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

TOKIO MARINE
KILN

Annual report and accounts 2018

Annual report and accounts 2018

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

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Syndicate		2018 £m	2017 £m
510	Gross written premium	**1,376.7**	1,416.9
	Net earned premium	**1,015.6**	1,081.9
	Loss for the financial year	**(23.4)**	(98.8)
	Claims ratio %	**61.1**	69.2
	Combined ratio %	**103.5**	110.6
557	Gross written premium	**15.8**	17.7
	Net earned premium	**13.9**	15.5
	Profit/(loss) for the financial year	**5.5**	(10.5)
	Claims ratio %	**33.0**	145.8
	Combined ratio %	**63.5**	171.3
308	Gross written premium	**11.8**	39.4
	Net earned premium	**22.3**	31.1
	Profit/(loss) for the financial year	**2.9**	(23.3)
	Claims ratio %	**53.1**	131.8
	Combined ratio %	**87.3**	175.1
Total	Gross written premium	**1,404.3**	1,474.0
	Net earned premium	**1,051.8**	1,128.5
	Loss for the financial year	**(15.0)**	(132.6)

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 103% (2017: 110%), for Syndicate 557 is 59% (2017: 169%) and for Syndicate 308 is 85% (2017: 177%).

Underwriting results

Over the seven year period from 2010 to 2016 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	510 %	557 %	308 %	807 %	All syndicates %
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
2016	4.40	25.65	(9.52)	–	4.66

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

We look back on 2018 as another difficult year for the insurance industry and one in which, like our peers, we at TMK continued to manage the 2017 natural catastrophe losses together with the fresh ones coming through to us in 2018. All of these are within our modelled scenarios – which have matched up well to these events, but the effect on our results has been significant in both years.

In the light of the continued pressure on underwriting margins we have undertaken a thorough review of those business classes where we want to operate, with resultant changes in our business mix. We have also developed a new and tightly-focused vision and direction for the future. You will find more on these developments in this report and in Charles' CEO report that follows.

We are part of the global Tokio Marine Group which celebrated 140 years of operation this year. Longevity is in its genes and here at TMK we continue to leverage the resources and skills of our parent, drawing on their knowledge and expertise to ensure we stay focused on the right business, with the right people and products so we remain relevant in an ever-changing marketplace. Overall I am confident that, despite the challenges, TMK is well positioned for the future.

Operating environment

As with 2017, this past year has witnessed much challenge and uncertainty around the world which have had a number of impacts on TMK's operating environment.

From an economic standpoint, the global markets started the year strongly but after considerable volatility ended lower owing to interest rate rises in the US and the growing escalation in rhetoric between the US and China. The resulting trade war including the imposition of tariffs on goods and trade has had a clear dampening effect on confidence across the globe. Brexit has had an economic effect too, with many businesses in Europe or with European business interests delaying or cancelling major investments in the region until the uncertainties around an eventual Brexit solution are resolved.

All of the above have presented TMK with a difficult marketplace in which to conduct its business. The insurance industry continues to grapple with competitive pressures, not least driven by Lloyd's poor profitability and a subsequent performance review which asked syndicates for significant reductions in income for classes of business which are not sufficiently profitable or are loss making and which have no immediate prospect of improvement.

In a second year of major natural catastrophes we have seen devastating US wildfires, North American hurricanes and, in Japan, a lethal mix of typhoons, flooding, earthquakes and heatwaves. These have resulted in a second consecutive year of major claims across the industry and, while we are confident in our modelling and reserving practices at TMK, these losses will no doubt hit the industry hard.

Overall, for TMK, the environment is tough but we are very clearly focused on what the business needs to do to navigate all of these challenges successfully.

Brexit

Closer to home, in Europe, the ongoing Brexit negotiations have dominated the political and business landscapes much as they did in 2017. This year though, the focus has been on the nature of any deal the UK can agree with the EU and the practicalities of putting such a deal in place. As we finalise this report and accounts, there is still a lack of clarity, with no supportable Brexit deal in sight and significant political challenges for the UK Government to overcome. Brexit therefore continues to cast a shadow across our business and our industry.

We have developed and put in place comprehensive operational plans to cope with any Brexit outcome. I am pleased to report that those plans were implemented successfully through the second half of 2018 such that syndicate business continued to operate smoothly as we entered 2019 – with European risks being placed through the newly-created Lloyd's Brussels subsidiary (LBS).

The LBS route for syndicates has also led to some changes to our distribution footprint as brokers realign to the post-Brexit world — but the impact of this has been factored in to the wider business plans for 2019 and beyond.

Technology and data

No report would be complete without some reference to technology and data. In 2018 we saw the introduction of new European regulations about data protection (GDPR) and also ironically witnessed a number of major data breaches globally, affecting British Airways, Facebook (and Cambridge Analytica), Cathay Pacific, Google, Marriott and others. The scale of these breaches and the numbers of people affected are a major cause for concern.

TMK takes a robust approach to all areas of data security within the business and has put processes and technology in place to keep our and our customers' data secure.

In parallel, as a business we continue to develop the opportunities and insights that the proper use of data can deliver. The ability to improve our risk modelling, our understanding of customer needs and finding new technology solutions for the distribution of our products are all positive developments that will deliver benefits to both our customers and our capital providers in the future.

Regulation

Through the year TMK continued to work hard on improving its infrastructure and governance by streamlining some of our committees and management reporting inside the business. To support this, we were very pleased to welcome Brad Irick from Tokio Marine HCC (TMHCC) in the US – who has joined us on an interim basis with a focus on reviewing the governance structure and operational effectiveness in TMK. His international career both within and outside of TMHCC, and his knowledge of global and UK regulatory affairs, are proving real advantages.

With a large proportion of our Lloyd's business being done through coverholders, the Board has also been overseeing a range of initiatives that will strengthen our internal infrastructure and controls around underwriting and the company's approach to managing its delegated authority responsibilities more efficiently. These efforts are already delivering valuable changes and are part of our focus on ensuring we do business the right way. There is no doubt that the outcome of this work will position TMK well for future growth and success.

Board changes

During the year we saw some significant changes to the Board at TMK. Firstly I would like to record the Board's thanks to James Dover, our Chief Financial Officer, who left the business after 12 years in September. His contribution to TMK's growth and development in that time has been outstanding and we wish him every future success We are pleased to welcome Reeken Patel – who took over the role in October and who has already brought significant expertise and energy to bear in his new position. Brian Heffernan stepped down from the board recently and I would like to thank him for the excellent actuarial function he has established. The Board was also strengthened by the appointment of Anna McNamara – who was confirmed as Chief Operating Officer in April.

Among the Non Executive Directors I should like to thank Richard Bucknall and Tony Hulse who stepped down from the Board during the year. Both have made significant contributions during a time of considerable change in our business. We welcomed Andrew Torrance to the Board; Andrew brings extensive industry experience to us as former Chief Executive of Allianz companies in the UK and US.

Being a Good Company

All of the companies in the Tokio Marine Group know and embrace the Group's Good Company ethos and the evidence of this takes many forms but perhaps the most important and tangible proof is when we pay our claims.

