposits	7	6	–	13
	(8)	34,457	–	34,449
<b>2016</b>				
Derivative financial instruments:				
Forward currency derivatives – assets	14	–	–	14
Shares and other variable yield securities	–	24,205	–	24,205
Debt securities and other fixed income securities	3,891	22,698	–	26,589
Loans and deposits with credit institutions	5	–	–	5
Overseas deposits	11	8	–	19
	3,921	46,911	–	50,832

At 31 December 2017 the syndicate held forward currency contracts, for which the fair value is a net liability of £15,119 (2016: net asset of £14,149) with the loss (2016: gain) going through investment income in the statement of comprehensive income.

### 15. Subsequent events

The Board of Tokio Marine Kiln Syndicates Limited approved a call of US\$13.4m from the members of the 2017 year of account pursuant to the requirements of the Lloyd's Agency Agreements Byelaw (No.8 of 1988). The amount was received in February 2018.



Annual report and accounts 2017

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited  
Annual accounts under UK GAAP

# Syndicate 308

Tokio Marine Kiln Life Syndicate  
Life



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## Independent auditors' report to the members of Syndicate 308 – Report on the syndicate annual accounts

### Opinion

In our opinion, 308's syndicate annual accounts (the "syndicate annual accounts"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, (United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the Annual Report and accounts 2017 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017, the statement of comprehensive income, the statement of changes in members' balances and the cash flow statement for the year then ended, the accounting policies, and the notes to the syndicate annual accounts, which include other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the syndicate annual accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the syndicate annual accounts are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Managing Agent's Report, we also considered whether the disclosures required by Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### Managing Agent's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent's Report for the year ended 31 December 2017 is consistent with the syndicate annual accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent's Report.

## **Responsibilities for the syndicate annual accounts and the audit**

### **Responsibilities of the managing agent for the syndicate annual accounts**

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 25, the managing agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended for the syndicate to cease operations, or it has no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the syndicate annual accounts**

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

A further description of our responsibilities for the audit of the syndicate annual accounts is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Other matters on which we are required to report by exception**

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- certain disclosures of managing agent remuneration specified by law are not made; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

### **Marcus Hine**

Senior Statutory Auditor  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
15 March 2018



## Statement of comprehensive income: technical account – long-term business

for the year ended 31 December 2017

	Note	2017 £'000s	2016 £'000s
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	1	39,427	31,701
Outward reinsurance premiums		(2,621)	(1,495)
Net premiums written		36,806	30,206
Change in the provision for unearned premiums:			
Gross amount		(5,676)	(540)
Reinsurers' share		(31)	(27)
Change in the net provision for unearned premiums		(5,707)	(567)
<b>Earned premiums, net of reinsurance</b>		<b>31,099</b>	29,639
<b>Investment income</b>	2,3	<b>24</b>	39
<b>Claims incurred, net of reinsurance</b>			
Claims paid:			
Gross amount		(22,166)	(14,506)
Reinsurers' share		495	574
Net claims paid		(21,671)	(13,932)
Change in the long-term business provision:			
Gross amount		(10,711)	(334)
Reinsurers' share		44	(182)
Change in the net long-term business provision	4	(10,667)	(516)
<b>Claims incurred, net of reinsurance</b>		<b>(32,338)</b>	(14,448)
<b>Change in other technical provisions, net of reinsurance</b>	10	<b>(8,648)</b>	–
<b>Members' standard personal expenses</b>		<b>(454)</b>	(586)
<b>Net operating expenses</b>	5,6,7	<b>(13,017)</b>	(12,672)
<b>Investment expenses and charges</b>	2	<b>(2)</b>	(8)
<b>Net unrealised losses on investments</b>	2	–	(24)
<b>Balance on the technical account for long-term business and (loss)/profit for the year</b>		<b>(23,336)</b>	1,940

There are no non-technical items.

All operations are deemed to be continuing as, though the syndicate has gone into run-off with effect from 31 December 2017, it will take many years for that run-off to be completed.

There is no other comprehensive income.

## Balance sheet: assets

as at 31 December 2017

	Note	2017 £'000s	2016 £'000s
<b>Investments</b>			
Other financial investments	8	789	2,949
Deposits with ceding undertakings		242	264
		<b>1,031</b>	3,213
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	9	43	74
Long-term business provision	9,11	889	845
		<b>932</b>	919
<b>Debtors</b>			
Debtors arising out of direct insurance operations	12	20,683	13,307
Debtors arising out of reinsurance operations		3,272	3,857
Other debtors		249	436
		<b>24,204</b>	17,600
<b>Other assets</b>			
Cash at bank and in hand		333	1,975
Overseas deposits	13	228	222
		<b>561</b>	2,197
<b>Prepayments and accrued income</b>			
Deferred acquisition costs	14	5,024	4,271
<b>Total assets</b>		<b>31,752</b>	28,200



## Balance sheet: liabilities

as at 31 December 2017

	Note	2017 £'000s	2016 £'000s
<b>Capital and reserves</b>			
Members' balances		<b>(28,568)</b>	(4,526)
<b>Technical provisions</b>			
Provision for unearned premiums	9	<b>19,044</b>	13,639
Long-term business provision	9,11	<b>20,986</b>	10,925
Other technical provisions	10	<b>8,648</b>	–
		<b>48,678</b>	24,564
<b>Creditors</b>			
Creditors arising out of direct insurance operations	15	<b>7,007</b>	6,198
Creditors arising out of reinsurance operations		<b>2,188</b>	1,534
Other creditors		<b>2,431</b>	153
		<b>11,626</b>	7,885
<b>Accruals and deferred income</b>			
Reinsurers' share of deferred acquisition costs	14	<b>16</b>	19
Other accruals and deferred income		<b>–</b>	258
		<b>16</b>	277
<b>Total liabilities</b>		<b>31,752</b>	28,200

The annual accounts, which comprise pages 81 to 106, and the notes and principal accounting policies applicable to all syndicates on pages 26 to 30, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 13 March 2018 and were signed on its behalf by

### James Dover

Chief Financial Officer  
Tokio Marine Kiln Syndicates Limited  
15 March 2018



## Statement of changes in members' balances

for the year ended 31 December 2017

	<b>2017</b> <b>£'000s</b>	<b>2016</b> <b>£'000s</b>
Members' balances brought forward at 1 January	<b>(4,526)</b>	(6,111)
(Loss)/profit for the financial year	<b>(23,336)</b>	1,940
Payments of profit to members' personal reserve funds	<b>(624)</b>	(240)
Members' agents' fee advances	<b>(82)</b>	(115)
Members' balances carried forward at 31 December	<b>(28,568)</b>	(4,526)

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



## Cash flow statement

for the year ended 31 December 2017

Note	2017 £'000s	2016 £'000s
<b>Cash flows from operating activities:</b>		
Operating (loss)/profit on ordinary activities	(23,336)	1,940
Increase in gross technical provisions	24,114	1,853
(Increase)/decrease in reinsurers' share of technical provisions	(13)	195
(Increase) in debtors	(7,357)	(2,957)
Increase in creditors	3,480	197
Unrealised foreign currency losses/(gains)	1,852	(303)
Investment return	(22)	(7)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,282)</b>	<b>918</b>
<b>Cash flows from investing activities:</b>		
Purchase of shares and other variable yield securities	(199)	–
Sale of shares and other variable yield securities	–	583
Purchase of debt securities and other fixed income securities	(6)	(4,234)
Sale of debt securities and other fixed income securities	525	3,398
Investment income received	23	33
Other	2	(19)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>345</b>	<b>(239)</b>
<b>Cash flows from financing activities:</b>		
Transfer to members in respect of underwriting participations	(624)	(240)
Members' agents' fees paid on behalf of members	(82)	(115)
<b>Net cash (outflow) from financing activities</b>	<b>(706)</b>	<b>(355)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,643)</b>	<b>324</b>
Cash and cash equivalents at beginning of year	2,197	1,842
Foreign exchange gains on cash and cash equivalents	7	31
Cash and cash equivalents at end of year	561	2,197
<b>Cash and cash equivalents consists of:</b>		
Cash at bank and in hand	333	1,975
Overseas deposits	13 228	222
<b>Cash and cash equivalents at end of year</b>	<b>561</b>	<b>2,197</b>

# Notes to the accounts

as at 31 December 2017

## 1. Segmental analysis

An analysis of the gross written premium and reinsurance balances is set out below:

	2017		2016	
	Gross premiums written £'000s	Reinsurance balance £'000s	Gross premiums written £'000s	Reinsurance balance £'000s
Direct insurance	33,694	(1,669)	27,219	(1,132)
Reinsurance acceptances	5,733	(411)	4,482	31
	<b>39,427</b>	<b>(2,080)</b>	31,701	(1,101)

The direct gross written premium can be further analysed as follows:

	2017 £'000s	2016 £'000s
Individual premiums	4,394	4,274
Premiums under group contracts	29,300	22,945
	<b>33,694</b>	27,219
Periodic premiums	24,781	15,201
Single premiums	8,913	12,018
	<b>33,694</b>	27,219

All business was concluded in the UK.



An analysis of the gross new business premium is set out below:

	<b>2017</b>	<b>2016</b>
	<b>Gross premiums written £'000s</b>	<b>Gross premiums written £'000s</b>
Direct insurance	<b>604</b>	1,381
Reinsurance acceptances	<b>641</b>	1,733
	<b>1,245</b>	3,114

Outwards reinsurance placed in relation to new business written is not material.

The direct gross new business premium can be further analysed as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000s</b>	<b>£'000s</b>
Individual premiums	<b>270</b>	132
Premiums under group contracts	<b>334</b>	1,249
	<b>604</b>	1,381
Periodic premiums	<b>270</b>	147
Single premiums	<b>334</b>	1,234
	<b>604</b>	1,381

The geographical analysis of premium by location of the client is as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000s</b>	<b>£'000s</b>
UK	<b>26,515</b>	20,301
Other EU countries	<b>555</b>	2,675
US	<b>4,539</b>	3,907
Other	<b>7,818</b>	4,818
	<b>39,427</b>	31,701

## 2. Investment income and expenses

	2017 £'000s	2016 £'000s
Investment income:		
Income from investments	23	35
Realised gains on investments	1	4
Investment expenses:		
Investment management expenses, including interest	(1)	(2)
Realised losses on investments	(1)	(6)
Unrealised losses on investments	–	(24)
	<b>22</b>	<b>7</b>

## 3. Calendar year investment yield

	2017 £'000s	2016 £'000s
Average amount of syndicate funds during the year:		
Sterling fund	1,763	2,614
US dollar fund	1,052	2,563
Euro fund	85	326
Aggregate gross investment return:		
Before investment expenses	23	9
After investment expenses	22	7
Calendar year investment yield:	%	%
Before investment expenses	0.8	0.2
After investment expenses	0.8	0.1
Analysis of calendar year investment yield by fund:	%	%
Sterling fund	0.3	0.5
US dollar fund	1.6	(0.2)
Euro fund	–	–

The sterling fund balance includes investments held in all currencies other than US dollars and Euros.

## 4. Long-term business provision

The following methodologies have been used in valuing the long-term business provision:

- For group life business or business written under a delegated authority where individual data is not available, claims IBNR is estimated using those statistical and past experience methodologies described in the accounting policy for claims provisions and related recoveries.
- For individual business where individual data is available, a gross premium valuation method has been used as described in the accounting policy for earned premium.



