Important information about Syndicate Reports and Accounts

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

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

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

Report & Financial Statements

Syndicate 6105

Contents

Directors and administration

Managing agent

Ark Syndicate Management Limited

Directors

I Beaton	(Chief Executive)
N Bonnar	
N Brothers	
D Foreman	(Chairman)
P McIntosh	
N Smith	
J Wardrop	(Non-executive)
C Watson	(Non-executive)
J Welman	(Non-executive)

Company secretary

J Masson

Managing agent's registered office

30 Fenchurch Avenue
London
EC3M 5AD

Managing agent's company registration number

05887810

Syndicate information

Active underwriter

N Bonnar

Bankers

Lloyds TSB Bank plc
Citibank NA
Royal Bank of Canada

Investment managers

Conning Asset Management Limited
55 King William Street
London
EC4R 9AD

Registered auditors

KPMG LLP
15 Canada Square
London
E14 5GL

The directors of the managing agent present their report and accounts for the 2015 year of account ("YOA") of Syndicate 6105 ("the Syndicate") as closed at 31 December 2017 and their annual report and accounts for the year to 31 December 2017.

Principal activity and review of the business

The Syndicate is a Special Purpose Syndicate, established in 2008 to underwrite a quota share of Syndicate 4020. The managing agent of the Syndicate is Ark Syndicate Management Limited ("ASML"), a company incorporated in the UK. ASML also manages the affairs of Syndicate 4020 and Syndicate 3902. The quota share covers all Syndicate 4020 lines with a cession of 15.0%. The Syndicate is charged an overriding commission on all gross premiums, net of commissions, written under the contract. A profit commission is payable to ASML based on the profit earned under the contract. The 2015 YOA is the final underwriting year of the Syndicate. Gross written premium income for the year split by the underlying class of business of Syndicate 4020, along with a brief description of each class of business, is set out below:

	2015 YOA £'000	2017 Cal. Year £'000	2016 Cal. year £'000
Accident & Health	3,924	(36)	308
Cargo & Specie	1,439	(27)	(336)
Casualty Reinsurance	1,630	287	334
Energy Upstream	3,109	(97)	(369)
Marine & Energy Liability	597	(45)	56
Marine Hull	1,698	(122)	(78)
Property Reinsurance	1,917	28	153
Specialty Programmes	8,913	744	940
Specialty Reinsurance	1,540	(91)	140
War, Terrorism & Political Risk	2,709	123	381
Property Direct & Facultative	2,011	(65)	(118)
Property Programmes	1,896	100	158
Contingency	743	105	176
Fine Art & Specie	987	32	26
Package Programmes	2,115	(33)	28
	35,228	903	1,799

Class of business	Description
Accident & Health	Includes a spread of exposure across war, key man, disability, credit card personal accident insurance and reinsurance catastrophe.
Cargo & Specie	Syndicate 4020 - Cargo is made up of general cargo transit and storage as well as higher value and more complex risks such as satellites, heavy lift, tows and project cargo. Specie includes fine art, metals, securities and vault risk written on an excess basis. Incidental Syndicate 3902 - Focus on small /medium sized accounts, excludes cash in transit, war on land and jewellers block.
Casualty Reinsurance	Predominantly Medical Malpractice, Professional Liability and some General Liability.
Energy Upstream	Syndicate 4020 - Insurance of exploration and production property (on and offshore), control of well, removal of wreck, business interruption, construction and renewable energy from a broad geographic spread. Incidental Syndicate 3902 - Upstream oil and gas focussed with a broad geographical spread.
Marine & Energy Liabilities	Marine includes the reinsurance of the International Group of P&I Clubs. Energy is only offered in conjunction with Upstream Energy packages.
Marine Hull	Syndicate 4020 - Insurance of low profile, smaller fleet business and specialised tonnage, with some vessel construction, marine property and marine war. Incidental Syndicate 3902 - Emphasis on smaller brown water tonnage and older vessels on limited conditions.
Property Reinsurance	Predominantly non-proportional, balanced between US and Rest of World ("ROW") exposures.
Specialty Programmes	Professional liability includes architects and engineers, insurance professionals and real estate agents E&O, Allied Health, Cyber Liability and Miscellaneous E&O. Contingency and Crisis management were discontinued in 2016.

Class of business	Description
Specialty Reinsurance	Consists of Aviation and Specialty reinsurance, including crop and satellite. Very little Marine is written.
War, Terrorism & Political Risk	Syndicate 4020 - Aviation War consists of airline hull war and excess AV52, and was discontinued in 2017. Terror is primarily pure Terrorism physical damage and business interruption, with a small amount of broad-form political violence, including war on land. Political risk focus is contract frustration and confiscation / expropriation. War on land is also written. Peak exposures are in emerging countries. Incidental Syndicate 3902 – Aviation War consists of airline, general aviation (including rotor wing), hull war and excess of loss / space
Property Direct & Facultative	Syndicate 4020 - Mostly low fire hazard occupancies, avoiding higher risk exposed classes such as mining, mineral processing and other heavy industries. Incidental Syndicate 3902 - Predominately written on an excess of loss basis, and consists of a diverse mix of municipalities, real estate, heavy industry, energy, utility, transport and leisure.
Property Programmes	US and Canadian binding authorities, avoiding middle market / larger commercial property accounts which are highly competitive.
Contingency	Predominantly short tail with event cancellation the largest part.
Fine Art & Specie	Includes jewellers block, cash in transit, general specie and fine art written both primary and excess.
Package Programmes	Mostly Ark-led US binding authorities. Balanced between Property and Commercial General Liability. Target risks are small commercial low-medium hazard occupancy.