This is after all, the moment when we deliver on the promises we have made to our clients – that we will support them when all manner of damage, losses and disasters strike. In addition, TMK's Claims team has been garnering more recognition and awards across the London market for its service excellence and professionalism, with brokers citing TMK as a highly preferred insurer owing to this demonstrable commitment to supporting clients when they are facing these most difficult situations.

But being a Good Company for us goes further than this and has an important part to play in making TMK a great place to work. Through 2018 the Executive team made notable efforts to listen to the views of managers and staff and to find ways of improving life at TMK. The development of a clear, new vision and strategy for the business for 2019 and beyond has its roots in those contributions and will help to engage and involve people more effectively in support of the business aims. A further demonstration of those Good Company principles in action is reflected in our involvement with local communities and in our work with charities.

Charitable support

In 2018 staff and company efforts led to over £160,000 being donated to a range of charities in the UK and globally, notably London's Air Ambulance and Water Aid. In addition, with a new volunteering policy now in place, more staff have volunteered their time to support good works in their communities – both through local activities and those delivered under the banner of the Lloyd's Community Programme.

Strategy and the future

Finally, in looking ahead to the future I am very pleased with how the Executive team is responding to the wider business environment through the creation of a new vision and strategy for TMK. This will guide the business through the next few years to 2022. This strategy aims to put TMK in a market leading position in all that we do – through its people, its products and its performance. It is of course underpinned by an unwavering focus on good underwriting, bottom line profitability and product innovation. The other major enabler will be the ability of the business to deliver a lower combined operating ratio by pressing ahead with planned technology changes like PPL (Placing Platform Limited), internal process automation and other operational efficiencies so that TMK is in the right shape for whatever the future brings.

I am confident that Charles and the full TMK team will deliver on this strategy and want to thank them for their hard work in 2018 and for their undoubted commitment and dedication to ensuring a bright future for TMK in the years ahead.

Richard Bennison

Chairman
Tokio Marine Kiln Syndicates Limited
15 March 2019

Report of the Chief Executive Officer

Charles Franks, Chief Executive Officer

Overview of the year 2018

This past year was another tough one for the insurance industry as, collectively, we saw a second round of natural catastrophes take their toll on people, property and livelihoods around the world. Outside of the industry we also saw ongoing difficulties in the geopolitical arena as outlined by Richard in the Chairman's report.

Some global indicators of the scale of 2018 disasters provide helpful context. One recent estimate of the total economic losses from natural and man-made catastrophes in 2018 runs at USD155 billion, down from USD350 billion in 2017; with the insured losses being roughly half of that 2018 figure. Against that backdrop our losses were fully in line with the modelled scenarios and the expectations we have for these types of events.

The losses that drove those results include Hurricanes Michael and Florence as well as Typhoons Jebi, Trami and Mangkhut. There were also more heat waves, droughts and wildfires in Europe and – most particularly – California. Japan suffered with a devastating mix of floods, earthquakes and heatwaves. Such events and the losses that follow are the very essence of why we exist. In delivering on those promises we make when we collect premiums and provide cover, I am pleased to say that our Claims team continues to honour all valid claims quickly and empathetically. They have also been recognised across the London market for service excellence in 2018. The team is now ranked 2nd in the Gracechurch survey of brokers' preferences (up from 4th place) and achieved a remarkably consistent 1st place in 8 out of 10 service metrics.

That said, it is of course not in the nature of anyone in insurance to enjoy reporting a flat result and at TMK we took action early in 2018 to re-shape and refocus the business for the future. This was a necessary step if we were to limit successfully future losses from lines of business that were not likely to return a profit in the near future.

Excess capital in the market is the new normal, so it becomes even more important for us, as a specialist insurer, to demonstrate how the returns we can make on our capital come from the expertise, value and knowledge we bring to bear – and from all the different teams within TMK. As we finalise this report I can add that the rating environment in which we handled our 1 January renewals remained fairly flat, but with some areas showing improvements such as US Property. We continue therefore to seize opportunities where it is appropriate to do so – yet without sacrificing our mantra of careful risk selection and bottom line profitability.

Re-shaping the business

The failure of the market to harden after the 2017 catastrophes kicked off a process to look hard at our underwriting portfolio. At the start of 2018 we began a thorough internal review of the markets we are in, our appetite for the risks we cover and the products and portfolios of business we support. Its aim was to provide a fresh focus for our underwriting teams – reaffirming those lines of business where we can see good medium-term profitable growth and reducing or ending our involvement in those that did not pass that test. This led us to reduce our presence in some areas of international liability, construction, marine and property lines with the consequent loss of some underwriting teams in the summer, as we drew that part of the review to a close. While this brought with it some difficult decisions for our teams, it was undoubtedly the right course of action for us to take as a business.

Lloyd's began its own review of the London market in May with similar aims. Called the Decile 10 review, it ran through to November and took a tough line with all carriers to ensure syndicates were sustainable and profitable. This naturally fed in to the annual business planning cycle with Lloyd's – a process which for us was somewhat smoother thanks to the work we had already done to re-align the management of our underwriting strategy. Our Syndicate Business Forecasts (SBFs) were approved in October.

People and talent

This re-alignment of our underwriting with its focus on profit saw the departure of some colleagues, many of whom had been a part of our business for a considerable proportion of their careers. I would like to wish them well and thank them for their contribution to TMK over the years.

There are some good positive consequences to report too. We have now created an underwriting department – Accident, Contingency and Equine (ACE) – led by Holly Strettle. Holly took on the task of developing this new department in the summer and I am happy to report that she has made significant progress. We will soon be announcing the arrival of a new member of the

ACE team and the books of business for both Contingency and Equine have exciting plans in place and a wealth of opportunities to pursue.

We were also delighted to make another internal promotion when we moved Alex Dugand into the role of Regional Managing Director for our Asian operations, based in Singapore. Alex was previously Regional Underwriting Director for our Asia division and joined TMK more than 10 years ago as a Reinsurance underwriter. He is an accomplished underwriter whose regional market expertise, skill in building profitable books of business and ability to foster collaboration between our Asia teams and international offices within the wider Tokio Marine Group have been core drivers of growth for TMK. His appointment also reflects our commitment to supporting our employees' advancement and their ability to progress through the ranks.

Alongside these appointments we successfully engaged two new underwriters in specific teams. They are Jamie Tang in Singapore who works for the Property team and will be developing our portfolio across the Asia region. He brings a decade of underwriting experience with him, focused especially on Australia where he established a strong background in complex property business and developing broker relationships. The second appointment is Sarah Gearing to our Equine team in London. Equine is a growing specialist market for us and Sarah's arrival will enable us to take advantage of many new business opportunities.

Strengthening the Executive team

We also made some changes within the Executive team through 2018. In another internal promotion I am pleased that Anna McNamara was confirmed in her role of Chief Operating Officer, replacing Denise Garland who left us in late 2017. During her extensive career with TMK Anna has played a pivotal role in a number of large, complex programmes; acted as a driving force in the implementation of our Conduct Risk Framework; undertaken strategic business planning; was involved in the implementation of Solvency II, and supported various group transactions including the merger of the syndicate and company businesses in 2014. Her experience in leading and managing regulatory change will be invaluable as TMK continues to pursue the challenges and opportunities that lie ahead. We also changed our Group Head of Human Resources role into an Executive position so that Nigel Clemson now joins the Executive team.