The principal assumptions for the gross premium valuation method for all components of the long-term business provision aside from the UNFCU policy are:

- The valuation interest rate and claims discount rate is 0% (2016: 0%);
- Renewal expenses are 8% of regular premiums (2016: 8%) and 1% p.a. of the initial premium paid on single premium business (2016: 1%);
- Where policies have been underwritten, 105% of the TM/F08 select tables were used (2016: 90% of TM/F00 select tables). Where policies have not been underwritten, the ultimate tables were used (2016: same). Where smoker status is known, the smoker/non-smoker specific mortality sub-tables have been used (2016: same). Where smoker status is unknown, it is assumed that 90% of policy holders are non-smokers and 10% are smokers (2016: 90% of TM/FC00 tables).

Following the issuance of the consent order by the NYDFS in November 2017 as disclosed in the underwriter report on page 14, the UNFCU contract for the US insured lives changed from an annually renewable group life contract reserved using short-term methodologies into term life policies until age 71 reserved using long-term life reserving techniques. The UNFCU contract for the rest of the world lives remains as an annually renewable group life contract reserved using short-term methodologies. The principal assumptions for the gross premium valuation method in respect of the UNFCU policy for the US insured lives, estimated to be £7.7m, are:

- The valuation interest rate and claims discount rate is 0%.
- The renewal expenses are 8% of regular premiums.
- Mortality is 100% of the TM00 tables for males and 95% of the TF00 tables for females. Information about smoker status is not available. It is assumed that 90% of policyholders are non-smokers and 10% are smokers.

As the syndicate has been placed into run-off, the long-term business provision includes a newly established additional expense reserve to cover the future costs associated with maintaining the long-term contracts over their expected duration in excess of the expenses allowed for in the above assumptions.

## 5. Net operating expenses

	2017 £'000s	2016 £'000s
Acquisition costs	10,966	9,656
Change in deferred acquisition costs	(666)	(56)
Administrative expenses	3,293	2,903
(Profit)/loss on exchange	(543)	198
Gross operating expenses	13,050	12,701
Reinsurance commissions and profit participations	(33)	(29)
	<b>13,017</b>	12,672

Included within administrative expenses is auditors' remuneration:

	2017 £'000s	2016 £'000s
Audit services:		
Fees payable to the syndicate's auditor for the audit of the syndicate annual accounts	62	51
Other services:		
Other services pursuant to legislation	48	55
	<b>110</b>	106

The charge incurred for other services is wholly and exclusively in relation to the audit and review of the syndicate's regulatory returns.

## 6. Staff numbers and costs

Staff are employed by Tokio Marine Kiln Insurance Services Limited. The following amounts were recharged to the syndicate in respect of salary costs and are included within administrative expenses:

	2017 £'000s	2016 £'000s
Wages and salaries	1,480	1,535
Social security costs	158	171
Other pension costs	141	133
	<b>1,779</b>	1,839

Of this amount £9,320 (2016: £10,877) was paid as consulting fees to other Tokio Marine Group companies in respect of staff working on the syndicate with the remainder recharged to the syndicate by Tokio Marine Kiln Insurance Services Limited.

Included in other pension costs are amounts related to the defined benefit pension scheme recharged by the managing agent:

	2017 £'000s	2016 £'000s
Net charge from managing agent during year	40	40
Amount funded in year	40	40

The average number of full-time employees working for the syndicate during the year was as follows:

	2017	2016
Administration and finance	11	12
Underwriting	6	6
Claims	2	1
	<b>19</b>	19

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is applied in the table above. Of this number, the equivalent of less than one full-time employee was employed by other Tokio Marine Group companies (2016: less than one).

### 7. Emoluments of the directors and Active Underwriter

The Tokio Marine Kiln Group of companies operates a bonus pooling arrangement such that profit-related pay is generated from the managing agency profit commission, the group's share of the underwriting result through the corporate member Tokio Marine Underwriting Limited whose participations are managed by Tokio Marine Kiln Syndicates Limited. A considerable portion of the profit-related pay is therefore borne by other Tokio Marine Kiln Group entities. The directors of Tokio Marine Kiln Syndicates Limited received the following aggregate remuneration in relation to their work on the syndicate:

	2017 £'000s	2016 £'000s
Emoluments	55	58

Of the above amount £21,090 (2016: £30,051) was charged to the syndicate as an expense, with the remainder borne by other group entities.

The Active Underwriter received the following remuneration charged as a syndicate expense:

	2017 £'000s	2016 £'000s
Emoluments	2	3

The profit commission included within the emoluments is in relation to the 2014 year of account (2016: 2013 YOA), as the allocation to underwriters was only determined following its closure.

### 8. Other financial investments

	Fair value		Purchase price	
	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s
Shares and other variable yield securities	718	565	718	565
Debt securities and other fixed income securities	–	2,309	–	2,329
Deposits with credit institutions	71	75	71	75
	<b>789</b>	2,949	<b>789</b>	2,969

All financial instruments are designated as fair value through profit or loss upon initial recognition.



## 9. Reconciliation of insurance balances

The reconciliation of the opening and closing provision for unearned premiums is as follows:

	Gross		Reinsurers' share	
	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s
<b>At 1 January</b>	<b>13,639</b>	12,557	<b>(74)</b>	(100)
Premiums written during the year	<b>39,427</b>	31,701	<b>(2,621)</b>	(1,495)
Premiums earned during the year	<b>(33,751)</b>	(31,161)	<b>2,652</b>	1,522
Foreign exchange adjustments	<b>(271)</b>	542	–	(1)
<b>At 31 December</b>	<b>19,044</b>	13,639	<b>(43)</b>	(74)

The reconciliation of the opening and closing provision for long-term business is as follows:

	Gross		Reinsurers' share	
	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s
<b>At 1 January</b>	<b>10,925</b>	10,154	<b>(845)</b>	(1,014)
Claims incurred during the year	<b>32,877</b>	14,840	<b>(539)</b>	(392)
Claims paid during the year	<b>(22,166)</b>	(14,506)	<b>495</b>	574
Foreign exchange adjustments	<b>(650)</b>	437	–	(13)
<b>At 31 December</b>	<b>20,986</b>	10,925	<b>(889)</b>	(845)

## 10. Other technical provisions

	2017 £'000s	2016 £'000s
Provision for unexpired risks	<b>8,648</b>	–



### 11. Claims outstanding

Within the calendar year technical result, a deficit of £5.2m (2016: surplus of £0.8m) relates to the reassessment of net claims incurred for previous accident years.

The following tables show the development of gross and net claims incurred including IBNR and the claims handling provision over the last seven years. The claims development tables are prepared on an underwriting year of account basis, and therefore reflect the pattern of earned premium and risk exposure over a number of years. All figures are shown converted at current year-end rates.

The syndicate is required to hold additional reserves under rules for syndicates with long-term insurance liabilities. The total outstanding claims reserve shown in the tables below includes the allowance made for these additional reserves which are accounted for in the net claims outstanding amount shown on the balance sheet.

#### Gross of reinsurance

Year of Account	2010 and prior £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	Total £m
Year 1		6.6	7.4	9.5	6.8	9.9	8.1	17.1	
Year 2		14.9	15.5	17.7	15.8	16.3	30.2		
Year 3		14.1	15.7	17.2	16.2	19.6			
Year 4		14.4	15.9	17.1	15.3				
Year 5		14.3	15.8	17.1					
Year 6		14.3	15.8						
Year 7		14.3							
Cumulative claims paid		14.2	15.8	17.0	14.1	19.1	15.9	3.7	
Outstanding claims reserve	0.0	0.1	0.0	0.1	1.2	0.5	14.3	13.4	29.6

#### Net of reinsurance

Year of Account	2010 and prior £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	Total £m
Year 1		6.2	7.3	9.0	6.8	9.9	8.1	16.7	
Year 2		14.8	15.2	17.1	14.9	16.3	30.2		
Year 3		14.1	15.4	16.7	14.9	19.1			
Year 4		14.4	15.6	16.6	14.4				
Year 5		14.3	15.5	16.6					
Year 6		14.3	15.5						
Year 7		14.3							
Cumulative claims paid		14.2	15.5	16.5	13.6	18.6	15.9	3.7	
Outstanding claims reserve	0.0	0.1	0.0	0.1	0.8	0.5	14.3	13.0	28.8

## 12. Debtors arising out of direct insurance operations

	2017 £'000s	2016 £'000s
Amounts due from intermediaries within one year	20,683	13,307

## 13. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

## 14. Reconciliation of deferred acquisition costs

The reconciliation of the opening and closing deferred acquisition costs is as follows:

	Gross		Reinsurers' share	
	2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s
<b>At 1 January</b>	<b>4,271</b>	4,082	<b>(19)</b>	(35)
Expenses for the acquisition of insurance contracts deferred during the year	<b>10,966</b>	9,656	<b>(31)</b>	(12)
Amortisation	<b>(10,300)</b>	(9,600)	<b>33</b>	29
Foreign exchange adjustments	<b>(111)</b>	246	<b>1</b>	(1)
Other	<b>198</b>	(113)	<b>–</b>	–
<b>At 31 December</b>	<b>5,024</b>	4,271	<b>(16)</b>	(19)

## 15. Creditors arising out of direct insurance operations

	2017 £'000s	2016 £'000s
Amounts due to intermediaries within one year	7,007	6,198



## 16. Management of insurance risk

### a) Capital management

The managing agent maintains an efficient capital structure in Syndicate 308, consistent with its risk profile and the regulatory and market requirements of the syndicate's business.

The managing agent's objectives in managing the capital of the syndicate are:

- to match the profile of assets and liabilities, taking account of the risks inherent in the business;
- to satisfy the requirements of the policyholders, regulators and rating agencies; and
- to manage exposure to movements in exchange rates.

Further disclosures on capital management can be found on page 20.

### b) Regulatory capital requirements

The members maintain Funds at Lloyd's determined in accordance with Lloyd's ECA and also in accordance with the PRA's SCR. These funds are deposited at Lloyd's by the members and therefore are off balance sheet. The syndicate's capital requirement as at 31 December 2017 is estimated to be £20.8m in respect of the run-off of the 2017 and 2016 years of account and £4.5m in respect of the 2018 year of account which has been formed exclusively for the purpose of managing the liabilities and remedies arising from the UNFCU contract; both subject to Lloyd's approval. The syndicate's capital requirement as at 31 December 2016 was £19.0m in respect of the 2017 year of account.

### c) Restrictions on available capital resource

The available resource of the syndicate's trust funds is described in the following tables. Members' balances are distributed on the closure of an underwriting year subject to meeting Lloyd's and other regulatory requirements. Such amounts cannot be distributed without an up-to-date actuarial valuation.

Other UK life business	2017 £'000s	2016 £'000s
Members' balances deficit	(28,568)	(4,526)
Disallowance – overdue premium and sundry debtors	236	167
Solvency adjustments:		
Expense run-off reserve	–	(676)
Currency mismatch reserve	–	(557)
Total solvency adjustments	–	(1,233)
Deferred acquisition costs	(5,024)	(4,271)
<b>Total available capital resource</b>	<b>(33,356)</b>	<b>(9,863)</b>
Provision for unearned premiums	(19,044)	(13,639)
Long-term business provision	(20,986)	(10,925)
Other technical provisions	(8,648)	–
<b>Gross technical provisions in the balance sheet</b>	<b>(48,678)</b>	<b>(24,564)</b>

During 2017 the gross technical provisions moved from £24.6m to £48.7m including:

- recognition of a provision for unexpired risks of £8.6m (2016: £nil);
- inclusion of the UNFCU reserve of £7.7m (2016: £nil);
- establishment of an additional expense reserve for the run-off of £1.1m (2016: £nil); and
- a change in mortality assumptions which led to a £1.0m reduction (2016: £1.0m reduction).