Underwriting performance - YOA

The 2015 YOA has been closed with a profit of £4.8m after all standard personal expenses, equivalent to a profit on stamp capacity of 8.1%. The liability reserves of the Specialty Programmes and Package Programmes accounts have been further strengthened in recognition of incurred and potential future claim development, although the impact of this has been offset by good claims experience in the majority of the remaining book. Previous major loss estimates have proven to be adequate.

Underwriting performance – 2017 calendar year

The underwriting profit for the calendar year 2017 is £2.5m. The calendar year result together with key performance indicators is shown below:

	2017	2016
Profit / (loss) for the financial year (£'000)	3,694	2,667
Claims ratio (%)	29.8%	48.3%
Expenses ratio (%)	44.0%	38.4%
Combined ratio (%)	73.8%	86.7%

The claims ratio is the ratio of claims incurred net of reinsurance to earned premiums net of reinsurance. The expense ratio is the ratio of operating expenses and acquisition costs (excluding foreign exchange movements) to earned premiums net of reinsurance. The claims ratio reflects the underwriting issues noted above, and the expense ratio is broadly in line with expectations. The combined ratio including all foreign exchange movements is 77.8% (2016: 87.0%)

Financial position

The main components of the balance sheet are technical provisions and amounts due from Syndicate 4020 in respect of the quota share agreement.

Technical provisions include a provision for outstanding claims of £11.3m (2016: £28.0m) and a provision for unearned premiums of Nil (2016: £5.1m). No reinsurance protection has been purchased by the Syndicate. The provision for outstanding claims is based on evaluations of reported claims and estimates for losses incurred but not reported ("IBNR"). As claims may not be settled for a number of years after they are incurred, the setting of provisions involves a degree of judgement as to the ultimate exposure to losses.

Amounts due from Syndicate 4020 in respect of the quota share agreement of £14.3m (2016: £34.1m) are receivable when the YOA closes. The 2015 YOA was closed with effect from 31 December 2017 and the amounts due from Syndicate 4020 will be settled when the profits of the YOA are distributed in April 2018.

Seven year summary - closed years	2015 YOA	2014 YOA	2013 YOA	2012 YOA	2011 YOA	2010 YOA	2009 YOA
Syndicate allocated capacity (£m)	59.8	60.0	19.0	10.5	11.0	30.0	28.2
Number of Underwriting Members	1,399	1,387	978	620	661	426	423
Aggregate net premiums (£'000)	35,228	38,662	10,246	5,526	7,246	18,489	25,291
Results for illustrative share of £10,000	%	%	%	%	%	%	%
Gross premium written (% of illustrative share)	59.0	64.5	54.1	52.6	49.8	61.6	89.6
Net premium written (% of illustrative share)	59.0	64.5	54.1	52.6	49.8	61.6	89.6
Profit (% of gross premium)	13.7	8.5	18.3	31.7	26.2	0.6	23.0
Profit (% of capacity)	8.1	5.5	9.9	16.7	13.1	0.4	20.6
Results for illustrative share of £10,000	£	£	£	£	£	£	£
Gross premiums written	5,895	6,448	5,406	5,261	4,984	6,156	8,957
Net premiums	5,895	6,448	5,406	5,261	4,984	6,156	8,957
Reinsurance to close from an earlier year of account	-	-	-	1,055	-	4,926	2,993
Net claims	(2,302)	(2,407)	(2,029)	(2,065)	(2,060)	(3,330)	(3,193)
Reinsurance to close	(1,885)	(2,164	(1,398)	(1,676)	(974)	(7,287)	(5,394)
Underwriting Profit	1,708	1,877	1,979	2,575	1,950	465	3,363
Acquisition costs	-	-	-	-	-	-	-
Other syndicate operating expenses, excluding personal expenses	(975)	(901)	(660)	(677)	(514)	(721)	(1,024)
Reinsurers' and profit commissions	-	-	-	-	-	-	-
Exchange movement on foreign currency translation	(4)	(293)	(46)	(32)	(10)	38	24
Net investment income	356	59	109	346	308	406	375
Illustrative personal expenses:							
Managing agent's fee	(75)	(75)	(75)	(75)	(75)	(75)	(75)
Profit commission	(202)	(117)	(247)	(417)	(278)	(8)	(515)
Other personal expenses	-	-	(69)	(51)	(75)	(70)	(90)
Profit after illustrative personal expenses and profit commission	808	550	991	1,669	1,306	35	2,058

Operating expenses

	2017 £'000	2016 £'000
Acquisition costs – brokerage and commissions	1,642	8,112
Ceding commission under quota share contract	-	70
Administrative expenses	(7)	1,760
Managing agency fee	43	90
Personal expenses	917	466
Operating expenses	2,595	10,498

Operating expenses, as set out below, are in line with expectations.