Our Chief Finance Officer (CFO) James Dover left TMK in September. James spent 12 transformative years with us during which his skills, insight and drive broadened the scope of the business globally. He has my and the board's personal thanks for his many lasting achievements. We wish him every success in his future.

Reeken Patel took over as CFO in October. Reeken was previously with AXIS Capital Holdings and was formerly CFO at Novae Group plc where he was responsible for overseeing the finance, risk, actuarial and investment teams. Reeken played a significant role in Novae's strategic development, ultimately overseeing the sale of the business to AXIS. Before Novae, Reeken Patel was a partner at PwC and its London Market actuarial practice leader. TMK has developed a powerful international presence over the last 10 years and Reeken will be key to ensuring we continue to advance our strategy within the TM Group.

Strategy going forward

Through 2018 the Executive team began to set out ideas on a renewed vision for the company and a strategic framework that will deliver it. In the course of that work we also took the opportunity to collect internal soundings through our management events and staff surveys to ensure we were listening appropriately to all parts of our business.

We reaffirmed that our main purpose is to focus on specialist risks so that we can enable our clients globally in all their endeavours. The vision we have set for ourselves between now and 2022 is to become market leading in all that we do. This allows us to use the areas of focus for the business we have agreed upon and enables us to deliver real and measurable achievements in each one.

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 own network of UK and international offices we continue to enjoy access to Tokio Marine Group's global distribution. We have also focused through the year on our coverholder base, in particular we have concentrated on the oversight and governance of this account, looking to ensure we fulfil our regulatory requirements and drive efficient working practices into this area.

Early in 2018 TMKS's parent completed the acquisition of WNC, a US-based coverholder specialising in specialist flood, lender-placed and homeowners' insurance. We have worked closely with them since that point to strengthen their management team and their infrastructure. We have seconded two senior managers to the US to provide added expertise and, having refreshed their brand and product portfolio, we unveiled the new-look WNC in the summer.

Through the latter half of 2018 much work has been done with WNC and Evari (a FinTech startup TMKS's parent invested in during the year) to develop a new online digital platform that can deliver products direct to agents and brokers and on a scale that will significantly enhance WNC's reach.

UK coverholders continue to be important for TMK and we have continued our sponsorship of the MGAA (Managing General Agents' Association). Our focus here is on the development of good practice across the Association and to provide supporting educational masterclasses in our areas of expertise, notably this year in Cyber. Those activities have received very high levels of positive feedback and we remain committed to support the members in the years ahead.

Our Broker Distribution team supports our underwriters and helps to manage client relationships especially with the major broking houses. The team continues to deliver good results and has become a valuable resource both internally and for our brokers in exploring cross selling and new business opportunities. The team is also responsible for developing our digital strategy going forward.

Competitiveness

From an internal perspective we have been driving some important operational efficiencies in this past year. We have improved our position with the adoption of the new PPL system through Lloyd's. PPL aims to speed up placement for the client by facilitating electronic risk capture, placing, signing and closing and, through all of this, to deliver lower placement expenses and improved service.

It is good to report that, in a Lloyd's environment known for being somewhat slow to adopt new technology, TMK has exceeded the adoption rate set by Lloyd's in moving over to this new system. It has now become for us more of a 'business as usual' approach and along with other LM TOM initiatives is entirely consistent with our strategy for operations in which we strive for simpler, faster processing with fewer areas where errors and duplication can cause disruption and cost.

So the march towards a more efficient London market, which has for a long time been the Holy Grail for many, has gathered pace and is showing real, reliable and positive results. As a long-time advocate of these changes and a key sponsor of many of the programmes within Lloyd's, we at TMK are especially pleased with this progress and committed to its continued support.

Conduct and regulation

Over the past year we have focused considerable effort to ensure that the oversight of our Risk, Compliance and Conduct activity is fit for purpose and meeting the expectations of our regulators. In particular we have drawn on our parent group's resources to enlist Brad Irick (from TMHCC) on an interim basis to oversee some restructuring of our governance framework. His extensive knowledge of the regulatory processes in the UK and his broad international experience have proved critical in helping to streamline our internal committees and reporting to create a more efficient and responsive infrastructure.

In addition, Vivek Syal our Chief Risk Officer has made excellent progress with the development of our risk framework, making sure that it supports the whole company and unifies our approach to operational and business risk.

Syndicate 308

As reported last year, 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. All existing policies still stand and existing policyholders will not be affected by the decision to place the syndicate into run-off.

Annual accounting results under UK GAAP

On a UK GAAP basis, the comparison between the 2018 and 2017 calendar year results is shown below in Table 1.

Table 1: Annual accounting results under UK GAAP

Syndicate	2018 £m	2017 £m
510	(23)	(99)
557	5	(11)
308	3	(23)
Total	(15)	(133)

The impact of catastrophes is clear within the non-life syndicate results, with losses arising from California Wildfires and Hurricane Michael significantly affecting the current year Syndicate 510 result, although not to the extent of the active 2017 US windstorm season including Hurricanes Harvey, Irma and Maria. The rating environment remained challenging in 2018, with limited improvement outside of loss impacted classes and regions. The drivers of the syndicate and divisional results are discussed in more detail in the underwriters' reports on pages 10 to 16.

2016 year of account

Syndicate 510 achieved a profitable result for the 2016 year of account while being impacted by the natural catastrophe events in the second half of 2017. Syndicate 557 also achieved a good result through lower exposure to these catastrophe events and favourable development on prior years. The 2016 year of account results, as a percentage of allocated capacity, are compared with the forecasts published in the 2017 report in Table 2. The results of both Syndicates 510 and 557 exceeded the forecast range presented at the end of the previous year. Syndicate 308 closed the year of account at a loss, reflecting the outcome of an actuarial review that was undertaken in 2017.

Table 2: 2016 year of account results

Syndicate	Capacity £m	Actual %	Forecast range %
510	1,062	4.4	(3.7) to 1.3
557	35	25.7	11.2 to 16.2
308	32	(9.5)	(14.6) to (9.6)

2017 year of account

The revised forecasts for the 2017 year of account were issued in TMK's press release of 15 February 2019, and are shown in Table 3. With increased clarity over the affect of the major catastrophe activity in the second half of 2017, the Syndicate 557 forecast range has improved significantly from the previous year estimate, while the Syndicate 510 range has narrowed but remains in line with the previously reported forecasted loss position.

For Syndicate 308, the forecast range remains materially in line with that previously reported. This forecast includes the impact of the run-off book; being the inwards business, outwards reinsurance and applicable expenses on policies for which the syndicate is on-risk until the end of financial year 2027.

Table 3: 2017 forecast year of account range results

Syndicate	Capacity £m	Forecast range %
510	1,131	(14.6) to (9.6)
557	34	(29.6) to (24.6)
308	31	(54.4) to (49.4)

2019 year of account

Table 4 shows the premium rating index (PRI) for Syndicates 510 and 557, which tracks the pricing of renewed risks over the year. As a general rule 2018 saw a small increase in rating levels, with some areas such as open market Property experiencing increases of over 15%. In general all divisions either met or exceeded the rating expectations outlined in the 2018 plan. In some cases, such as the Property division, this was achieved at the expense of losing under-priced business which meant that overall incomes came in below plan.