	2017 £'000s	2016 £'000s
<b>Movements in capital resource</b>		
Balance at 1 January	(9,863)	(11,034)
Disallowance – increase in overdue premium and sundry debtors	69	94
Solvency adjustments:		
Expense run-off reserve	676	(252)
Currency mismatch reserve	557	(67)
Total solvency adjustments	1,233	(319)
Deferred acquisition costs	(753)	(189)
Movement in members' balances	(24,042)	1,585
Balance as at 31 December	(33,356)	(9,863)

#### d) Capital resource sensitivities

The capital position is sensitive to changes in market conditions, due to both changes in the value of the assets and the effect that change in investment conditions may have on the value of the liabilities. It is also sensitive to assumptions and experiences relating to mortality and morbidity and to a lesser extent, expenses and persistency. The most significant sensitivities arise from the following risks:

- market risk, which would arise if the return from the fixed interest investments which support this business were lower than that assumed for reserving (currently the valuation interest rate is assumed to be 0%), and
- mortality risk, which would arise if mortality of the lives insured were heavier than that assumed, possibly because of an epidemic or catastrophe.

The timing of any impact on capital would depend on the interaction of assumptions and past experience about future experience. In general, if experience was worse or was expected to deteriorate, and management actions were not expected to reduce the future impact, then assumptions relating to future experience would be changed. In this way, liabilities would be increased to anticipate the future impact of the worse experience with immediate impact on the capital position.



## 17. Related parties

Syndicate 308 accepted inwards reinsurance business from other Tokio Marine Group entities that are deemed to be related parties of Tokio Marine Kiln Syndicates Limited by virtue of the shareholding in Tokio Marine Kiln Group Limited by Tokio Marine Holdings, Inc. All transactions between these entities were conducted at arm's length and on normal commercial terms.

Syndicate 308 accepted written premium from related parties in the 2017 calendar year of £85,231 (2016: £41,024). The unpaid premiums due from related parties at the period end were £378,463 (2016: £315,376). The outstanding claims, including an element of IBNR, were £nil (2016: £nil). No business was ceded to related parties.

No profit commission was payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of the 2017 calendar year (2016: £152,039). Profit commission is accrued by the syndicate based on the interim annual accounting results of each year of account under UK GAAP and final settlement to the managing agent is paid when the year of account is closed after three years.

Managing agency fees of £227,541 (2016: £234,984) were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £3,421,626 (2016: £3,218,129) were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 17 provides further information regarding all syndicates and related parties.

## 18. Risk management

Details of the syndicate's risk management framework are given in the 'principal risks and uncertainties section' on pages 20 to 24.

### a) Insurance risk

Further details on the management of the syndicate's insurance risk are given on page 21.

#### Concentrations of insurance risk

The risks assumed in the syndicate's day-to-day business activities are subject to controls over aggregation of risk. Concentration of risk is monitored by line of business, geographical location and credit quality amongst other elements.

The following tables set out the concentration of gross claims provision and reinsurance recoveries by line of business.

	Gross claims provision £'000s	Reinsurance claims provision £'000s	Net claims provision £'000s
<b>2017</b>			
Life	29,634	(889)	28,745
<b>2016</b>			
Life	10,925	(845)	10,080

The following table sets out the concentration of gross claims provision by geographical location.

	Gross claims provision	
	2017 £'000s	2016 £'000s
UK	15,300	5,056
Other EU countries	2,233	2,458
US	9,608	1,856
Other	2,493	1,555
	<b>29,634</b>	10,925

#### Earned premium sensitivity analysis

For business not reserved using long-term methodologies, premium is earned on a straight line basis. This approach is applied consistently year-on-year.

A sensitivity analysis has been applied by adjusting the percentage earned of each open year of account by 1%. This indicates that an increase in earned premium of 1% would result in £0.3m (2016: £0.3m) more premium being reported (gross of acquisition costs), and applying the underlying attritional loss ratio would result in an estimated increase in the net result (after acquisition costs) of £0.05m (2016: £0.04m). A decrease of 1% would result in £0.3m (2016: £0.3m) less premium being reported and an estimated £0.05m reduction in the net result (2016: £0.04m). The impact on the result is at the net level i.e. after the adjustment for the effect of profit commission.

#### Claims sensitivity analysis

The claims ratio for 2017 is 132% (2016: 49%). A sensitivity analysis has been applied by adjusting the claims ratio by 1%. This indicates that an increase in the claims ratio of 1% would result in claims increasing by £0.3m (2016: £0.3m) and result reducing by £0.3m (2016: £0.2m).

#### b) Financial risk

The syndicate is exposed to a range of financial risks through its financial assets and financial 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 credit risk, liquidity risk and market risk (including interest rate risk and currency risk).

These risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The risks that the syndicate primarily faces due to the nature of its investment and liabilities are interest rate risk and currency risk.



### Credit risk

For details of the management of the syndicate's credit risk please refer to page 22.

The following table provides information regarding credit risk exposures of the syndicate by classifying assets according to the Standard & Poor's credit ratings of the counterparties. Where a security has no credit rating, the rating of the issuer is used. During the year there were no material breaches in exposure limits. The basis of determining the credit rating was revised for the year ended 31 December 2017, and as such the prior year figures have been re-presented on a comparable basis.

	AAA £'000s	AA £'000s	A £'000s	<A £'000s	NR £'000s	Total £'000s
<b>2017</b>						
Financial investments:						
Other financial investments	300	–	72	–	417	789
Overseas deposits	75	140	13	–	–	228
Deposits with ceding undertakings	–	–	–	–	242	242
Cash at bank and in hand	–	–	333	–	–	333
Reinsurers' share of outstanding claims including reinsurers' IBNR	–	442	447	–	–	889
	<b>375</b>	<b>582</b>	<b>865</b>	<b>–</b>	<b>659</b>	<b>2,481</b>
<b>2016</b>						
Financial investments:						
Other financial investments	742	2,009	198	–	–	2,949
Overseas deposits	69	152	1	–	–	222
Deposits with ceding undertakings	–	–	–	–	264	264
Cash at bank and in hand	–	–	1,975	–	–	1,975
Reinsurers' share of outstanding claims including reinsurers' IBNR	–	–	845	–	–	845
	<b>811</b>	<b>2,161</b>	<b>3,019</b>	<b>–</b>	<b>264</b>	<b>6,255</b>

The largest potential reinsurance credit exposure to the syndicate at 31 December 2017 was 36.7% with an A+ rated security (2016: 40.5% with an A+ rated security). The Reinsurance Security Committee of the managing agent reviews the level of this exposure and takes appropriate action where necessary. This includes requesting a letter of credit for all reinsurers, related parties included.



An aged analysis of financial assets past due is shown below.

<b>2017</b>	<b>Fully performing £'000s</b>	<b>Past due £'000s</b>	<b>Impairment £'000s</b>	<b>Total £'000s</b>
Financial investments:				
Other financial investments	789	–	–	789
Overseas deposits	228	–	–	228
Deposits with ceding undertakings	242	–	–	242
Cash at bank and in hand	333	–	–	333
Reinsurers' share of outstanding claims including reinsurers' IBNR	889	–	–	889
Insurance debtors	13,865	6,818	–	20,683
Reinsurance recoverable on paid claims	–	59	–	59
Other debtors	8,529	–	–	8,529
	<b>24,875</b>	<b>6,877</b>	<b>–</b>	<b>31,752</b>

<b>2016</b>	<b>Fully performing £'000s</b>	<b>Past due £'000s</b>	<b>Impairment £'000s</b>	<b>Total £'000s</b>
Financial investments:				
Other financial investments	2,949	–	–	2,949
Overseas deposits	222	–	–	222
Deposits with ceding undertakings	264	–	–	264
Cash at bank and in hand	1,975	–	–	1,975
Reinsurers' share of outstanding claims including reinsurers' IBNR	845	–	–	845
Insurance debtors	11,627	1,680	–	13,307
Reinsurance recoverable on paid claims	–	288	–	288
Other debtors	8,350	–	–	8,350
	<b>26,232</b>	<b>1,968</b>	<b>–</b>	<b>28,200</b>

For assets to be classified as past-due the contractual payments are in arrears by more than 30 days. An impairment adjustment is recorded in the statement of comprehensive income for assets impaired. The syndicate operates mainly on a 'neither past-due nor impaired basis' and when evidence is available, sufficient collateral will be obtained for 'past-due and impaired' assets. An impairment assessment will also be performed if applicable.



### Liquidity risk

For details of the management of the syndicate's liquidity risks please refer to page 22. The following table analyses the financial liabilities and gross claims provision into their relevant maturity groups based on the remaining period at the year end date to their contractual maturities or expected settlement dates. The projected settlement of the gross claims provision is modelled using actuarial techniques. These estimates assume that future claims settlement patterns will be broadly similar to those experienced in the past.

	No Stated Maturity	Up to 1 year £'000s	1–3 years £'000s	3–5 years £'000s	Over 5 years £'000s	Total £'000s
<b>2017</b>						
Creditors	–	11,626	–	–	–	11,626
Gross claims provision	88	10,359	3,694	9,705	5,788	29,634
Financial liabilities and gross claims provisions	88	21,985	3,694	9,705	5,788	41,260
<b>2016</b>						
Creditors	–	7,885	–	–	–	7,885
Gross claims provision	681	7,746	2,255	226	17	10,925
Financial liabilities and gross claims provisions	681	15,631	2,255	226	17	18,810

### Foreign currency market risk

For further details of the management of the syndicate's market risk please refer to page 22.

The syndicate maintains bank accounts, investment portfolios and claims reserves in pounds sterling, US dollars, and Canadian dollars (the Lloyd's closing currencies). Additionally, bank accounts and investment portfolios are maintained in Euros. Transactions arising in other currencies are translated to the Lloyd's closing currencies as they occur. Certain other currencies are held for regulatory purposes. The majority of the syndicate's financial assets are denominated in the same currencies as its insurance liabilities and thus the developing profit or loss that remains embedded within the syndicate gives rise to the main currency exposure. The profit or loss is distributed, or settled, in accordance with Lloyd's rules using a combination of pounds sterling and US dollars after deduction of the member level charges.

Foreign currency liquidity and exposure for the syndicate is the responsibility of the Chief Financial Officer. Strategy is recommended by the Finance Group and agreed by the Investment Committee. The syndicate currency exposure and future cash flows are monitored by currency and potential exposures and shortfalls addressed by foreign currency transactions, hedges or cash calls on members.

A sizeable proportion of the syndicate's business is written in currencies other than pounds sterling, in particular US dollars. The syndicate's business is therefore exposed to changes in exchange rates and there is no assurance that foreign currency risk mitigation initiatives which the syndicate undertakes will be successful in preventing any losses due to such changes.

### Exchange rate sensitivity analysis

The analysis below is performed for possible movements in key variables, with all other variables held constant, showing the impact on the result and net assets. The correlation of variables will have a significant effect in determining the ultimate impact. However, to isolate and demonstrate the effect due to changes in variables, each variable has been changed on an individual basis.

The following table gives an indication of the impact on the result and net liabilities of a ten percent change in the relative strength of the pound sterling against the value of the US dollar, excluding the effect of hedges. The basis of determining the exchange rate sensitivity was revised for the year ended 31 December 2017, and as such the prior year figures have been re-presented on a comparable basis.

	2017 £'000s	2016 £'000s
Sterling strengthens 10% against US dollar	863	102
Sterling weakens 10% against US dollar	(863)	(102)

### Interest rate market risk

For further details of the management of the syndicate's market risk please refer to page 22.