Investment return

The quota share contract with Syndicate 4020 is written on a funds withheld basis. No funds are held directly by the Syndicate. Under the terms of the quota share agreement, an experience account is maintained and investment income receivable by Syndicate 4020 is allocated to the Syndicate based on the average balance of the experience account throughout the year.

Syndicate 4020 funds are actively managed by third party investment managers. Syndicate 4020 has a diversified portfolio in corporate debt, cash, UK property funds and investment funds with an average duration that is appropriate compared to the expected liability duration.

The investment return for the 2015 YOA was £2.1m. Investment returns for the 2017 calendar year, as set out below, are considered to be adequate.

	2017	2016
Average syndicate funds available for investment (US$'000)	636,968	668,224
Investment return for the year (US$'000)	19,659	826
Annualised investment return (%)	3.1%	0.1%

Directors

The directors of ASML served from 1 January 2017 to the date of this report, unless stated otherwise. Shareholdings in the ultimate holding company of ASML, Ark Insurance Holdings Limited ("AIHL") are stated as at 31 December 2017.

	H shares (2015)	H shares (2016)	H shares (2017)	H shares (2018)
Name	No.	No.	No.	No.
I Beaton (Chief Executive)	386,341	494,516	494,516	494,516
N Bonnar	386,341	494,516	494,516	494,516
N Brothers	1,961	3,456	3,750	4,500
D Foreman (Chairman)	-	-	-	-
P McIntosh	12,363	15,825	15,825	15,825
N Smith	10,818	13,847	13,847	13,847
J Wardrop (Non-executive)	-	-	-	-
C Watson (Non-executive)	-	-	-	-
J Welman (Non-executive)	-	-	-	-

I Beaton and N Bonnar also each hold the following shares in AIHL - 92,230 Preference 1 shares (2016: 92,230), 121,788 Preference 2 shares (2016: 121,788), 100 T shares (2016: 100) and 70 Z shares (2016: 70).

Disclosure of information to auditors

The directors of ASML who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the auditors of Syndicate 6105 are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the auditors of Syndicate 6105 are aware of that information.

Principal risks and uncertainties

ASML maintains a risk register within its risk management framework. Identified risk events are grouped into major risk categories according to the nature of the potential threat they pose to the business. The risk management framework allows risks to be identified and controls to be put in place as necessary, either to prevent the occurrence of the event or to mitigate its impact.

The principal risks of the Syndicate are set out in note 2 of the calendar year accounts.

Auditors and Annual general meeting

As permitted under the Syndicate Meeting (Amendment No.1) Byelaw it is not proposed to hold a Syndicate Annual General Meeting. The members of Syndicate 6105 intend to reappoint KPMG LLP as auditors.

Future developments

The Syndicate has ceased underwriting. The 2015 YOA of the Syndicate has been reinsured into the 2016 YOA of Syndicate 4020.

N Bonnar
Active Underwriter
9 March 2018

Distribution Accounts

2015 Year of Account

Statement of managing agent's responsibilities

The directors of the managing agent are responsible for preparing the Syndicate underwriting year accounts in accordance with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw. They have elected to prepare the accounts in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the underwriting year accounts unless they are satisfied that they give a true and fair view of the result of the underwriting year at closure. In preparing these accounts, the directors of the managing agent are required to:

- Select suitable accounting policies and then apply them 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 is used;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- Assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so. As explained in note 1 the directors of the managing agent do not believe that it is appropriate to prepare the underwriting year accounts on a going concern basis.

The directors of the managing agent are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the underwriting year accounts comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Syndicate 6105 for the 2015 closed Year of Account

Opinion

We have audited the Syndicate underwriting year accounts for the 2015 year of account of Syndicate 6105 for the three years ended 31 December 2017, which comprise the Profit and loss account, Balance Sheet, Statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion the underwriting year accounts:

- give a true and fair view of the syndicate's profit for the 2015 closed year; and
- have been properly prepared in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the syndicate in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – non-going concern basis of preparation

We draw attention that the disclosure made in note 1 to the underwriting year accounts which explains that the underwriting year accounts have not been prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Report of the directors of the Managing Agent

The directors are responsible for the Report of the directors of the Managing Agent. Our opinion on the underwriting year accounts does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the Report of the directors of the Managing Agent and, in doing so, consider whether, based on our underwriting year accounts audit work, the information therein is materially misstated or inconsistent with the underwriting year accounts or our audit knowledge. Based solely on that work we have not identified material misstatements in the Report of the directors of the Managing Agent.