2019 PRIs at this early stage are encouraging with further increases obtained above those achieved in 2018. The rate increases are driven by a combination of factors, including the 2018 catastrophe losses and Lloyd's market-wide actions to restrict syndicates writing under-priced business. Open market Property continues to record strong rises with current PRI at 117%. Cyber business is one area where rates are expected to soften, but currently they are stronger than in the 2019 business plan.

Table 4: PRI for Syndicates 510 and 557

	2018 YOA as at 31 December 2018 %	2019 YOA as at 28 February 2019 %
Syndicate 510	102.8	102.4
Property & Special Lines	105.0	104.8
Marine & Special Risks	100.2	99.6
Accident & Health	99.7	100.9
Reinsurance	102.8	99.6
Enterprise Risk	98.5	98.0
Aviation	100.4	105.4
Syndicate 557	102.8	99.6

Brexit

Through 2018 we worked hard to revise our internal operating model to successfully link our syndicates with the newly-created Lloyd's Brussels Subsidiary (LBS). This has required some complex 'rewiring' of some of our business processes and making changes to our systems to ensure that, from 1 January 2019, we were able to transition to the new trading arrangements for European based risks with minimal business disruption.

I am delighted to say that our business took the transition in its stride and can report that we are operating smoothly – with complete and accurate flows of data and premium through the new link ups with LBS. This is a tribute to the many staff in TMK who joined the project team at different stages in its lifecycle to ensure our people, processes and systems were fully ready for the changes.

So we continue to provide cover for specialist classes in Continental Europe – 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 and seamlessly.

Outlook

Any insurer operating in the London market is faced with significant challenges in the current environment. Expenses are high due to outdated systems and long distribution lines and TMK is committed to supporting all technology which helps to tackle this issue.

The 1 January renewal season was marginally better than planned, but competition exists across all lines. At TMK, in 2019, we will persevere with making efficiency savings where we can and apply our normal discipline to our underwriting.

Charles Franks

Chief Executive Officer
Tokio Marine Kiln Syndicates Limited
15 March 2019

Underwriters' reports

Syndicate 510

Paul Culham
Group Chief
Underwriting Officer

2016 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)	(13.7)	2.1	6.5	24.2	20.3	7.1	0.2	**46.7**
Allocated capacity	546.7	184.0	118.7	97.0	70.0	45.4	–	**1,061.8**
Allocated capacity %	(2.5)	1.1	5.5	25.0	29.0	15.6	–	**4.4**
Prior years' improvement	15.0	13.7	1.3	13.6	2.3	8.5	0.2	**54.6**

Syndicate 510 made an underwriting profit of £46.7m (4.4%) on allocated capacity of £1,061.8m after taking account of operating expenses, Lloyd's expenses and investment income for the 2016 underwriting year of account.

This is a reasonable result given the number of catastrophe events that occurred in 2016. These included the wildfires in Fort McMurray in Alberta, floods and hailstorms in Texas, and Hurricane Matthew, which brought devastation to parts of the Caribbean and south east coast of the US.

These losses primarily affected the Property & Special Lines division. 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 2016 underwriting year result was significantly improved by the back years' release of £54.6m as a result of favourable claims development on prior years, which was seen across most of the book, and particularly on Property & Special Lines.

Under UK GAAP the syndicate produced a loss of £23.4m against gross premium written of £1,376.7m and net earned premium of £1,015.5m for the 2018 calendar year.

2018 experienced a number of significant catastrophe events (Hurricanes Florence and Michael and two major wildfires in California). Gross premiums were down 3% as a result of early action taken to maintain rating levels which were overall up 2.8% on 2017. However there has been continued focus throughout the year on adapting our underwriting appetite to the market conditions.

The combined ratio for the 2018 calendar year is 103.5%.

2018 saw a loss on exchange of £9.1m, compared to 2017's £5.3m loss on exchange. Investment income showed a deterioration on the prior year attributable to the performance of the US fixed income portfolio in a higher yield environment.

Syndicate 510

Annual accounting result

2018	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
Gross written premium	764.2	204.1	127.0	95.7	129.5	56.1	0.1	1,376.7
Net earned premium	538.1	167.2	131.7	35.2	92.6	50.7	0.1	1,015.6
Result before investment return and profit or loss on exchange	(37.3)	(1.2)	4.4	7.8	(6.5)	6.1	0.2	(26.5)
(Loss)/profit for the financial year	(35.9)	(0.5)	4.1	8.1	(6.0)	6.6	0.2	(23.4)
Claims ratio %	65.4	64.1	55.2	30.4	58.3	46.9	–	61.1
Combined ratio %	107.9	101.5	97.3	79.7	108.0	88.6	–	103.5

2017	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
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

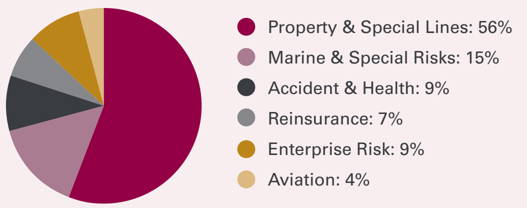
2018 is the second consecutive year in which we have experienced an active claims environment, with a significant number of natural catastrophe events. Even though the gross aggregate catastrophe claims amount is around two thirds of the 2017 experience it has still had a significant impact on our 2018 annual accounting year result.

Our overall income between 2017 and 2018 was largely unchanged, however we continued to move income from classes where we believe we are unable to derive a satisfactory return to areas where we believe we hold a competitive advantage and consequently we can get an acceptable return. To that end we reduced income across Marine, Accident and Health and Liability business, but grew in Property, Enterprise Risks and Special Risks.

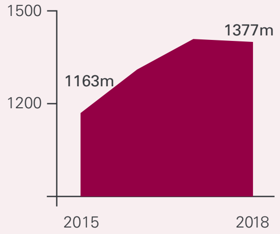
Our Property & Special lines division had another challenging year, as not only was it affected by the level of catastrophe claims, which is inevitable as the division targets high margin catastrophe exposed business, but also as the price rises experienced at the start of the year were not maintained throughout the year. Despite this we have been able to

Syndicate 510

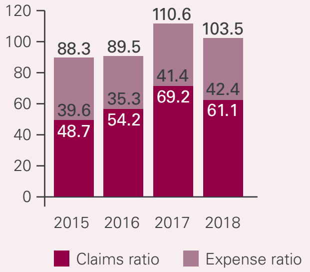
Divisional split of GWP



GWP history (£m)



Combined ratio history (%)



continue growing this division as our franchise for US coverholder business remains very strong and many of our long-term partners wish to do more business with us.

Reinsurance experienced losses in the Camp Wildfires in California. However reserve improvements on earlier years, notably in respect of the 2001 World Trade Centre attacks, have offset these and produced a positive result for the division.

The Enterprise Risk division continued to see rating pressure on the Cyber business that forms the majority of the division's income, but these reductions are more modest than expected at the planning stage.

Accident & Health, Contingency and Equine saw a drop off in income following a restructuring of the team and portfolio.

Aviation rating levels held in 2018 as did income.