The syndicate holds investments in its balance sheet, and the performance of its investment portfolio may have an effect on the result. The income derived by the syndicate from its investments, and the capital value of its investments, may fall as well as rise. Therefore, changes in interest rates, credit ratings and other economic variables could substantially affect the syndicate's profitability.

### Interest rate sensitivity analysis

The analysis below is performed for possible movements in key variables with all other variables held constant, showing the impact on the result. The correlation of variables will have a significant effect in determining the ultimate impact. However, to isolate and demonstrate the effect due to changes in variables, each variable has been changed on an individual basis. It should be noted that movements in these variables are non-linear.

The table below shows the estimated impact on the result and net assets of a 50 basis point movement in interest rates on the market value of the syndicate's investments.

	2017 £'000s	2016 £'000s
Impact of 50 basis point increase on result	–	(19)
Impact of 50 basis point decrease on result	–	20
Impact of 50 basis point increase on net assets	–	(19)
Impact of 50 basis point decrease on net assets	–	20

In 2017 all investment assets were sold due to the low balance and volatile cash flows. Therefore all assets were held in cash as at 31 December 2017 and as such the syndicate is not exposed to interest rate risk.



### c) Fair value estimation

Financial instruments that are fair valued through profit and loss are classified using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

- Level 1 financial instruments comprise government bonds and securities which have been valued at fair value using quoted prices in an active market.
- Level 2 financial instruments are less regularly traded government agency bonds, supranational bonds, corporate bonds, money market and open-ended funds. These fair values have been derived from market observable inputs.
- The fair value for level 3 financial instruments are derived from inputs that are not observable. The syndicate held no level 3 securities as at 31 December 2017.

2017	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Shares and other variable yield securities	–	718	–	718
Debt securities and other fixed income securities	–	–	–	–
Loans and deposits with credit institutions	71	–	–	71
Overseas deposits	228	–	–	228
	299	718	–	1,017

2016	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Shares and other variable yield securities	–	565	–	565
Debt securities and other fixed income securities	1,930	379	–	2,309
Loans and deposits with credit institutions	75	–	–	75
Overseas deposits	222	–	–	222
	2,227	944	–	3,171

### 19. Subsequent events

The Board of Tokio Marine Kiln Syndicates Limited approved a call of £3.0m and £3.8m from the members of the 2015 year of account and the 2016 year of account respectively pursuant to the requirements of the Lloyd's Agency Agreements Byelaw (No.8 of 1988). Both amounts were received in February 2018.

Annual report and accounts 2017

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited

# Underwriting year accounts for the closed year of account 2015



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## Report of the directors of the managing agent

The managing agent presents its report at 31 December 2017 for the 2015 closed year of account for the following syndicates:

Tokio Marine Kiln Combined Syndicate 510 – Composite  
Tokio Marine Kiln Catastrophe Syndicate 557 – Non-marine  
Tokio Marine Kiln Life Syndicate 308 – Life

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No. 1950 of 2008, Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

### 2015 closed year of account

The 2015 year of account closed for the syndicates with the following results:

510	£'000s	% of capacity
<b>Profit after standard personal expenses</b>	<b>118,010</b>	<b>11.10</b>

The underwriting surplus (excluding investment return and operating expenses, other than acquisition costs) attributable to the reinsurance to close (RITC) of the 2014 year of account was £40,810,521.

557	£'000s	% of capacity
<b>Profit after standard personal expenses</b>	<b>10,440</b>	<b>29.94</b>

The underwriting surplus (excluding investment return and operating expenses, other than acquisition costs) attributable to the RITC of the 2014 year of account was £1,951,140.

308	£'000s	% of capacity
<b>Loss after standard personal expenses</b>	<b>(2,007)</b>	<b>(6.27)</b>

The underwriting surplus (excluding investment return and operating expenses, other than acquisition costs) attributable to the RITC of the 2014 year of account was £641,487.

The underwriters' reports on pages 10 to 15 and the report of the directors of the managing agent on pages 20 to 24 provide further commentary.

### Disclosure of information to the auditors

As far as each person who was a director of the managing agent at the date of approving this report is aware, there is no relevant audit information, which is information needed by the auditors in connection with its report, of which the auditors are unaware. Having made enquiries of fellow directors of the managing agent and the syndicates' auditors, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

### Reappointment of auditors

The Board approved the reappointment of PricewaterhouseCoopers LLP as auditors on an ongoing basis for the managed syndicates, managing agent and other Tokio Marine Kiln Group entities.

### Approved by the Board of directors

#### Charles Franks

Chief Executive Officer  
Tokio Marine Kiln Syndicates Limited  
15 March 2018

## Statement of managing agent's responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('2008 Regulations') require the managing agent to prepare syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by RITC which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

In preparing the syndicate underwriting year accounts, the managing agent is required to:

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

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of each syndicate and enable it to ensure that each syndicate underwriting year accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of each syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on its website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors of the managing agent confirm that they have complied with the above requirements in preparing the syndicate underwriting year accounts.



# Notes and principal accounting policies applying to all syndicates

as at 31 December 2017

The principal accounting policies applied in the preparation of these financial statements are set out below.

### 1. Statement of compliance

These underwriting year accounts have been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005) and applicable Accounting Standards in the United Kingdom, comprising Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

These financial statements are prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These underwriting year accounts relate to the 2015 year of account which has been closed by RITC as at 31 December 2017. Consequently the balance sheet represents the assets and liabilities of the 2015 year of account at the date of closure. The underwriting account reflects the transactions for that year of account during the three year period until closure.

These underwriting year accounts cover the three years from the date of inception of the 2015 year of account to the date of closure. Accordingly, this is the only reporting period and so comparative amounts are not shown.

### 2. Critical accounting judgements and estimation uncertainty

The preparation of the syndicates' underwriting accounts requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the syndicates' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are those listed below. The judgements and estimation uncertainty are disclosed within the individual accounting policies:

- Premiums written – general and life business
- Earned premiums – general and life business
- Claims provisions and related recoveries – general and life business
- Investments
- Pension costs

### 3. Accounting policies

The underwriting accounts for each year of account are normally kept open for three years before the result for that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a RITC premium to the successor year of account.

#### a) Inwards and outwards premiums written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority, lineslip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums on a risk by risk basis, representing the difference between the written and signed premium, which is held on the balance sheet as an asset.

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Reinstatement premiums arise when a loss has been incurred on a policy and there is a clause which allows the reinstatement of the policy with the payment of a further premium by the policyholder. Reinstatement premiums payable or recoverable in the event of a claim being made are charged to the same year of account as that to which the underlying loss is allocated.

Single premium life contracts consist of those contracts under which there is no expectation of continuing premiums being paid at regular intervals. Additional single premiums paid in respect of existing individuals' contracts are also included within single premiums.

Periodic premium life contracts include those contracts under which premiums are payable at regular intervals during the policy year, including repeated or recurrent single premiums where the level of premiums is defined.

For those policies in Syndicate 308 reserved under a long-term methodology, written premium is treated as fully earned from inception, or anniversary of inception, and no unearned premium reserve is held. Instead these policies are reserved using a gross premium valuation methodology to calculate the provision required to meet future expected claims and expenses less future expected premiums ('mathematical reserves'). Where mathematical reserves for an individual long-term life contract creates a deficit from inception on a best estimate basis, assets will be transferred from the year of account which originally underwrote the business to the year of account carrying the liability in order to maintain equity between capital providers. The assessment for this requirement is made on a 'managed together' basis.

#### b) Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy.

An estimate of the future cost of indirect claims handling is calculated as a percentage of the claims reserves held at the balance sheet date.





A reinsurance to close is a contract of insurance which, in return for a premium paid by the closing year of account, transfers, normally to the following year of account, all known and unknown liabilities arising out of transactions connected with insurance business underwritten by the closing year of account. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

The net RITC premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs, including claims Incurred But Not Reported (IBNR), net of estimated collectible reinsurance recoveries and net of future net premium, relating to the closed year of account and all previous years of account reinsured therein.

The estimate of claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. It also includes the estimated cost of claims IBNR at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and where material, reported as an asset.

The reinsurers' share is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

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

The directors consider that the estimates of gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the RITC premium so determined.

### **c) Foreign currencies**

Income and expenses, other than RITC premium receivable, in US dollars and Canadian dollars are re-measured into pounds sterling at the rates prevailing at the balance sheet date. RITC premium receivable and underwriting transactions denominated in other foreign currencies are included at the rate of exchange prevailing at the transaction date.

Where currency transactions are entered into by a syndicate relating to the settlement of the profit or loss of the closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where currency transactions relating to the profit or loss of a closed underwriting account are entered into by members on that year (or by Lloyd's on behalf of the members), any exchange profit or loss accrues to those members.

For business written in currencies other than pounds sterling, assets and liabilities are re-measured into pounds sterling at the rates of exchange at the balance sheet date. Differences arising on re-measurement of foreign currency amounts in syndicates are included in the non-technical account for general business and the technical account for long-term business.

### **d) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

### **e) Investments**

The syndicates have chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The syndicates classify their financial assets held for investment purposes (investments) into 'shares and other variable-yield securities', 'debt securities and other fixed-income securities' and 'deposits with credit institutions' – all at fair value through profit or loss. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

An investment is classified as fair value through profit or loss at inception if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities.

Financial assets designated as fair value through profit or 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 key management personnel. The investment strategy is to invest in listed government and corporate bonds, fixed and floating interest rate debt securities, bond exchange traded funds and absolute return funds designated upon initial recognition as 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, and include interest accrued at that 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.



The syndicates do not hold any financial instruments that are not traded in an active market (for example, unlisted equities).

Net gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are presented in the statement of comprehensive income within 'unrealised gains on investments' or 'unrealised losses on investments' in the period in which they arise.

### **f) Derivative financial instruments**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the statement of comprehensive income. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

### **g) Investment return**

Investment return comprises all investment income, realised investment gains and losses, and movements in unrealised gains and losses, net of investment expenses, charges and interest. The returns on the Joint Asset Trust Funds and Illinois Deposit are allocated to the year of account as notified by Lloyd's. The returns on other assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

Realised gains and losses on investments carried at fair value through profit or loss are calculated as the difference between sale proceeds and the fair value at the previous balance sheet date, or purchase price if acquired during the year, or where forming consideration for RITC receivable the fair value at the date of transfer. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and the fair value at the previous balance sheet date, or purchase price if acquired during the year, or the fair value at transfer as consideration for RITC receivable.

Investment return on general business is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account. Investment return on long-term business is recorded directly in the technical account.

### **h) Financial assets**

Basic financial assets, including receivables and cash at bank and in hand, are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount

and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

### **i) Financial liabilities**

Basic financial liabilities, including payables, are initially recognised at transaction price.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expired.

### **j) Operating expenses**

Where expenses are incurred by, or on behalf of, the managing agent on the administration of Syndicates 510, 557 and 308, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the Tokio Marine Kiln Group of companies and managed syndicates are apportioned between the Tokio Marine Kiln Group companies and the syndicates on bases depending on the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred.

### **k) Taxation**

Under Schedule 19 of the Finance Act 1993 the syndicates do not pay UK taxation, their profits being allocated and assessed to tax on their members in direct proportion to their capacity.

The syndicates pay various overseas direct and premium based taxes, the majority of which are allocable to their members in direct proportion to their capacity and which can be claimed by members either as double tax relief or as an expense against tax liabilities.

### **l) Pension costs**

Tokio Marine Kiln Syndicates Limited operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicates and included within net operating expenses.

Tokio Marine Kiln Syndicates Limited also operates a defined benefit scheme through the R J Kiln & Co. Limited Pension and Assurance Scheme (closed to future benefit accruals from 1 May 2003). The level of funding is agreed between the Tokio Marine Kiln Group of companies and the scheme actuary. This annual funding contribution is charged as a syndicate expense when incurred.