Matters on which we are required to report by exception

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report to you if, in our opinion:

adequate and proper accounting records have not been kept by the directors of the managing agent on behalf of the syndicate; or

- the underwriting year accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Responsibilities of the directors of the Managing Agent

As explained more fully in their statement set out on page 11, the directors of the Managing Agent are responsible for: the preparation of the underwriting year accounts in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and for being satisfied that they give a true and fair view of the result of the underwriting year at closure; such internal control as they determine is necessary to enable the preparation of underwriting year accounts that are free from material misstatement, whether due to fraud or error; 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 they either intend cease trading, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the underwriting year accounts.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditors' report to the members of Syndicate 6105 for the 2015 closed Year of Account

The purpose of our audit work and to whom we owe our responsibilities

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

Ben Priestley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
9 March 2018

Profit and loss account

2015 closed YOA for the three years ended 31 December 2017

	Notes	2015 £'000
Syndicate allocated capacity		59,754
Technical account		
Gross premiums written	3	35,228
Allocated investment return transferred from the non-technical account		2,126
Claims paid - gross amount		(13,753)
Reinsurance to close premium payable, net of reinsurance	5	(11,264)
Operating expenses	4	(7,504)
Balance on the technical account for general business		4,833
Non-technical account		
Investment income		2,126
Allocated investment return transferred to technical account		(2,126)
Profit for the 2015 closed YOA		4,833

The notes on pages 17 to 19 and 33 form part of these accounts

Balance sheet

2015 closed YOA as at 31 December 2017

	Notes	2015 £'000
Assets		
Debtors arising out of reinsurance operations		14,257
Other debtors	6	480
Total assets		14,737
Liabilities		
Amounts due to members	6	3,473
Reinsurance to close premium payable to close the account	5	11,264
Total liabilities		14,737

The notes on pages 17 to 19 and 33 form part of these accounts. The accounts were approved by the Board of Ark Syndicate Management Limited on 9 March 2018 and signed on its behalf by

N Smith
Finance Director
9 March 2018

Statement of cash flows

2015 closed YOA for the three years ended 31 December 2017

	Notes	2015 £'000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit on ordinary activities		4,833
Net reinsurance to close payable		11,264
Open year profit release		(1,360)
Other		(480)
Increase in debtors		(14,257)
Net cash inflow from operating activities		-

The quota share contract with Syndicate 4020 is written on a funds withheld basis. No funds are currently held directly by the Syndicate. The notes on pages 17 to 19 and 33 form part of these accounts.

Notes to the accounts

1. Basis of preparation

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") as issued in August 2015, and Financial Reporting Standard 103 *Insurance Contracts* ("FRS 103") as issued in March 2015.

The Lloyd's Syndicate Accounting Byelaw requires the aggregation of movements in each of the three calendar years' for any Underwriting Year account. For the 2015 YOA each calendar year is aggregated using the closing rate of exchange as at 31 December 2017. These accounts relate to the 2015 YOA which will be closed by reinsurance to close at 31 December 2017; consequently the balance sheet represents the assets and liabilities of the 2015 YOA and the profit and loss account and cash flow statement reflect the transactions for the YOA during the three year period until closure. Members participate on a syndicate by reference to a YOA and each syndicate YOA is a separate annual venture. The 2015 YOA is due to close shortly after distribution of these accounts. The directors of the managing agent have prepared the underwriting year accounts on a non-going concern basis. This has no impact on the amounts reported in the accounts.

2. Accounting policies

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

Premiums written

Gross premiums are allocated to each YOA on the basis of the inception date of the policy. Premiums are shown gross of acquisition costs such as brokerage payable and taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due but not yet notified. Premiums written are treated as fully earned at 36 months.

Claims Paid

Gross claims paid include claims settlement expenses and are attributed to the same YOA as the original premium for the underlying policy.

Reinsurance to close premium payable

In preparing these accounts, the directors of ASML have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs, including claims incurred but not reported ("IBNR") relating to the closed YOA. The measurement of the provision for claims outstanding involves judgments and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

Outstanding claims consist of amounts set aside for notified claims and a provision for IBNR claims. The amount included in respect of IBNR is arrived at by considering the actuarially calculated provision, using techniques which generally involve statistical techniques of estimation applied by ASML's actuaries and reviewed by external consulting actuaries, as well as the opinion of the class underwriters and executive management. The actuarial techniques generally involve projecting from past experience 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. Large claims are generally assessed individually, being calculated on a case by case basis or projected separately to allow for the possible distortive effects of the developments of these claims on the balance of the data. The provision for claims also includes amounts in respect of internal and external claims handling costs.

Accordingly the two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. 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 financial statements for the year in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Notes to the accounts

2. Accounting policies (continued)

Foreign currencies

Transactions in US dollars, Euros, Canadian dollars and Australian dollars are translated at the closing rate of exchange for the closing year. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed. Assets and liabilities denominated in US dollars, Euros, Canadian dollars and Australian dollars, where the assets and liabilities in the currency ledgers are broadly matched, are translated at the closing rate of exchange for the year. Assets and liabilities denominated in other foreign currencies are translated into sterling at the rates of exchange at the balance sheet date. The following rates of exchange have been used in the preparation of these accounts; US dollars 1.35, Canadian dollars 1.70, Euro 1.13 and Australian dollars 1.73.