Following an internal underwriting review around the profitability of our traditional marine classes we took action to exit most of these classes as we determined we were unlikely to achieve the desired return.

2019 development

Our policy of active cycle management has been central to our underwriting strategy for a number of years. To that end we identify areas where we are profitable, where we have the ability to grow, and where our specialist distribution whether through brokers, coverholders or TM Group companies means we have access to profitable business. We continue to believe that growth in our strategic growth areas of US Property, Cyber, Intellectual Property and other products protecting the intangible asset values of companies will form the core of our growth areas. We enter 2019 with general market discipline at its strongest for several years. The 2018 catastrophe losses following on from the record 2017 losses are a major catalyst, as is the corrective action overseen by Lloyd's for the 2019 business planning exercise. We at TMK had already performed a thorough exercise to streamline our portfolio, reducing our commitments in the weaker areas (for example Marine Hull and Cargo, Liability, and A&H classes), while increasing in our more profitable and successful areas such as US Delegated Property and Cyber business.

As a result of these decisions we are budgeting reduced gross income estimates for 2019 compared to 2018 for Syndicate 510 for the first time in several years. Projected profits however are up slightly compared to the 2018 plan.

We will continue to grow our Cyber income, albeit at a slower rate than previously. We are more concerned about so called "wording creep" than some of our competitors appear to be; we remain optimistic about the prospects for the intangible space in insurance and are benefiting from the resources being targeted at this area by one of the world's largest insurance brokers.

The wildfires in California present a particularly strong opportunity. Rates that have been static for a number of years are now increasing and as an Excess and Surplus writer we can maintain our highly selective underwriting approach to this book of business.

Our US Delegated Property business is a core part of the account and provides the bulk of profits in good years. It is good to report that rating levels here are strengthening and we have been able to successfully cut some agents' commissions as we are seeing some signs of improvement in the London market.

Over the last five years we have successfully built up this portfolio with the backing of new reinsurance capital. This has enabled us to maintain our support for strategically important partners while at the same time managing our overall syndicate risk appetites.

We are also starting to see small but positive signs of rate improvements in Australia, Canada and New Zealand.

In our Aviation books and following the withdrawal of several of our competitors from the market we are now seeing small but notable rises in all classes of aviation and in particular in the General Aviation class.

For 2019 the Accident and Health portfolio has been restructured to the ACE (Accident & Health, Contingency and Equine) division. The Contingency and Equine parts of the division should continue to grow and become a larger percentage of the department's income.

Accident & Health rates remain flat for the majority of its business. Competition remains strong and there is plenty of

Syndicate 510

capital chasing business in this market. By April 2019 we will have restructured this account around a new underwriting team, and we look forward to maintaining and building on our position as a leading market for this class.

Within the ACE portfolio our Equine book continues to grow, and for 2019 the Lloyd's market has seen a significant reduction in capacity and is enabling us to increase rates and improve our margins for this class. Underwriting discipline will remain key and new business will only be written at rates determined by our proven rating models which have consistently produced profitable results.

The final arm of our ACE portfolio will be a new Contingency division. It will bring together existing contingency business written in other areas into a division focussing on this class. We aim to expand on this existing business and further develop the portfolio into 2019.

Syndicate 557

David Huckstepp
Active Underwriter

2016 underwriting year of account

£m	
Underwriting profit	8.9
Allocated capacity	34.7
Allocated capacity %	25.7
Prior years' improvement	4.6

Syndicate 557 made an underwriting profit of £8.9m (25.7%) on allocated capacity of £34.7m after taking account of operating expenses, Lloyd's expenses and investment income for the 2016 year of account. This result, achieved in very difficult market conditions, was significantly boosted by improvements in losses on prior years of account, resulting in releases totalling £4.6m. The vast bulk of these releases were due to the final settlement of a court case relating to the terrorist attack on the World Trade Center in 2001.

Annual accounting result

£m	2018	2017
Gross written premium	15.8	17.7
Net earned premium	13.9	15.5
Result before investment return and profit or loss on exchange	5.8	(10.6)
Profit/(loss) for the financial year	5.5	(10.5)
Claims ratio %	33.0	145.8
Combined ratio %	63.5	171.3

Under UK GAAP the syndicate produced a profit of £5.5m against gross premium written of £15.8m and net premium earned of £13.9m for the 2018 calendar year. The catastrophe reinsurance market experienced a number of significant events in 2018, primarily in Japan and the United States. The syndicate's involvement in the Japanese losses was minimal and in the United States our losses from Hurricane Michael were low. It was thus only the fires in California, which occurred towards the end of the year, which had a significant impact on the account. The combined ratio for the year was 63.5%.

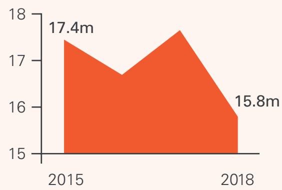
2019 development

The reinsurance market has faced a number of challenges in the past year, with significant deteriorations experienced in some parts of the industry on losses that occurred in 2017 (although our results from these losses have improved), and new losses in Japan and the United States. This might be expected to cause rates to rise, but sadly the price increases we saw at the start of 2018 did not continue through the rest of the year and pricing has continued to fall at the start of 2019, albeit modestly. Whilst it is likely that this trend will continue in the short term, we have begun to see some signs which allow us to be a little more optimistic that better times lie ahead.

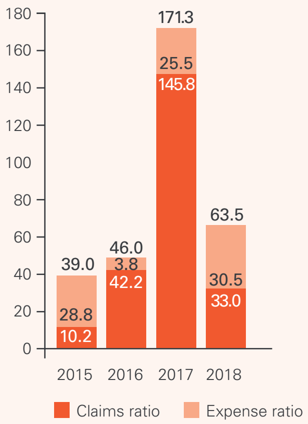
The collateralised reinsurance market, whose actions in the past few years have helped to drive the market down, is beginning to show signs of strain, with one large participant facing particular difficulties and others facing greater challenges than they have seen in the past. Whilst we do not expect most of these competitors to go away, their current circumstances, combined with the view that raising money for such ventures will be considerably more difficult in the near future lead us to believe that the pressures on our book caused by the over-supply of capacity that we have seen in the last few years may begin to ease. A gradual unwinding of Quantitative Easing and concomitant rises in interest rates would also help in this regard.

Pricing levels remain challenging across much of the book. We continue to believe that the best opportunities lie in North America, where rate levels continue to offer opportunities for profit, although not to the same extent as we saw five or ten years ago. By contrast business outside North America is much more challenging and it is only by being extremely selective about the risks that we take on and by limiting the size of

GWP history (£m)



Combined ratio history (%)



Syndicate 557

the overall book that we see any opportunity for profit. As a consequence, our book remains heavily focussed on North America and on the United States in particular. Our long-term approach to underwriting and the strength of the relationships that we have built up with both clients and brokers over past decades continue to provide opportunities that would not otherwise be available to us.

Whilst pressure on contract language has reduced from that seen a couple of years ago, we are still finding instances where clients and brokers are pushing contract terms that we find unacceptable, and as a result we have lost some business. We continue to focus strongly on this area as we believe that it is one where mistakes can prove extremely expensive. It is unfortunate that many reinsurers appear to pay insufficient attention to the details of the contracts that they take on, and we believe that the market is creating problems for the future with the current approach. We do not intend to drop our own standards.