An algorithm is used to allocate the annual funding charge to Tokio Marine Kiln Group entities and Syndicates 510, 557 and 308. The algorithm was based on the working patterns of the scheme's active members as at the date of the closure of the scheme. The algorithm is also used to allocate the charges and benefits which are allocated to years of account on an equitable basis and are included within net operating expenses.

#### **m) Profit commission**

Profit commission is charged by the managing agent at a rate of 12.5% of profit for Syndicate 510 and 17.5% for Syndicates 557 and 308, subject to the operation of a two year deficit clause. Where profit commission is charged, it is included within members' standard personal expenses. Syndicate 510's profit commission is calculated after the deduction of a 5% divisional profit share payable to underwriting staff, again subject to the operation of a divisional two year deficit clause. Final settlement is made when the year of account closes; normally at 36 months. Divisional profit share does not become payable until after the appropriate year of account closes; normally at 36 months.

#### **n) Seven year summary – unaudited**

The seven year summary has been prepared from the audited accounts of the syndicates. For the illustrative share, gross and net premiums after reinsurance are stated net of brokerage and commissions. Syndicate operating expenses includes members' standard personal expenses and administrative expenses. Investment expenses for all years of account have been deducted from investment return and are not included in syndicate operating expenses. Personal expenses have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the syndicate irrespective of any minimum charge applicable. Corporate members may be charged at different rates. Foreign tax, which may be treated as a credit for personal tax purposes has been excluded. Where necessary, the results have been adjusted to comply with the current underwriting year accounting policies of the syndicate. The adjustments arising are not material and have not been separately disclosed.



Annual report and accounts 2017

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited  
Underwriting year accounts for the 2015 closed year of account

# Syndicate 510

Tokio Marine Kiln Combined Syndicate  
Composite



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## Independent auditors' report to the members of Syndicate 510 on the 2015 closed underwriting year of account

### Opinion

In our opinion, 510's syndicate underwriting year accounts for the 2015 year of account for the three years ended 31 December 2017 (the "syndicate underwriting year accounts"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2017 and of its profit for the 2015 closed year of account;
- have been properly prepared in accordance with United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland", as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the syndicate underwriting year accounts included within the Annual Report and accounts 2017 (the "Annual Report"), which comprise: the statement of comprehensive income for the 36 months then ended, the balance sheet as at 31 December 2017, the cash flow statement for the 36 months then ended, the accounting policies, and the notes to the syndicate underwriting year accounts, which include other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the syndicate underwriting year accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate underwriting year accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate underwriting year accounts any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate underwriting year accounts and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate underwriting year accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate underwriting year accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Managing Agent's Report, we also considered whether the disclosures required by Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## Managing Agent's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent's Report for the year ended 31 December 2017 is consistent with the syndicate underwriting year accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent's Report.

### Responsibilities for the syndicate underwriting year accounts and the audit

#### Responsibilities of the managing agent for the syndicate underwriting year accounts

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 109, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2015 closed year of account. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting year accounts, the managing agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the syndicate is unable to continue to realise its assets and discharge its liabilities in the ordinary course of business.

#### Auditors' responsibilities for the audit of the syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate underwriting year accounts.

A further description of our responsibilities for the audit of the syndicate underwriting year accounts is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and Part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

## Marcus Hine

Senior Statutory Auditor  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
15 March 2018



## Statement of comprehensive income: technical account – general business

for the 36 months ended 31 December 2017

	Note	2015 £'000s
<b>Syndicate allocated capacity</b>		1,062,852
<b>Earned premiums, net of reinsurance</b>		
Gross premiums written	1	1,287,505
Outward reinsurance premiums		(281,225)
<b>Earned premiums, net of reinsurance</b>		1,006,280
<b>Reinsurance to close premium receivable, net of reinsurance</b>	2	488,849
<b>Allocated investment return transferred from the non-technical account</b>		13,508
<b>Claims incurred, net of reinsurance</b>		
Claims paid:		
Gross amount		(527,760)
Reinsurers' share		74,574
Reinsurance to close premium payable, net of reinsurance	3	(515,479)
<b>Claims incurred, net of reinsurance</b>		(968,665)
<b>Members' standard personal expenses</b>		(33,242)
<b>Net operating expenses</b>	4,5,6	(362,784)
<b>Balance on the technical account for general business</b>	7	143,946



## Statement of comprehensive income: non-technical account

for the 36 months ended 31 December 2017

	Note	2015 £'000s
<b>Balance on the general business technical account</b>		143,946
Investment income	8	18,553
Investment expenses and charges	8	(3,548)
Net unrealised losses on investments	8	(1,497)
Allocated investment return transferred to the general business technical account	8	(13,508)
(Loss) on exchange		(25,936)
<b>Profit for the 2015 closed year of account</b>		118,010

There is no other comprehensive income.



## Balance sheet

for the 2015 closed year of account as at 31 December 2017

<b>Assets</b>	<b>Note</b>	<b>2015 £'000s</b>
<b>Investments</b>		
Other financial investments	9	530,994
Deposits with ceding undertakings		562
<b>Debtors</b>	10	168,849
<b>Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account</b>	3	165,757
<b>Other assets</b>		
Cash at bank and in hand		7,633
Overseas deposits	11	88,069
<b>Prepayments and accrued income</b>		710
<b>Total assets</b>		962,574
<b>Liabilities</b>		
<b>Amounts due to members</b>	12	114,281
<b>Reinsurance to close premium payable to close the account – gross amount</b>	3	681,236
<b>Deposits received from reinsurers</b>		954
<b>Creditors</b>	13	166,103
<b>Total liabilities</b>		962,574

The underwriting year accounts, which comprise pages 115 to 128 and the notes and principal accounting policies applicable to all syndicates on pages 110 to 114, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 13 March 2018 and were signed on its behalf by

### James Dover

Chief Financial Officer  
Tokio Marine Kiln Syndicates Limited  
15 March 2018

## Cash flow statement

for the 36 months ended 31 December 2017

	Note	2015 £'000s
<b>Cash flows from operating activities:</b>		
Operating profit on ordinary activities		118,010
Non-cash consideration for net RITC receivable		(395,560)
Net RITC premium payable	3	515,479
Decrease in debtors		150
Increase in creditors		11,300
Unrealised foreign currency (gains)		(15,274)
<b>Net cash inflow from operating activities</b>		<b>234,105</b>
<b>Cash flows from investing activities:</b>		
Purchase of shares and other variable yield securities		(16,908)
Purchase of debt securities and other fixed income securities		(864,748)
Sale of debt securities and other fixed income securities		751,862
Movements in deposits with credit institutions		(4,652)
Movements in other investments		(383)
Movements in deposits		(516)
<b>Net cash (outflow) from investing activities</b>		<b>(135,345)</b>
<b>Cash flows from financing activities:</b>		
Members' agents' fees paid on behalf of members		(3,729)
<b>Net cash (outflow) from financing activities</b>		<b>(3,729)</b>
<b>Net increase in cash and cash equivalents</b>		<b>95,031</b>
Cash and cash equivalents at beginning of the 36 months		–
Foreign exchange gains on cash and cash equivalents		671
Cash and cash equivalents at end of the 36 months		95,702
<b>Cash and cash equivalents consists of:</b>		
Cash at bank and in hand		7,633
Overseas deposits	11	88,069
<b>Cash and cash equivalents at end of the 36 months</b>		<b>95,702</b>



## Notes to the accounts

for the 36 months ended 31 December 2017

### 1. Segmental analysis

An analysis of the underwriting result before investment return and profit on exchange is set out below:

	Gross premiums written (notes i & iv) £'000s	Gross claims incurred (note ii) £'000s	Gross operating expenses £'000s	Reinsurance balance (note iii) £'000s	Total £'000s
Division:					
Property & Special Lines	695,022	(342,920)	(266,966)	(45,880)	39,256
Marine & Special Risks	213,661	(117,284)	(76,573)	(11,924)	7,880
Accident & Health	140,935	(75,393)	(56,645)	(3,249)	5,648
Reinsurance	114,999	(17,801)	(32,725)	(42,384)	22,089
Enterprise Risk	71,409	(28,290)	(28,476)	(3,519)	11,124
Aviation	51,479	(23,621)	(19,635)	(4,593)	3,630
	1,287,505	(605,309)	(481,020)	(111,549)	89,627
RITC received	649,921	(603,687)	–	(5,423)	40,811
	1,937,426	(1,208,996)	(481,020)	(116,972)	130,438

Of the above divisions the following have accepted inwards reinsurance business: Reinsurance (100.0%); Aviation (34.0%); Accident & Health (27.2%); Marine & Special Risks (17.1%); Enterprise Risk (13.7%) and Property & Special Lines (12.5%).

- i. Gross premiums earned are identical to gross premiums written.
- ii. Gross claims incurred comprise gross claims paid and gross RITC premium payable.
- iii. The reinsurance balance comprises reinsurance recoveries on claims paid, reinsurance recoveries anticipated on RITC payable, reinsurance commissions receivable less reinsurance premiums ceded and reinsurance recoveries anticipated on RITC receivable.
- iv. All business was concluded in the UK.

The geographical analysis of premium by location of the client is below.

	£'000s
UK	804,331
Other EU countries	132,115
US	562,426
Canada	149,283
Other	289,271
	1,937,426

## 2. Reinsurance to close premium receivable

	<b>£'000s</b>
Gross reinsurance to close premium receivable	649,921
Reinsurance recoveries anticipated	(161,072)
	488,849

## 3. Reinsurance to close premium payable

	<b>£'000s</b>
Gross notified outstanding claims	411,018
Reinsurance recoveries anticipated	(108,579)
Net notified outstanding claims	302,439
Provision for gross claims IBNR	270,218
Reinsurance recoveries anticipated on IBNR	(57,178)
Provision for net IBNR	213,040
	515,479

The reinsurance to close is effected to the 2016 year of account of Syndicate 510.

## 4. Net operating expenses

	<b>£'000s</b>
Acquisition costs	377,974
Administrative expenses	69,804
Gross operating expenses	447,778
Reinsurance commissions and profit participations	(84,994)
	362,784

Included within administrative expenses is auditors' remuneration:

	<b>£'000s</b>
Audit services:	
Fees payable to the syndicate's auditor for the audit of the syndicate accounts	167
Other services:	
Other services pursuant to legislation	140
	307

The charge incurred for other services relates to the audit and review of the syndicate's regulatory returns and the provision of statements of actuarial opinion on the reserves.



**5. Staff numbers and costs**

Staff were employed by Tokio Marine Kiln Insurance Services Limited. The following amounts were recharged to the 2015 year of account in respect of salary costs and are included within administrative expenses:

	<b>£'000s</b>
Wages, salaries and social security costs	24,496
Other pension costs	3,463
	<b>27,959</b>

Of this amount £54,071 was paid as consulting fees to other Tokio Marine Group companies in respect of staff working on the syndicate with the remainder recharged to the syndicate by Tokio Marine Kiln Insurance Services Limited.

The average number of full-time employees working for the syndicate on the 2015 year of account was as follows:

Administration and finance	136
Underwriting	89
Claims	40
	<b>265</b>

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is applied in the table above. Of this number 262 were employed by Tokio Marine Kiln Insurance Services Limited and the remainder by other Tokio Marine Group companies.