Profit commission

Profit commission is charged by ASML in accordance with the managing agent's agreement.

Investment return

Investment return represents 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 assets arising in a calendar year are apportioned to each open YOA during the calendar year in proportion to the average funds available for investment for Syndicate 4020, and the average experience account for Syndicate 6105. Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'. No provision has been made for any other overseas tax payable by the members on underwriting results.

3. Segmental Analysis

Ark management considers that it has one segment, being insurance and reinsurance risks underwritten at Lloyd's in the United Kingdom.

4. Operating expenses

	2015 £'000
Personal expenses	1,657
Loss on currency sales	21
Other expenses	5,826
	7,504

Personal expenses comprise Lloyd's subscriptions, central fund contributions, and a managing agent's fee and profit commission paid to ASML. All other expenses, including audit fees, are charged to and borne by the Syndicate.

All executive directors and staff are employed and remunerated by ASML. Salaries and related costs are included within the management fee charged by ASML and accordingly no direct salary cost is borne by the Syndicate. Details of salary cost and directors remuneration are disclosed in the financial statements of ASML

Notes to the accounts

5. Reinsurance to close premium payable

	2015 £'000
Gross and net outstanding claims	3,643
Provision for gross and net claims incurred but not reported	7,621
	11,264

The reinsurance to close is effected to the 2016 YOA of Syndicate 4020.

6. Reconciliation of members' balances

	2015 £'000
Profit for the year of account	4,833
Open year distribution to members	(1,360)
Members subscriptions	(480)
At 31 December	2,993

ARK

Calendar Year Report & Accounts

2017

Statement of managing agent's responsibilities

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

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so. As explained in note 1 the directors of the managing agent do not believe that it is appropriate to prepare the financial statements on a going concern basis.

The directors of the managing agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the financial statements comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Independent auditors' report to the members of Syndicate 6105

Opinion

We have audited the financial statements of Syndicate 6105 for the year ended 31 December 2017 which comprise the Income Statement: Technical account – General business, Income Statement: non-technical account, Statement of other comprehensive income, Balance Sheet – Assets, Balance Sheet – Liabilities, Statement of Changes in Members' Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- 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 year then ended;
- have been properly prepared in accordance with UK accounting standards, including 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the syndicate in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

Report of the directors of the Managing Agent

The directors are responsible for the Report of the directors of the Managing Agent. Our opinion on the financial statements does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the directors of the Managing Agent and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in that report.

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

Matters on which we are required to report by exception

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Responsibilities of the directors of the Managing Agent

As explained more fully in their statement set out on page 21, the directors of the Managing Agent are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to cease trading, or have no realistic alternative but to do so.

Independent auditors' report to the members of Syndicate 6105

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Ben Priestley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
9 March 2018

Income statement

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Technical account			
Gross premiums written	3	903	1,799
Change in the provision for unearned premiums		4,993	23,589
Earned premiums, net of reinsurance		5,896	25,388
Allocated investment return transferred from the non-technical account	4	2,148	31
Claims paid - gross amount		(4,767)	(11,356)
Change in the provision for claims - gross amount		3,012	(898)
Claims incurred, net of reinsurance		(1,755)	(12,254)
Operating expenses	5	(2,595)	(10,498)
Balance on the technical account for general business		3,694	2,667
Non-technical account			
Investment income		2,148	31
Allocated investment return transferred to technical account		(2,148)	(31)
Profit for the financial year		3,694	2,667

Statement of other comprehensive income

	Notes	2017 £'000	2016 £'000
Profit for the financial year		3,694	2,667
Foreign exchange translation differences		(236)	671
		3,458	3,338

The notes on pages 27 to 33 form part of these accounts

Balance sheet

As at 31 December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Debtors arising out of reinsurance operations	7	14,257	34,100
Other debtors		480	950
Deferred acquisition costs		-	1,614
Total assets		14,737	36,664
Capital, reserves and liabilities			
Capital and reserves			
Members' balances attributable to underwriting participations	8	3,473	3,517
Liabilities			
Insurance liabilities:			
Provision for unearned premiums	9	-	5,106
Claims outstanding	9	11,264	28,041
		11,264	33,147
Total capital, reserves and liabilities		14,737	36,664

The notes on pages 27 to 33 form part of these accounts. The accounts were approved by the Board of Ark Syndicate Management Limited on 9 March 2018 and signed on its behalf by

N Smith
Finance Director
9 March 2018

Statement of cash flows

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Operating result		3,694	2,668
Change in gross technical provisions		(21,884)	(18,768)
Change in debtors		21,455	16,911
Investment return		(2,148)	(31)
Other		795	(611)
Net cash flows from operating activities		1,912	169
Investment income received		1,301	1,350
Investment management fees		(184)	(35)
Net cash flows from investing activities		1,117	1,315
Distribution profit		(1,669)	(326)
Open year release	8	(1,360)	(1,158)
Other		-	-
Net cash flows from financing activities		(3,029)	(1,484)
Net (decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

The quota share contract with Syndicate 4020 is written on a funds withheld basis and no funds are held directly by the Syndicate.