As we have noted in the past, the combination of an excellent client list, a strong brand and an experienced underwriting team allow us to approach the market with confidence. Whilst we have not seen a proper market turn as yet, we are beginning to see more encouraging signs, and we will remain patient and disciplined until we consider the time is right to begin to expand the book again.

Syndicate 308

Karen Boyes
Run-off Manager

Cessation

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.

The 2017 year of account, as the last normal underwriting year, will have exposure relating to long-term policies issued. Syndicate 308 wrote 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 no later than 31 December 2028, being the first date by which all the liabilities on the 2017 year of account are expected to have been run-off to extinction.

The 2018 year of account was established solely to manage the run-off of the UNFCU policy with 100% of the capacity held by Tokio Marine Underwriting Limited. The UNFCU policy which was on 2016 year of account as at 31 December 2017 was subsequently transferred to the 2018 year of account to avoid there being any effect on third party Names from the related licencing breach.

During 2018 financial year the directors made cash calls, pursuant to the requirements of the Lloyd's Agency Agreements Byelaw (No.8 of 1988), with £3.8m called from 2016 year of account members and £10.0m called from 2017 year of account members. Based on the ultimate forecast losses at Q4 2018, £0.8m will be returned to 2016 year of account members during the second quarter of 2019.

Analysis of the expected future cash flows over the next 18 months indicates a further cash call of £4.0m from the 2017 year of account members may be made in the first half of 2020. The timing and size of this call may vary depending on actual cash flows during 2019.

2016 Underwriting year of account

£m	
Underwriting loss	(3.0)
Allocated capacity	31.9
Allocated capacity %	(9.5)
Prior years' improvement	1.6

Syndicate 308 made an underwriting loss of £3.0m. The result is mainly attributable to a significant loss-making scheme (Foresight).

The overall portfolio excluding Foresight was steady and the portfolio similarly balanced to prior years of account. Growth in premium income was from Foresight.

The 2016 year of account will be closed as usual at 36 months. For any normal year of account previously closed, including the 2016 year of account at 31 December 2018, there was no long-term exposure on the account. Unlike previous years there is unearned exposure in respect of the Foresight account, which has been taken into consideration along with the potential volatility on this account when setting reserves at 36 months.

Annual accounting result

£m	2018	2017
Gross written premium	11.8	39.4
Net earned premium	22.3	31.1
Profit/(loss) for the financial year	2.9	(23.3)
Claims ratio %	53.1	131.8
Combined ratio %	87.3	175.1

On a UK GAAP basis Syndicate 308 produced a profit of £2.9m, with the two main factors being favourable experience on the Foresight business, combined with a £1.6m improvement in back year reserves. The marked reduction in gross written premium reflects the fact that the syndicate has been placed into run-off, with the majority of the net earned premium relating to business written prior to the syndicate being placed into run-off.

The 2018 GAAP result comprises 2016 and prior, 2017 and 2018 years of account. As the capital provider of the 2018 year is substantially different to that of the prior years, the aggregated GAAP result is of limited value to capital providers.

Directors, Active Underwriters and administration

Managing agent

Tokio Marine Kiln Syndicates Limited

Directors

Richard Bennison (Chairman)	
Richard Bucknall (Non-executive)	Resigned 30/09/2018
David Constable (Non-executive)	
Paul Culham	
James Dover	Resigned 30/09/2018
Charles Franks (Chief Executive Officer)	
Rosemary Harris (Non-executive)	
Brian Heffernan	Appointed 13/02/2018
	Resigned 13/02/2019
Anthony Hulse (Non-executive)	Resigned 31/12/2018
Anna McNamara	Appointed 27/04/2018
Reeken Patel	Appointed 25/02/2019
Vivek Syal	
Andrew Torrance (Non-executive)	Appointed 11/09/2018
Shinji Urano	

Company Secretary

Fiona Molloy

Registered office

20 Fenchurch Street
London EC3M 3BY

Registered number

729671

Syndicate / Active Underwriter

Tokio Marine Kiln Combined 510

Paul Culham

Tokio Marine Kiln Catastrophe 557

David Huckstepp

Tokio Marine Kiln Life 308

This Syndicate is now in Run-off.

In 2018 Karen Boyes was appointed as the Run-off Manager for the Syndicate.

Bankers

Barclays Bank plc

Citibank, N.A.

Royal Bank of Canada

J.P. Morgan Europe Limited

Lloyds Bank plc

HSBC Bank plc

BNY Mellon

Investment managers

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

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 Syndicate 510, and participated in Syndicate 308 as shown in the table below.

Percentages of capacity per year of account

Company	Syndicate	2016 %	2017 %	2018 %	2019 %
Tokio Marine Underwriting Limited	510	55	56	56	56
	308	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 2017 to 2019 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	2017	112	14	–
	2018	112	14	–
	2019	112	14	–

The Limited Liability Partnership (LLP) which has been in place for employees and directors of Tokio Marine Kiln Insurance Services Limited will not be participating on Syndicate 510 in 2019. In light of the small scale of the LLP, the costs of administering the scheme became increasingly high. The amounts stated represent the directors', past and present, effective share in the total capacity through their involvement in the LLP.

	Participation			
	2016 £'000s	2017 £'000s	2018 £'000s	2019 £'000s
Charles Franks	197	197	197	n/a
Paul Culham	400	428	428	n/a
James Dover*	103	103	103	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 2018, 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 2019 and 2020 will be the same as at 31 December 2018.
- 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 2018.
- 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 2018

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

Annual Accounts

under UK Generally Accepted Accounting Practice (GAAP)

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 2018 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 2016 year of account are set out on pages 109 to 158.

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. Syndicate 308 was placed in to run-off in 2018 and as such writes no new business. Its principal activity is administering the policies which remain in-force.

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

Annual accounting results 2018

2018	Syndicate annual accounting result		
Year of account	510 £'000s	557 £'000s	308 £'000s
2018	**(126,740)**	**(3,738)**	**(8,902)**
2017	**25,801**	**4,975**	**2,549**
2016 & prior	**77,559**	**4,287**	**9,271**
	(23,380)	**5,524**	**2,918**

2017	Syndicate annual accounting result		
Year of account	510 £'000s	557 £'000s	308 £'000s
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)

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 (Tokio Marine Kiln). 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 2019 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.

Underwriting 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.

As an underwriter of complex and specialist insurance business, ensuring compliance with licencing and other regulatory requirements is a priority for TMK. This is overseen by the Underwriting Governance Committee (UGC). The UGC also oversees adherence to risk appetites for delegated authority arrangements.

A significant proportion of Syndicate 510'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.

Market risk is currently monitored regularly in accordance with the TMK risk appetite framework. Various external factors can impact our market/investment risk position and these are assessed via the ORSA process.

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, we review 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 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, as well as attesting to the effectiveness of these controls on a regular basis. This forms the Risk, Control and Self-Assessment (RCSA) process at TMK, supported by the Risk Management Team who independently assess key risks and controls on a regular basis.