**6. Emoluments of the directors and Active Underwriters**

The Tokio Marine Kiln Group of companies operate a bonus pooling arrangement such that profit-related pay is generated from the managing agency profit commission, the group's share of the underwriting result through the corporate member Tokio Marine Underwriting Limited whose participations are managed by Tokio Marine Kiln Syndicates Limited. A considerable portion of the profit-related pay is therefore borne by other Tokio Marine Kiln Group entities. The directors of Tokio Marine Kiln Syndicates Limited received the following aggregate remuneration in relation to their work on the syndicate, of which £1,613,861 was charged as an expense to the 2015 year of account:

	<b>£'000s</b>
Emoluments	2,941

The Active Underwriters received the following remuneration charged to the 2015 year of account as a syndicate expense:

	<b>£'000s</b>
Emoluments	2,912

## 7. Analysis of technical result

	2014 & prior years of account £'000s	2015 pure year of account £'000s	Total 2015 £'000s
Technical account balance excluding investment return and operating expenses	40,811	485,653	526,464
Brokerage and commission on gross premium	–	(377,974)	(377,974)
Reinsurance commissions receivable	–	84,994	84,994
	40,811	192,673	233,484
Allocated investment return transferred from the non-technical account	–	13,508	13,508
Net operating expenses other than acquisition costs	–	(103,046)	(103,046)
	40,811	103,135	143,946

All acquisition costs are attributable to business allocated to the 2015 pure year of account.

## 8. Investment income and expenses

	£'000s
Investment income:	
Income from investments	15,969
Realised gains on investments	2,584
Unrealised gains on investments	5,034
Investment expenses:	
Investment management expenses, including interest	(1,559)
Realised losses on investments	(1,989)
Unrealised losses on investments	(6,531)
	13,508

## 9. Other financial investments

	Fair value £'000s	Purchase price £'000
Shares and other variable yield securities	182,239	178,870
Debt securities and other fixed income securities	343,728	345,107
Deposits with credit institutions	4,654	4,654
Other investments	373	–
	530,994	528,631

All financial instruments are designated as fair value through profit or loss upon initial recognition.

Other investments are comprised of forward currency contracts.

The syndicate manages the foreign exchange risk posed by writing insurance policies in certain regions by using forward currency contracts. The total notional value of these contracts at 31 December 2017 was £38,570,267.



## 10. Debtors

	£'000s
Due within one year:	
Arising out of direct insurance operations:	
Due from intermediaries	51,411
Arising out of reinsurance operations	102,860
Other debtors	6,917
	161,188
Due after one year:	
Arising out of reinsurance operations	2
Other debtors	7,659
	7,661
	168,849

## 11. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

## 12. Amounts due to members

	£'000s
Profit for the 2015 closed year of account	118,010
Members' agents' fee advances	(3,729)
Amounts due to members at 31 December 2017	114,281

## 13. Creditors

	£'000s
Due within one year:	
Arising out of direct insurance operations:	
Due to intermediaries	51,449
Inter-year loans	5,241
Arising out of reinsurance operations	79,007
Other creditors	30,404
	166,101
Due after one year:	
Arising out of direct insurance operations:	2
	166,103



## 14. Related parties

Syndicate 510 accepted inwards reinsurance business from, and placed outwards reinsurance business with, other Tokio Marine Group entities including Syndicate 1880, that are deemed to be related parties of Tokio Marine Kiln Syndicates Limited by virtue of the shareholding in Tokio Marine Kiln Group Limited by Tokio Marine Holdings, Inc. Syndicate 557 and Syndicate 510 are considered to be related parties as Tokio Marine Kiln Syndicates Limited is the managing agent of both syndicates. All transactions between these entities were conducted at arm's length and on normal commercial terms.

Syndicate 510 accepted written premium from related parties for the 2015 year of account of £6,743,176. Unpaid premium of £199,453 was due from related parties at the period end. The outstanding claims, including an element of IBNR, were £419,815.

Written premiums ceded by Syndicate 510 to related parties for the 2015 year of account were £72,494,758. Paid recoveries from related parties during the period were £15,144,859. Unpaid recoveries at the period end amounted to £851,428 and future recoveries on outstanding claims, including an element of IBNR, were £15,144,686.

Treaty profit commission due to Syndicate 510 from related parties for the 2015 year of account was £nil. Profit commission received from related parties during the period was £nil. Profit commission receivable at the period end amounted to £nil.

The syndicate received business through the following service and related companies whose investments are held ultimately by the managing agent: Tokio Marine Kiln Hong Kong Limited (100% owned), Tokio Marine Kiln Singapore Pte Limited (100% owned), Tokio Marine Kiln Regional Underwriting Limited (100% owned) and Ibex Insurance Services Limited (30% owned).

The syndicate also received business through Tokio Marine Kiln Europe S.A. which was 100% owned by Tokio Marine Kiln Group Limited, WNC Insurance Services, Inc., whose parent WNC Holding Company, LP was 49% owned within the Tokio Marine Kiln Group (the remaining 51% share was purchased in January 2018) and NAS Insurance Services, Inc. which was 49% owned within the Tokio Marine Kiln Group as at 31 December 2017. Profit commission on inwards business of £771,329 was paid to related parties for the 2015 year of account and £351,496 of profit commission was payable at the period end.

Profit commission of £24,009,672 was payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of profits for the 2015 year.

Managing agency fees of £7,823,875 were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £50,087,391 were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 17 provides further information regarding all syndicates and related parties.



## Seven year summary (unaudited)

	2009	2010	2011	2012	2013	2014	2015
Syndicate allocated capacity £m	629.65	922.53	922.31	1,062.27	1,063.67	1,063.97	1,062.85
Number of underwriting members	1,460	1,540	1,577	1,647	1,661	1,660	1,635
Aggregate net premiums £m	666.33	707.01	739.10	906.73	913.83	1,055.95	1,006.28
Result £m	119.93	24.88	69.05	90.43	115.69	167.05	118.01
<b>Results for an illustrative share of £10,000</b>							
Gross premiums written and earned	10,577	7,403	7,532	8,143	8,029	9,435	8,557
– as a percentage of allocated capacity	106%	74%	75%	81%	80%	94%	86%
Net premiums written and earned	7,811	5,548	5,778	6,156	6,268	7,062	6,711
– as a percentage of allocated capacity	78%	55%	58%	62%	63%	71%	67%
RITC from an earlier year of account	5,052	3,596	3,701	3,529	4,007	4,017	4,599
Net claims incurred	(5,194)	(4,586)	(4,261)	(4,140)	(4,367)	(4,746)	(4,264)
RITC the year of account	(5,269)	(3,700)	(3,706)	(4,012)	(4,019)	(4,595)	(4,850)
<b>Underwriting result</b>	2,400	858	1,512	1,533	1,889	1,738	2,196
(Loss)/profit on exchange	268	(106)	(120)	1	(55)	687	(244)
Syndicate operating expenses	(577)	(450)	(475)	(524)	(511)	(568)	(657)
<b>Balance on the technical account</b>	2,091	302	917	1,010	1,323	1,857	1,295
Investment return	264	155	90	87	74	88	127
<b>Result before personal expenses</b>	2,355	457	1,007	1,097	1,397	1,945	1,422
Illustrative personal expenses	(450)	(187)	(259)	(245)	(309)	(377)	(313)
<b>Result</b>	1,905	270	748	852	1,088	1,568	1,109

Annual report and accounts 2017

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited  
Underwriting year accounts for the 2015 closed year of account

# Syndicate 557

Tokio Marine Kiln Catastrophe Syndicate  
Non-marine



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## Independent auditors' report to the members of Syndicate 557 on the 2015 closed underwriting year of account

### Opinion

In our opinion, 557's syndicate underwriting year accounts for the 2015 year of account for the three years ended 31 December 2017 (the "syndicate underwriting year accounts"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2017 and of its profit for the 2015 closed year of account;
- have been properly prepared in accordance with United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland", as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the syndicate underwriting year accounts included within the Annual Report and accounts 2017 (the "Annual Report"), which comprise: the statement of comprehensive income for the 36 months then ended, the balance sheet as at 31 December 2017, the cash flow statement for the 36 months then ended, the accounting policies, and the notes to the syndicate underwriting year accounts, which include other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the syndicate underwriting year accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate underwriting year accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate underwriting year accounts any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate underwriting year accounts and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate underwriting year accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate underwriting year accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Managing Agent's Report, we also considered whether the disclosures required by Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## Managing Agent's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent's Report for the year ended 31 December 2017 is consistent with the syndicate underwriting year accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent's Report.

### Responsibilities for the syndicate underwriting year accounts and the audit

#### Responsibilities of the managing agent for the syndicate underwriting year accounts

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 109, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2015 closed year of account. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting year accounts, the managing agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the syndicate is unable to continue to realise its assets and discharge its liabilities in the ordinary course of business.

#### Auditors' responsibilities for the audit of the syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate underwriting year accounts.

A further description of our responsibilities for the audit of the syndicate underwriting year accounts is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and Part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility

## Marcus Hine

Senior Statutory Auditor  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
15 March 2018

## Statement of comprehensive income: technical account – general business

for the 36 months ended 31 December 2017

	Note	2015 £'000s
<b>Syndicate allocated capacity</b>		34,867
<b>Earned premiums, net of reinsurance</b>		
Gross premiums written	1	19,452
Outward reinsurance premiums		(2,321)
<b>Earned premiums, net of reinsurance</b>		17,131
<b>Reinsurance to close premium receivable, net of reinsurance</b>	2	16,256
<b>Allocated investment return transferred from the non-technical account</b>		413
<b>Claims incurred, net of reinsurance</b>		
Claims paid:		
Gross amount		(3,706)
Reinsurers' share		191
Reinsurance to close premium payable, net of reinsurance	3	(13,789)
<b>Claims incurred, net of reinsurance</b>		(17,304)
<b>Members' standard personal expenses</b>		(2,472)
<b>Net operating expenses</b>	4,5,6	(2,644)
<b>Balance on the technical account for general business</b>	7	11,380

## Statement of comprehensive income: non-technical account

for the 36 months ended 31 December 2017

	Note	2015 £'000s
<b>Balance on the general business technical account</b>		11,380
Investment income	8	734
Investment expenses and charges	8	(178)
Net unrealised losses on investments	8	(143)
Allocated investment return transferred to the general business technical account	8	(413)
Loss on exchange		(940)
<b>Profit for the 2015 closed year of account</b>		10,440

There is no other comprehensive income.