The notes on pages 27 to 33 form part of these accounts

Notes to the financial statements

1 Statement of accounting policies

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") as issued in August 2015, and Financial Reporting Standard 103 Insurance Contracts ("FRS 103") as issued in March 2015.

Basis of preparation

The financial statements are prepared using the historical cost convention except that financial investments and derivative financial instruments are stated at their fair value. All amounts presented are stated in Sterling, unless stated otherwise. The final YOA of the Syndicate will be reinsured into Syndicate 4020, and therefore the going concern basis is not considered appropriate for these financial statements. The directors of ASML have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future.

Use of judgements and estimates

In preparing these accounts, the directors of ASML have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The measurement of the provision for claims outstanding involves judgments and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

Insurance contracts

Insurance contracts (including inwards reinsurance contracts) are defined as those containing significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause Ark to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Premiums written and earned

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting years. Premiums are shown gross of acquisition costs such as brokerage payable and taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due but not yet notified.

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date. The provision is calculated on a policy by policy basis.

Claims provisions and related recoveries

The provision for claims comprises amounts set aside for claims notified and claims incurred but not yet reported ("IBNR"). Claims incurred comprise claims and claims handling expenses paid in the year and the movement in provision for outstanding claims and future claims handling expenses. Recoverable amounts arising out of subrogation and salvage together with reinsurance recoveries are deducted from the cost of gross claims.

Outstanding claims consist of amounts set aside for notified claims and a provision for IBNR claims. The amount included in respect of IBNR is arrived at by considering the actuarially calculated provision, using techniques that generally involve statistical techniques of estimation applied by ASML's actuaries and reviewed by external consulting actuaries, as well as the opinion of the class underwriters and executive management. The actuarial techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting having regard to variations in the business accepted and the underlying terms and conditions. Large claims are generally assessed individually, being calculated on a case by case basis or projected separately to allow for the possible distortive effects of the developments of these claims on the balance of the data. The provision for claims also includes amounts in respect of internal and external claims handling costs.

Accordingly the two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. 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 amount of claims provisions established in prior years are reflected in the financial statements for the year in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

1 Statement of accounting policies (continued)

Acquisition costs

Acquisition costs, comprising brokerage and taxes and duties levied on them are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured using the US dollar, the currency of the primary economic environment in which the Syndicate operates ("functional currency"). The financial statements are presented in Sterling, being the presentation currency of the Syndicate.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using average exchange rates applicable to the period in which the transactions take place and where the company considers these to be a reasonable approximation of the transaction rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at the period end of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Non-monetary items recorded at historical cost in foreign currencies are translated using the exchange rate on the date of the initial transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Insurance receivables and payables

Insurance receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. Insurance receivables are classified as 'loans and receivables' as they are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Insurance receivables are measured at amortised cost less any impairment losses. Insurance payables are stated at amortised cost.

Other receivables

Other receivables are carried at amortised cost less any impairment losses.

Investment income

Investment income consists of dividends, interest, realised and unrealised gains and losses and foreign exchange gains and losses on financial assets at fair value through the statement of profit or loss. Dividends on equity securities are recorded as revenue on the ex-dividend date. Interest is recognised separately on an amortised cost basis using the effective interest rate method for financial assets at fair value through the statement of profit or loss. The realised gains or losses on disposal of an investment are the difference between the proceeds and the original cost of the investment. Unrealised investment gains and losses represent the difference between the carrying value at the reporting date, and the carrying value at the previous period end or purchase value during the period.

Other payables

Other payables are stated at amortised cost determined on the effective interest rate method.

2. Management of risk

Approach to risk management

Ark's core business relies on the assumption of internal and external risk within the appetites and tolerances established by the Board. Primarily Ark's business is the assumption of Insurance Risk and Market Risk, with the additional categories of Credit Risk, Liquidity Risk, Operational Risk and Group Risk. Managing these risks in a manner that is consistent with the strategy, appetites and tolerances established by the Board requires that Ark has in place a systematic, objective, and robust set of governance arrangements and processes for identifying and quantifying the risks to which it is exposed. This enables Ark to determine appropriate strategies and approaches for prevention and mitigation.

The effectiveness with which Ark manages risk is a key determinant of the level of capital resources required to run the business and its ability to achieve its strategic objectives including, in relation to capital efficiency and the production of acceptable levels of return. The Syndicate has ceased operating, and all assets and liabilities of the Syndicate have transferred to the 2016 YOA of Syndicate 4020 as part of the reinsurance to close. Therefore, the Syndicate is not exposed to any further risk.

Notes to the financial statements

3. Segmental analysis

Ark management considers that it has one segment, being insurance and reinsurance risks underwritten at Lloyd's in the United Kingdom.