There is a strong risk reporting and risk governance system in place to ensure effective risk management of operational risk. The Executive Risk & Capital Committee and the Risk, Capital & Compliance Committee review 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 Integrated Underwriting Platform 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 the 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 held 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 & Capital Committee and the Risk, Capital & 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 & Capital Committee and the Risk, Capital & 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, 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 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 TMKS Board quarterly.

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.

Political risk

This is the risk that political decisions, events or conditions will result in losses. Politics affect everything from taxes to interest rates and political events can heavily impact the structure of a business. The current lack of clarity over Brexit continues to create uncertainty for the insurance industry. The main implication of Brexit for TMK is the loss of 'passporting rights' which allow us to conduct cross-border business throughout the European Economic Area (EEA).

Through 2018 we revised our internal operating model to successfully link our syndicates with the newly-created Lloyd's Brussels Subsidiary (LBS) in order to continue to provide products and services to clients with EEA risks. The work required is complete and our new model is now operational. We commenced writing business via LBS in the first quarter of 2019. We continue to monitor developments of Brexit very closely due to the remaining unknown economic and political implications.

Underwriters' reports

The underwriters' reports on pages 10 to 16 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 2016 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 2018, as well as any subsequent changes, are listed under the section 'Directors, Active Underwriters and administration' on page 17. The directors' participations in the premium income of the syndicates are set out in the related parties note on page 18.

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

Fiona Molloy

Company Secretary
Tokio Marine Kiln Syndicates Limited
15 March 2019

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 going concern basis for each syndicate unless it is intended for the syndicate to cease operations, or it has no realistic alternative but to 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 2018

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. Use of significant estimates, judgements and assumptions

The preparation of the syndicates' financial statements requires the use of significant estimates, judgements and assumptions. The directors consider the accounting policies for determining premium written, earned premiums, claims provisions, provision for unexpired risks and the valuation of investments as being most critical to an understanding of the syndicates' results and position. These are all discussed in more detail in note 4.

The most critical estimate included within the syndicates' balance sheet is the estimate for losses incurred but not reported. The total gross estimate is included within Claims outstanding liabilities on the balance sheet.

Estimates of losses incurred but not reported are continually evaluated, based on entity-specific historical experience and contemporaneous developments observed in the wider industry when relevant. Estimates are also updated for expectations of prospective future developments. The procedures used in estimating the cost of settling insured losses at the balance sheet date including losses incurred but not reported are detailed in note 4 (d).

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 16, 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 consortia 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 evenly 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 usually written on an annual basis at the anniversary of inception into the youngest year of account up to and including the 2017 year. As a result of the syndicate going into run-off from the 2018 calendar year, premium will continue to be written into the 2017 year of account on an annual basis until the policy expires.

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.

In the event of catastrophe events, and prior to detailed claims information being available, claims provision estimates are compiled using a combination of output from catastrophe modelling software and detailed reviews of contracts with potential exposure to the event. Estimates are revised as more details become available from the claimants or brokers.

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. For the most recent year of accounts, loss ratios are generally estimated based on the historical performance of the account, expected rate and claim inflation change, and allowance for any changes in underwriting or business mix.

These estimates are subject to rigorous review by senior management from all areas of the business and independent external actuaries.

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.

These are estimated on a quarterly basis, and allows emerging trends to be identified and assists with business decisions. 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. 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 an 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	
	2018	**2017**	**2018**	**2017**
US dollar	1.34	1.29	1.27	1.35
Canadian dollar	1.73	1.67	1.74	1.70

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 trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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. A defined contribution plan is a pension plan under which a fixed contributions is paid into a separate entity. Once the contributions have been paid the Group has no further payment obligations. 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.

Tokio Marine Kiln Syndicates Limited allocates a charge to each syndicate during the year which represents that syndicate's yearly share of the obligated funding requirement 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 Florence and Michael, 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 2018 Gross £m	As at 31 December 2018 Net £m
510	164,060	78,312
557	9,351	8,813
	173,411	87,125

Annual report and accounts 2018

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

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 2018 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 2018 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018, 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the syndicate's business and the wider economy.

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 Report of the directors of the managing agent (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 2018 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 27, 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. 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 required reporting

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 2019

Statement of comprehensive income: technical account – general business

for the year ended 31 December 2018

	Note	2018 £'000s	2017 £'000s
Earned premiums, net of reinsurance			
Gross premiums written	1	**1,376,729**	1,416,940
Outward reinsurance premiums		**(373,935)**	(332,038)
Net premiums written		**1,002,794**	1,084,902
Change in the provision for unearned premiums:			
Gross amount		**(14,797)**	(11,757)
Reinsurers' share		**27,560**	8,750
Change in the net provision for unearned premiums		**12,763**	(3,007)
Earned premiums, net of reinsurance		**1,015,557**	1,081,895
Allocated investment return transferred from the non-technical account		**12,269**	15,810
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		**(740,169)**	(723,492)
Reinsurers' share		**158,028**	139,585
Net claims paid		**(582,141)**	(583,907)
Change in the provision for claims:			
Gross amount		**(50,382)**	(321,803)
Reinsurers' share		**12,394**	157,092
Change in the net provision for claims		**(37,988)**	(164,711)
Claims incurred, net of reinsurance		**(620,129)**	(748,618)
Members' standard personal expenses		**(25,987)**	(25,838)
Net operating expenses	2,3,4	**(395,989)**	(416,796)
Balance on the technical account for general business		**(14,279)**	(93,547)

All operations are continuing.

Statement of comprehensive income: non-technical account

for the year ended 31 December 2018

	Note	2018 £'000s	2017 £'000s
Balance on the general business technical account		**(14,279)**	(93,547)
Investment income	5	**18,346**	18,500
Investment expenses and charges	5	**(4,217)**	(2,453)
Net unrealised losses on investments	5	**(1,860)**	(237)
Allocated investment return transferred to the general business technical account	5,6	**(12,269)**	(15,810)
(Loss) on exchange		**(9,101)**	(5,284)
(Loss) for the financial year		**(23,380)**	(98,831)

There is no other comprehensive income.

Balance sheet: assets

as at 31 December 2018

	Note	2018 £'000s	2017 £'000s
Investments			
Other financial investments	7	**854,619**	870,148
Deposits with ceding undertakings		**590**	562
		855,209	870,710
Reinsurers' share of technical provisions			
Provision for unearned premiums	8	**159,060**	124,577
Claims outstanding	8,9	**438,130**	407,391
		597,190	531,968
Debtors			
Debtors arising out of direct insurance operations	10	**432,801**	423,811
Debtors arising out of reinsurance operations		**236,682**	230,280
Other debtors		**14,120**	24,903
		683,603	678,994
Other assets			
Cash at bank and in hand		**9,558**	16,618
Overseas deposits	11	**166,924**	155,323
		176,482	171,941
Prepayments and accrued income			
Deferred acquisition costs	12	**204,008**	191,146
Other prepayments and accrued income		**1,675**	1,191
		205,683	192,337
Total assets		**2,518,167**	2,445,950