## Balance sheet

for the 2015 closed year of account as at 31 December 2017

<b>Assets</b>	<b>Note</b>	<b>2015 £'000s</b>
<b>Investments</b>		
Other financial investments	9	22,392
<b>Debtors</b>		
	10	2,015
<b>Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account</b>	3	1,144
<b>Other assets</b>		
Cash at bank and in hand		2,172
Overseas deposits	11	13
<b>Prepayments and accrued income</b>		3
<b>Total assets</b>		<b>27,739</b>
<b>Liabilities</b>		
<b>Amounts due to members</b>	12	10,154
<b>Reinsurance to close premium payable to close the account – gross amount</b>	3	14,933
<b>Creditors</b>	13	2,652
<b>Total liabilities</b>		<b>27,739</b>

The underwriting year accounts, which comprise pages 129 to 142 and the notes and principal accounting policies applicable to all syndicates on pages 110 to 114, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 13 March 2018 and were signed on its behalf by

### James Dover

Chief Financial Officer  
Tokio Marine Kiln Syndicates Limited  
15 March 2018



## Cash flow statement

for the 36 months ended 31 December 2017

	Note	2015 £'000s
<b>Cash flows from operating activities:</b>		
Operating profit on ordinary activities		10,440
Non-cash consideration for net RITC receivable		(16,237)
Net RITC premium payable	3	13,789
(Increase) in debtors		(922)
(Decrease) in creditors		(266)
Unrealised foreign currency (gains)		(604)
<b>Net cash inflow from operating activities</b>		<b>6,200</b>
<b>Cash flows from investing activities:</b>		
Sale of shares and other variable yield securities		2,142
Purchase of debt securities and other fixed income securities		(46,999)
Sale of debt securities and other fixed income securities		41,113
<b>Net cash (outflow) from investing activities</b>		<b>(3,744)</b>
<b>Cash flows from financing activities:</b>		
Members' agents' fees paid on behalf of members		(286)
<b>Net cash (outflow) from financing activities</b>		<b>(286)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,170</b>
Cash and cash equivalents at beginning of the 36 months		–
Foreign exchange gains on cash and cash equivalents		15
Cash and cash equivalents at end of the 36 months		2,185
<b>Cash and cash equivalents consists of:</b>		
Cash at bank and in hand		2,172
Overseas deposits	11	13
<b>Cash and cash equivalents at end of the 36 months</b>		<b>2,185</b>



## Notes to the accounts

for the 36 months ended 31 December 2017

### 1. Segmental analysis

An analysis of the underwriting result before investment return and profit on exchange is set out below:

	Gross premiums written (notes i & iv) £'000s	Gross claims incurred (note ii) £'000s	Gross operating expenses £'000s	Reinsurance balance (note iii) £'000s	Total £'000s
Reinsurance acceptances	19,452	(4,334)	(5,116)	(986)	9,016
RITC received	17,736	(14,305)	–	(1,480)	1,951
	37,188	(18,639)	(5,116)	(2,466)	10,967

- i. Gross premiums earned are identical to gross premiums written.
- ii. Gross claims incurred comprise gross claims paid and gross RITC premium payable.
- iii. The reinsurance balance comprises reinsurance recoveries on claims paid, reinsurance recoveries anticipated on RITC payable, less reinsurance premiums ceded and reinsurance recoveries anticipated on RITC receivable.
- iv. All business is concluded in the UK. The client location for all premiums is the UK.

### 2. Reinsurance to close premium receivable

	£'000s
Gross reinsurance to close premium receivable	17,736
Reinsurance recoveries anticipated	(1,480)
	16,256

### 3. Reinsurance to close premium payable

	£'000s
Gross notified outstanding claims	6,918
Reinsurance recoveries anticipated	(635)
Net notified outstanding claims	6,283
Provision for gross claims IBNR	8,015
Reinsurance recoveries anticipated on IBNR	(509)
Provision for net IBNR	7,506
	13,789

The reinsurance to close is effected to the 2016 year of account of Syndicate 557.

#### 4. Net operating expenses

	£'000s
Acquisition costs	666
Administrative expenses	1,978
Gross and net operating expenses	2,644

Included within administrative expenses is auditors' remuneration:

	£'000s
Audit services:	
Fees payable to the syndicate's auditor for the audit of the syndicate accounts	30
Other services:	
Other services pursuant to legislation	25
	55

The charge incurred for other services relates to the audit and review of the syndicate's regulatory returns and the provision of statements of actuarial opinion on the reserves.

#### 5. Staff numbers and costs

Staff were employed by Tokio Marine Kiln Insurance Services Limited. The following amounts were recharged to the 2015 year of account in respect of salary costs and are included within administrative expenses:

	£'000s
Wages, salaries and social security costs	1,061
Other pension costs	190
	1,251

Of this amount £4,244 was paid as consulting fees to other Tokio Marine Group companies in respect of staff working on the syndicate with the remainder recharged to the syndicate by Tokio Marine Kiln Insurance Services Limited.

The average number of full-time employees working for the syndicate on the 2015 year of account was as follows:

Administration and finance	8
Underwriting	1
Claims	1
	10

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is applied in the table above. Of this number, the equivalent of less than one full-time employee was employed by other Tokio Marine Group companies.



### 6. Emoluments of the directors and Active Underwriter

The Tokio Marine Kiln Group of companies operates a bonus pooling arrangement such that profit-related pay is generated from the managing agency profit commission, the group's share of the underwriting result through the corporate member Tokio Marine Underwriting Limited whose participations are managed by Tokio Marine Kiln Syndicates Limited. A considerable portion of the profit-related pay is therefore borne by other Tokio Marine Kiln Group entities. The directors of Tokio Marine Kiln Syndicates Limited received the following aggregate remuneration in relation to their work on the syndicate, of which £24,907 was charged as an expense to the 2015 year of account:

	<b>£'000s</b>
Emoluments	53

The Active Underwriter received the following remuneration charged to the 2015 year of account as a syndicate expense:

	<b>£'000s</b>
Emoluments	626

### 7. Analysis of technical result

	<b>2014 &amp; prior years of account £'000s</b>	<b>2015 pure year of account £'000s</b>	<b>Total 2015 £'000s</b>
Technical account balance excluding investment return and operating expenses	1,951	14,132	16,083
Brokerage and commission on gross premium	–	(666)	(666)
	1,951	13,466	15,417
Allocated investment return transferred from the non-technical account	–	413	413
Net operating expenses other than acquisition costs	–	(4,450)	(4,450)
	1,951	9,429	11,380

All acquisition costs are attributable to business allocated to the 2015 pure year of account.

### 8. Investment income and expenses

	<b>£'000s</b>
Investment income:	
Income from investments	576
Realised gains on investments	158
Unrealised gains on investments	2
Investment expenses:	
Investment management expenses, including interest	(36)
Realised losses on investments	(142)
Unrealised losses on investments	(145)
	413

## 9. Other financial investments

	Fair value £'000s	Purchase price £'000s
Shares and other variable yield securities	13,022	13,062
Debt securities and other fixed income securities	9,370	9,348
	22,392	22,410

All financial instruments are designated as fair value through profit or loss upon initial recognition.

## 10. Debtors

	£'000s
Arising out of reinsurance operations	775
Inter-year loans	1,233
Other debtors	7
	2,015

All amounts are due within one year.

## 11. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

## 12. Amounts due to members

	£'000s
Profit for the 2015 closed year of account	10,440
Members' agents' fee advances	(286)
Amounts due to members at 31 December 2017	10,154

## 13. Creditors

	£'000s
Arising out of reinsurance operations	336
Other creditors	2,316
	2,652

All amounts are due within one year.

#### **14. Related parties**

Syndicate 557 is considered to be a related party of, and accepted inwards reinsurance business from Syndicate 510. All transactions with this entity were conducted at arm's length and on normal commercial terms.

Syndicate 557 accepted written premium from Syndicate 510 for the 2015 year of account of £19,451,897. The unpaid premiums due from Syndicate 510 at the period end were £9,582. The outstanding claims, including an element of IBNR, were £1,349,122. No business was ceded to related parties.

Profit commission of £3,639,129 was payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of profits for the 2015 year.

Managing agency fees of £261,206 were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £2,192,932 were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 17 provides further information regarding all syndicates and related parties.

## Seven year summary (unaudited)

	2009	2010	2011	2012	2013	2014	2015
Syndicate allocated capacity £m	119.44	119.54	59.87	56.27	45.82	39.28	34.87
Number of underwriting members	1,077	1,129	1,144	1,086	932	810	770
Aggregate net premiums £m	43.33	34.57	25.72	28.06	26.06	22.18	17.13
Result £m	18.42	(30.35)	6.12	3.27	7.02	10.77	10.44
<b>Results for an illustrative share of £10,000</b>							
Gross premiums written and earned	3,225	2,737	4,876	5,954	6,637	6,295	5,387
– as a percentage of allocated capacity	32%	27%	49%	60%	66%	63%	54%
Net premiums written and earned	2,810	2,349	4,151	4,819	5,488	5,453	4,722
– as a percentage of allocated capacity	28%	23%	42%	48%	55%	55%	47%
RITC from an earlier year of account	858	885	4,535	3,328	4,653	4,851	4,662
Net claims incurred	(815)	(3,264)	(4,150)	(3,510)	(3,613)	(3,247)	(1,008)
RITC the year of account	(886)	(2,271)	(3,128)	(3,789)	(4,158)	(4,138)	(3,954)
<b>Underwriting result</b>	1,967	(2,301)	1,408	848	2,370	2,919	4,422
(Loss)/profit on exchange	(29)	(53)	(43)	27	(72)	794	(270)
Syndicate operating expenses	(161)	(171)	(332)	(309)	(437)	(414)	(567)
<b>Balance on the technical account</b>	1,777	(2,525)	1,033	566	1,861	3,299	3,585
Investment return	167	60	64	91	70	99	118
<b>Result before personal expenses</b>	1,944	(2,465)	1,097	657	1,931	3,398	3,703
Illustrative personal expenses	(402)	(75)	(75)	(75)	(399)	(656)	(709)
<b>Result</b>	1,542	(2,540)	1,022	582	1,532	2,742	2,994





Annual report and accounts 2017

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited  
Underwriting year accounts for the 2015 closed year of account

# Syndicate 308

Tokio Marine Kiln Life Syndicate  
Life



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## Independent auditors' report to the members of Syndicate 308 on the 2015 closed underwriting year of account

### Opinion

In our opinion, 308's syndicate underwriting year accounts for the 2015 year of account for the three years ended 31 December 2017 (the "syndicate underwriting year accounts"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2017 and of its loss for the 2015 closed year of account;
- have been properly prepared in accordance with United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland", as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the syndicate underwriting year accounts included within the Annual Report and accounts 2017 (the "Annual Report"), which comprise: the statement of comprehensive income for the 36 months then ended, the balance sheet as at 31 December 2017, the cash flow statement for the 36 months then ended, the accounting policies, and the notes to the syndicate underwriting year accounts, which include other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and other applicable law.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the syndicate underwriting year accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate underwriting year accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate underwriting year accounts any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate underwriting year accounts and our auditors' report thereon. The managing agent is responsible for the other information. Our opinion on the syndicate underwriting year accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate underwriting year accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate underwriting year accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Managing Agent's Report, we also considered whether the disclosures required by Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## Managing Agent's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent's Report for the year ended 31 December 2017 is consistent with the syndicate underwriting year accounts and has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent's Report.

### Responsibilities for the syndicate underwriting year accounts and the audit

#### Responsibilities of the managing agent for the syndicate underwriting year accounts

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 109, the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2015 closed year of account. The managing agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting year accounts, the managing agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the syndicate is unable to continue to realise its assets and discharge its liabilities in the ordinary course of business.

#### Auditors' responsibilities for the audit of the syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate underwriting year accounts.

A further description of our responsibilities for the audit of the syndicate underwriting year accounts is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and Part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other matters on which we are required to report by exception

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

## Marcus Hine

Senior Statutory Auditor  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
15 March 2018



## Statement of comprehensive income: technical account – long-term business

for the 36 months ended 31 December 2017

	Note	2015 £'000s
<b>Syndicate allocated capacity</b>		32,000
<b>Earned premiums, net of reinsurance</b>		
Gross premiums written	1	32,415
Outward reinsurance premiums		(1,822)
<b>Earned premiums, net of reinsurance</b>		30,593
<b>Reinsurance to close premium receivable, net of reinsurance</b>	2	2,444
<b>Investment income</b>	3	15
<b>Claims incurred, net of reinsurance</b>		
Claims paid:		
Gross amount		(19,228)
Reinsurers' share		495
Reinsurance to close premium payable, net of reinsurance	4	(2,279)
<b>Claims incurred, net of reinsurance</b>		(21,012)
<b>Members' standard personal expenses</b>		(447)
<b>Net operating expenses</b>	5,6,7	(13,596)
<b>Investment expenses and charges</b>	3	(3)
<b>Net unrealised (losses) on investments</b>	3	(1)
<b>Balance on the technical account for long-term business and (loss) for the 2015 closed year of account</b>	8	(2,007)

There are no non-technical items.