4. Investment income

	2017 £'000	2016 £'000
Interest & dividends on financial investments at fair value through the income statement	651	908
Interest on cash and cash equivalents	211	233
Gains on the realisation of investments	507	408
Unrealised gains on investments	1,729	806
Losses on the realisation of investments	(68)	(199)
Unrealised losses on investments	(698)	(2,090)
Investment management charges	(184)	(35)
	2,148	31

5. Operating expenses

	2017 £'000	2016 £'000
Acquisition costs	1,642	8,112
Ceding commission under quota share contract	-	70
Administrative expenses	(7)	1,760
Managing agency fee	43	90
Personal expenses	917	466
	2,595	10,498

The Syndicate is charged its share of expenses incurred by Syndicate 4020. Administrative expenses incurred include:

	2017 £'000	2016 £'000
Audit fee, of which £11k (2016:£15k) relates to the audit of regulatory returns s	25	50
Performance related pay	422	1,008

Notes to the financial statements

6. Directors and employees

All executive directors and staff are employed and remunerated by ASML. Salary costs and directors remuneration are disclosed in the financial statements of ASML. The Syndicate has not been charged with any performance related remuneration paid to directors of ASML. Performance related remuneration charged to the Syndicate is set out in note 5.

	2017 £'000	2016 £'000
Emoluments of the Active Underwriter	415	428

No contributions were made to money purchases pension schemes in the year in respect of the Active Underwriter (2016: Nil).

7. Debtors arising out of reinsurance operations

	2017 £'000	2016 £'000
Due within one year	14,257	14,643
Due after one year	-	19,457
	14,257	34,100

8. Reconciliation of members' balances

2017	2015 YOA £'000	Total £'000
1 January	1,375	1,375
Profit for the year	3,694	3,694
Other recognised gains	(236)	(236)
Distribution	(1,360)	(1,360)
At 31 December	3,473	3,473

2016	2015 YOA £'000	2014 YOA £'000	Total £'000
1 January	(1,140)	2,477	1,337
Profit for the year	2,519	149	2,668
Other recognised gains	(4)	674	670
Distribution	-	(1,158)	(1,158)
At 31 December	1,375	2,142	3,517

The members participate on the Syndicate by reference to years of account. The ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of its membership of a particular year.

9. Insurance liabilities

	2017 £'000	2016 £'000
Claims reported and loss adjustment expenses	3,643	10,304
Claims incurred but not reported	7,621	17,737
Gross claims liabilities	11,264	28,041
Unearned premiums	-	5,106
	11,264	33,147

Movements in insurance liabilities are as follows:

Claims and loss adjustment expenses	2017 Gross £'000	2016 Gross £'000
At 1 January	28,041	25,469
Claims paid	(18,300)	(11,356)
Movement arising from current years	1,492	11,066
Movement arising from prior years	1,446	1,188
Net exchange differences	(1,415)	1,674
At 31 December	11,264	28,041

Unearned premiums	2017 Gross £'000	2016 Gross £'000
At 1 January	5,106	26,447
Increase in the year	903	1,799
Release in the year	(5,896)	(25,389)
Net exchange differences	(113)	2,249
At 31 December	-	5,106

Assumptions and processes

a) The reserving process

Ark uses a quarterly process to set its reserves. Several actuarial and statistical methods are used to estimate the ultimate premium and claims costs, with the most appropriate method selected depending on the nature of each class of business. In addition, the underwriting teams review the development of the incurred loss ratio over time, work with the claims team to set reserve estimates for identified claims and utilise their detailed understanding of both risks underwritten and the nature of the claims to establish an alternative estimate of ultimate claims cost, which is compared to the actuarially established figures. The Reserving Committee then determines the reserves held for accounting purposes. An annual independent actuarial review is undertaken to ensure that the reserves established are not lower than an independently established best estimate.

Chain-ladder techniques are applied to premiums, paid claims and incurred claims (i.e. paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on historical patterns. The selected development factors are then applied to cumulative claims data for each underwriting year that is not yet fully developed to produce an estimated ultimate claims cost for each underwriting year.

9. Insurance liabilities (continued)

The Bornhuetter-Ferguson method uses a combination of a benchmark / market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims observed to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes.

The choice of selected results for each underwriting year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual underwriting years or groups of underwriting years within the same class of business. As such, there are many assumptions used to estimate general insurance liabilities.

Triangulations of the paid / outstanding claim ratios are also reviewed as a way of monitoring any changes in the strength of the outstanding claim estimates between underwriting years so that adjustments can be made to mitigate any subsequent over / (under)reserving. Where significant large losses impact an underwriting year, the development is usually very different from the attritional losses. In these situations, the large loss total is extracted from the remainder of the data and analysed separately by the respective claims managers using exposure analysis of the policies in force in the areas affected. Further assumptions are required to convert gross of reinsurance estimates of ultimate claims cost to a net of reinsurance level and to establish reserves for unallocated claims handling expenses and reinsurance bad debt.

b) Major assumptions

The main assumption underlying these techniques is that the Syndicate's past claims development experience (with appropriate adjustments for known changes) can be used to project future claims development and hence ultimate claims costs. As such these methods extrapolate the development of premiums, paid and incurred losses, average costs per claim and claim numbers for each underwriting year based on the observed development of earlier years. Throughout, judgement is used to assess the extent to which past trends may not apply in the future; for example, to reflect changes in external or market factors such as economic conditions, public attitudes to claiming, levels of claims inflation, premium rate changes, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

The loss development tables below provide information about historical claims development by the identified operating segments. The tables are by underwriting year which in our view provides the most transparent reserving basis. The top part of the table illustrates how the estimate of the claims ratio for each underwriting year has changed at successive year ends. The bottom half of the table reconciles the claims to the amount appearing in the balance sheet. While the information in the table provides a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating past redundancies or deficiencies on current claims liabilities. The Syndicate believes that the estimate of total claims liabilities selected is adequate. However, due to inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross and net claims	2015 £'000
1 year	11,738
2 years	23,143
3 years	25,885

	Gross and net All years £'000
Total claims	25,885
Less paid claims	(14,621)
Total claims liabilities	11,264

On a whole account basis, the claims experience in 2017 has been better than expected based on the prior year reserves.

Notes to the financial statements

10. Related parties

The ultimate parent company of ASML is AIHL. The registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The immediate parent company of ASML is Group Ark Insurance Holdings Limited (“GAIHL”).

Swiss Reinsurance Company Limited, which forms part of the Swiss Reinsurance group, holds 11.69% of the ordinary share capital of AIHL until 30 June 2016, when the entire holding was purchased by AIHL. Syndicate 4020/3902 has purchased reinsurance protection on normal commercial terms and at arms length from Swiss Reinsurance Company (UK) Limited (“Swiss Re”), which is part of the Swiss Reinsurance group. Premiums paid by Syndicate 4020/3902 to Swiss Re in the year amounted to £1.0m (2016: £1.7m).

C Watson is a director of Validus Holdings Ltd. Syndicate 4020/3902 has purchased reinsurance protection on normal commercial terms and at arms length from the Validus Group. Premiums paid by Syndicate 4020/3902 in the year amounted to £4.5m (2016: £1.7m).

I Beaton, N Bonnar and D Foreman are partners of Elvis Capital Partners (“ECP”). GAIHL has a contingent profit commission arrangement with ECP based on the profit after tax produced by the Syndicate operations. Profit commission accrued by GAIHL under this contract amounted to £1.0m (2016: Nil).

ECP owns Mercury Capital Limited (“Mercury”), a catastrophe risk manager. Mercury provides actuarial consultancy services to GAIHL on normal commercial terms which GAIHL then recharges to ASML. The actuarial consultant, C Griffiths, is a director of AIHL. Fees paid by GAIHL to Mercury in the year in respect of these services amounted to £0.1m (2016: £0.1m).

Syndicate 4020/3902 has made investments through Mercury in assets exposed to catastrophe insurance risk through various Industry Loss Warranty arrangements. At the year end, included within the investments of Syndicate 4020/3902 is £19.1m relating to these assets (2016: £25.3m). An investment loss of £4.4m (2016: income of £2.2m) was generated by these assets in the year. No fee is paid by the Syndicate 4020/3902 to Mercury in respect of these arrangements.

Syndicate 4020/3902 underwrites business through Cove Program Managers Limited (“Cove”) under a binding authority. ASML holds 14.52% of the ordinary share capital of Cove and I Beaton serves without fee as a non-executive director. Gross premium income, excluding brokerage and commissions, due to Syndicate 4020/3902 under this binding authority amounted to less than £0.1m (2016: £0.6m). Commissions paid by Syndicate 4020/3902 in the year to Cove amounted to less than £0.1m (2016: £0.3m).

Ark Underwriting Inc. (“AUI”) is a wholly owned subsidiary of ASML, which facilitates the introduction of US Reinsurance Business into Syndicate 4020/3902 through a binding authority. AUI earns commission set on normal commercial terms. In 2017 the amount paid in commission to AUI was £0.6m (2016: £0.6m).

Accident & Health Underwriting Limited (“AHU”) is a wholly owned subsidiary of GAIHL. N Brothers serves without fee as a director of AHU. Syndicate 4020/3902 underwrite business through AHU under a binding authority. Gross premium income, excluding brokerage and commissions, due to Syndicate 4020/3902 under this binding authority amounted to £5.1m (2016: £0.6m). Brokerage and commissions paid in the year by Syndicate 4020/3902 to AHU amounted to £3.5m (2016: £2.1m).

GAIHL is a member controlling 50% of Accident & Health Claims Services LLP (“AHC”), the other 50% being controlled by AHU. AHC provides claims handling services to the Syndicate 4020/3902. Fees paid in the year by the Syndicate 4020/3902 in respect of these services amounted to £0.3m (2016: £0.3m).

I Beaton is a director of Innova Re Investment Services Limited (“IRIS”), an investment advisory company. GAIHL owns 55% of the ordinary share capital of the ultimate parent company of IRIS. ASML has entered into a contract on normal commercial terms and at arms length with IRIS for the provision of investment advisory services. Fees paid by ASML to IRIS in the year in respect of these services amounted to £1.6m (2016: £1.2m).