There is no other comprehensive income.

## Balance sheet

for the 2015 closed year of account as at 31 December 2017

<b>Assets</b>	<b>Note</b>	<b>2015 £'000s</b>
<b>Investments</b>		
Other financial investments	9	72
<b>Deposit with ceding undertakings</b>		242
<b>Debtors</b>	10	3,906
<b>Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account</b>	4	188
<b>Other assets</b>		
Cash at bank and in hand		6
Overseas deposits	11	38
<b>Total assets</b>		4,452
<b>Liabilities</b>	<b>Note</b>	<b>2015 £'000s</b>
<b>Amounts due from members</b>	12	(2,123)
<b>Reinsurance to close premium payable to close the account – gross amount</b>	4	2,467
<b>Creditors</b>	13	4,108
<b>Total liabilities</b>		4,452

The underwriting year accounts, which comprise pages 143 to 156 and the notes and principal accounting policies applicable to all syndicates on pages 110 to 114, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 13 March 2018 and were signed on its behalf by

### James Dover

Chief Financial Officer  
Tokio Marine Kiln Syndicates Limited  
15 March 2018



## Cash flow statement

for the 36 months ended 31 December 2017

	Note	2015 £'000s
<b>Cash flows from operating activities:</b>		
Operating (loss) on ordinary activities		(2,007)
Non-cash consideration for net RITC receivable		(2,391)
Net RITC premium payable	4	2,279
Decrease in debtors		149
Increase in creditors		755
Unrealised foreign currency (gains)		(32)
<b>Net cash (outflow) from operating activities</b>		<b>(1,247)</b>
<b>Cash flows from investing activities:</b>		
Sale of shares and other variable yield securities		321
Purchase of debt securities and other fixed income securities		(2,763)
Sale of debt securities and other fixed income securities		4,092
Movements in deposits with ceding undertakings		(242)
<b>Net cash inflow from investing activities</b>		<b>1,408</b>
<b>Cash flows from financing activities:</b>		
Members' agents' fees paid on behalf of members		(116)
<b>Net cash (outflow) from financing activities</b>		<b>(116)</b>
<b>Net increase in cash and cash equivalents</b>		<b>45</b>
Cash and cash equivalents at beginning of the 36 months		–
Foreign exchange (losses) on cash and cash equivalents		(1)
Cash and cash equivalents at end of the 36 months		44
<b>Cash and cash equivalents consists of:</b>		
Cash at bank and in hand		6
Overseas deposits	11	38
<b>Cash and cash equivalents at end of the 36 months</b>		<b>44</b>

# Notes to the accounts

for the 36 months ended 31 December 2017

## 1. Segmental analysis

An analysis of the gross written premium and reinsurance balances is set out below:

	<b>Gross premiums written (note i) £'000s</b>	<b>Reinsurance balance (note ii) £'000s</b>
Direct insurance	28,170	(932)
Reinsurance acceptances	4,245	(140)
RITC received	3,354	(910)
	<b>35,769</b>	<b>(1,982)</b>

- i. Gross premiums written comprise gross premium written and the gross RITC premium receivable.
- ii. The reinsurance balance comprises reinsurance recoveries on claims paid, reinsurance recoveries anticipated on RITC payable, reinsurance commissions receivable less reinsurance premiums ceded and reinsurance recoveries anticipated on RITC receivable.

The direct gross written premium can be further analysed as follows:

	<b>£'000s</b>
Individual premiums	5,931
Premiums under group contracts	22,239
	<b>28,170</b>
Periodic premiums	17,333
Single premiums	10,837
	<b>28,170</b>

All business was concluded in the UK.

In the opinion of the directors, Syndicate 308 operates in a single business segment, being that of long-term insurance business.

An analysis of the gross new business premium is set out below:

	<b>Gross premiums written £'000s</b>
Direct insurance	2,267
Reinsurance acceptances	558
	<b>2,825</b>

Outwards reinsurance placed in relation to new business written is not material.



The direct gross new business written premium can be further analysed as follows:

	<b>£'000s</b>
Individual premiums	79
Premiums under group contracts	2,188
	<b>2,267</b>
Periodic premiums	79
Single premiums	2,188
	<b>2,267</b>

The geographical analysis of premium by location of the client is as follows:

	<b>£'000s</b>
UK	21,406
Other EU countries	2,957
US	6,796
Other	4,610
	<b>35,769</b>

### 2. Reinsurance to close premium receivable

	<b>£'000s</b>
Gross reinsurance to close premium receivable	3,354
Reinsurance recoveries anticipated	(910)
	<b>2,444</b>

### 3. Investment income and expenses

	<b>£'000s</b>
Investment income:	
Income from investments	14
Realised gains on investments	1
Investment expenses:	
Realised losses on investments	(3)
Unrealised losses on investments	(1)
	<b>11</b>



#### 4. Reinsurance to close premium payable

	£'000s
Gross notified outstanding claims	1,936
Reinsurance recoveries anticipated	(490)
Net notified outstanding claims	1,446
Provision for gross claims IBNR	531
Reinsurance recoveries anticipated on IBNR	302
Provision for net IBNR	833
	2,279

The reinsurance to close is effected to the 2016 year of account of Syndicate 308.

#### 5. Net operating expenses

	£'000s
Acquisition costs	10,591
Administrative expenses	2,992
Loss on exchange	80
Gross operating expenses	13,663
Reinsurance commissions and profit participations	(67)
	13,596

Included within administrative expenses is auditors' remuneration:

	£'000s
Audit services:	
Fees payable to the syndicate's auditor for the audit of the syndicate accounts	40
Other services:	
Other services pursuant to legislation	35
	75

The charge incurred for other services is wholly and exclusively in relation to the audit and review of the syndicate's regulatory returns.

#### 6. Staff numbers and costs

Staff were employed by Tokio Marine Kiln Insurance Services Limited. The following amounts were recharged to the 2015 year of account in respect of salary costs and are included within administrative expenses:

	£'000s
Wages, salaries and social security costs	1,529
Other pension costs	181
	1,710



Of this amount £3,370 was paid as consulting fees to other Tokio Marine Group companies in respect of staff working on the syndicate with the remainder recharged to the syndicate by Tokio Marine Kiln Insurance Services Limited.

The average number of full-time employees working for the syndicate on the 2015 year of account was as follows:

Administration and finance	11
Underwriting	6
Claims	1
	18

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is applied in the table above. Of this number, the equivalent of less than one full-time employee was employed by other Tokio Marine Group companies.

### 7. Emoluments of the directors and Active Underwriter

The Tokio Marine Kiln Group of companies operates a bonus pooling arrangement such that profit-related pay is generated from the managing agency profit commission, the group's share of the underwriting result through the corporate member Tokio Marine Underwriting Limited whose participations are managed by Tokio Marine Kiln Syndicates Limited. A considerable portion of the profit-related pay is therefore borne by other Tokio Marine Kiln Group entities. The directors of Tokio Marine Kiln Syndicates Limited received the following aggregate remuneration in relation to their work on the syndicate, of which £33,131 was charged as an expense to the 2015 year of account:

	<b>£'000s</b>
Emoluments	70

The Active Underwriter received the following remuneration charged to the 2015 year of account as a syndicate expense:

	<b>£'000s</b>
Emoluments	64

### 8. Analysis of technical result

	<b>2014 &amp; prior years of account £'000s</b>	<b>2015 pure year of account £'000s</b>	<b>Total 2015 £'000s</b>
Technical account balance excluding investment return and operating expenses	641	11,384	12,025
Brokerage and commission on gross premium	–	(10,591)	(10,591)
Reinsurance commissions receivable	–	67	67
	641	860	1,501
Allocated investment return	–	11	11
Net operating expenses other than acquisition costs	–	(3,519)	(3,519)
	641	(2,648)	(2,007)

All acquisition costs are attributable to business allocated to the 2015 pure year of account.

## 9. Other financial investments

	Fair value £'000s	Purchase price £'000s
Deposits with credit institutions	72	72
	72	72

All financial instruments are designated as fair value through profit or loss upon initial recognition.

## 10. Debtors

	£'000s
Arising out of direct insurance operations:	
Due from intermediaries	2,051
Arising out of reinsurance operations	1,850
Other debtors	5
	3,906

All amounts are due within one year.

## 11. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

## 12. Amounts due from members

	£'000s
Loss for the 2015 closed year of account	(2,007)
Members' agents' fee advances	(116)
Amounts due from members at 31 December 2017	(2,123)



### 13. Creditors

	£'000s
Arising out of direct insurance operations:	
Due to intermediaries	2,430
Inter-year loans	472
Arising out of reinsurance operations	1,171
Other creditors	35
	4,108

All amounts are due within one year.

### 14. Related parties

Syndicate 308 accepted inwards reinsurance business from other Tokio Marine Group entities that are deemed to be related parties of Tokio Marine Kiln Syndicates Limited by virtue of the shareholding in Tokio Marine Kiln Group Limited by Tokio Marine Holdings, Inc. All transactions between these entities were conducted at arm's length and on normal commercial terms.

Syndicate 308 accepted written premium from related parties for the 2015 year of account of £51,351. Unpaid premiums of £45,926 were due from related parties at the period end. The outstanding claims, including an element of IBNR, were £nil. No business was ceded to related parties.

No profit commission was payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of profits for the 2015 year.

Managing agency fees of £235,890 were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £3,150,197 were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 17 provides further information regarding all syndicates and related parties.

## Seven year summary (unaudited)

	2009	2010	2011	2012	2013	2014	2015
Syndicate allocated capacity £m	14.66	20.00	20.00	22.50	26.50	31.98	32.00
Number of underwriting members	35	46	84	96	108	136	136
Aggregate net premiums £m	16.88	17.30	24.09	26.44	27.85	28.38	30.59
Result £m	0.93	2.68	1.83	1.42	0.33	0.74	(2.00)
<b>Results for an illustrative share of £10,000</b>							
Gross premiums written and earned	9,330	8,977	9,549	9,279	8,360	6,648	6,820
– as a percentage of allocated capacity	93%	90%	95%	93%	84%	66%	68%
Net premiums written and earned	8,090	6,068	8,759	8,504	7,640	6,017	6,272
– as a percentage of allocated capacity	81%	61%	88%	85%	76%	60%	63%
RITC from an earlier year of account	2,135	1,256	535	278	348	452	764
Net claims incurred	(6,597)	(4,075)	(6,781)	(6,398)	(6,240)	(4,564)	(5,854)
RITC the year of account	(1,712)	(535)	(313)	(409)	( 545)	(764)	(712)
<b>Underwriting result</b>	1,916	2,714	2,200	1,975	1,203	1,141	470
(Loss)/profit on exchange	(24)	(69)	7	31	(53)	43	(25)
Syndicate operating expenses	(988)	(890)	(945)	(1,112)	(851)	(775)	(935)
<b>Balance on the technical account</b>	904	1,755	1,262	894	299	409	(490)
Investment return	35	26	19	12	5	5	3
<b>Result before personal expenses</b>	939	1,781	1,281	906	304	414	(487)
Illustrative personal expenses	(305)	(444)	(364)	(276)	(181)	(185)	(140)
<b>Result</b>	634	1,337	917	630	123	229	(627)



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**Tokio Marine Kiln Syndicates Limited**

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under Firm Reference Number: 204909  
Registered office is located at 20 Fenchurch Street, London EC3M 3BY Registered Number: 729671. Tokio Marine Kiln is a trading name.