Balance sheet: liabilities

as at 31 December 2018

	Note	2018 £'000s	2017 £'000s
Capital and reserves			
Members' balances		**(246,995)**	(106,622)
Technical provisions			
Provision for unearned premiums	8	**655,560**	617,684
Claims outstanding	8,9	**1,656,196**	1,548,723
		2,311,756	2,166,407
Deposits received from reinsurers		**43,172**	1,199
Creditors			
Creditors arising out of direct insurance operations	13	**72,151**	89,621
Creditors arising out of reinsurance operations		**265,554**	224,962
Other creditors	14	**21,145**	35,245
		358,850	349,828
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs	12	**50,048**	34,891
Other accruals and deferred income		**1,336**	247
		51,384	35,138
Total liabilities		**2,518,167**	2,445,950

The annual accounts, which comprise pages 33 to 58 and the notes and principal accounting policies applicable to all syndicates on pages 28 to 32, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 15 March 2019 and were signed on its behalf by

Reeken Patel

Chief Financial Officer
Tokio Marine Kiln Syndicates Limited
15 March 2019

Statement of changes in members' balances

for the year ended 31 December 2018

	2018 £'000s	2017 £'000s
Members' balances brought forward at 1 January	**(106,622)**	158,464
(Loss) for the financial year	**(23,380)**	(98,831)
Payments of profit to members' personal reserve funds	**(114,280)**	(163,379)
Members' agents' fee advances	**(2,713)**	(2,876)
Members' balances carried forward at 31 December	**(246,995)**	(106,622)

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 2018

	Note	2018 £'000s	2017 £'000s
Cash flows from operating activities:			
Operating (loss) on ordinary activities		**(23,380)**	(98,831)
Increase in gross technical provisions		**145,349**	217,494
(Increase) in reinsurers' share of technical provisions		**(65,222)**	(135,422)
(Increase) in debtors		**(17,955)**	(8,127)
Increase in creditors		**25,268**	30,276
Unrealised foreign currency (gains)/losses		**(17,176)**	93,313
Investment return		**(12,269)**	(15,810)
Net cash inflow from operating activities		**34,615**	82,893
Cash flows from investing activities:			
(Purchase)/sale of shares and other variable yield securities		**(21,555)**	2,817
(Purchase) of debt securities and other fixed income securities		**(310,505)**	(452,253)
Sale of debt securities and other fixed income securities		**375,322**	496,458
Sale/(purchase) of derivatives		**171**	(18)
Investment income received		**15,642**	17,473
Other		**38,137**	(1,408)
Net cash inflow from investing activities		**97,212**	63,069
Cash flows from financing activities:			
Transfer to members in respect of underwriting participations		**(114,280)**	(163,379)
Members' agents' fees paid on behalf of members		**(2,713)**	(2,876)
Net cash (outflow) from financing activities		**(116,993)**	(166,255)
Net increase/(decrease) in cash and cash equivalents		**14,834**	(20,293)
Cash and cash equivalents at beginning of year		**171,941**	195,476
Foreign exchange (losses) on cash and cash equivalents		**(2,825)**	(3,242)
Cash and cash equivalents at end of year		**183,950**	171,941
Cash and cash equivalents consists of:			
Cash at bank and in hand		**9,558**	16,618
Overseas deposits	11	**166,924**	155,323
Short-term deposits presented within other financial investments		**7,468**	–
Cash and cash equivalents at end of year		**183,950**	171,941

Notes to the accounts

as at 31 December 2018

1. Segmental analysis

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

2018	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
Division:							
Property & Special Lines	**764,233**	**750,225**	**(490,712)**	**(287,738)**	**(9,115)**	**(37,340)**	**868,066**
Marine & Special Risks	**204,078**	**203,541**	**(126,507)**	**(71,179)**	**(7,065)**	**(1,210)**	**333,202**
Accident & Health	**126,975**	**139,013**	**(75,472)**	**(55,692)**	**(3,488)**	**4,361**	**121,588**
Reinsurance	**95,710**	**96,306**	**(31,409)**	**(29,284)**	**(27,841)**	**7,772**	**109,864**
Enterprise Risk	**129,571**	**116,980**	**(71,207)**	**(54,148)**	**1,875**	**(6,500)**	**176,268**
Aviation	**56,086**	**55,791**	**4,610**	**(21,421)**	**(32,841)**	**6,139**	**97,467**
Syndicate 807 run-off	**76**	**76**	**146**	**–**	**8**	**230**	**8,111**
	1,376,729	**1,361,932**	**(790,551)**	**(519,462)**	**(78,467)**	**(26,548)**	**1,714,566**

The divisions accepted the following inwards reinsurance business as a proportion of gross written premium: Reinsurance (100.0%); Aviation (26.9%); Accident & Health (27.7%); Marine & Special Risks (11.8%); Property & Special Lines (11.9%) and Enterprise Risk (11.0%).

2017	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
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
	1,416,940	1,405,183	(1,045,295)	(525,837)	56,592	(109,357)	1,634,439

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%).

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 – 62% fire and other damage to property (2017: 59%), 21% third party liability (2017: 23%), 7% motor (other classes) (2017: 8%) and 2% motor (third party liability) (2017: 2%)
- Marine & Special Risks – 44% marine, aviation and transport (2017: 51%), 26% pecuniary loss (2017: 21%), 13% fire and other damage to property (2017: 13%)
- Accident & Health – 80% accident and health (2017: 82%)
- Enterprise Risk – 96% third party liability (2017: 96%)
- Aviation – 100% marine, aviation and transport (2017: 100%)

All business was concluded in the UK.

The total commission payable on direct business was £368,863,978 (2017: £383,130,458).

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

	2018 £'000s	2017 £'000s
UK	**158,666**	199,607
Other EU countries	**126,718**	151,757
US	**616,772**	578,852
Canada	**172,191**	174,221
Other	**302,382**	312,503
	1,376,729	1,416,940

2. Net operating expenses

	2018 £'000s	2017 £'000s
Acquisition costs	**415,099**	427,796
Change in deferred acquisition costs	**(6,065)**	(7,506)
Administrative expenses	**84,441**	79,709
Gross operating expenses	**493,475**	499,999
Reinsurance commissions and profit participations	**(97,486)**	(83,203)
	395,989	416,796

Included within administrative expenses is auditors' remuneration:

	2018 £'000s	2017 £'000s
Audit services:		
Fees payable to the syndicate's auditor for the audit of the syndicate annual accounts	**151**	**148**
Other services:		
Other services pursuant to legislation	**340**	**335**
	491	**483**

The charge incurred for other services relates to the audit and review of the syndicate's regulatory returns and the provision of the statement 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:

	2018 £'000s	2017 £'000s
Wages and salaries	**29,648**	25,058
Social security costs	**2,911**	2,688
Other pension costs	**2,710**	2,583
	35,269	30,329

Of this amount £151,047 (2017: 129,877) 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:

	2018 £'000s	2017 £'000s
Net charge from managing agent during year	**1,138**	1,138
Amount funded in year	**1,138**	1,138

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

	2018	2017
Administration and finance	**165**	159
Underwriting	**90**	87
Claims	**43**	41
	298	287

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 294 (2017: 284) 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, and 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:

	2018 £'000s	2017 £'000s
Emoluments	**1,978**	2,151

Of the above amount, £978,652 (2017: £825,898) 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:

	2018 £'000s	2017 £'000s
Emoluments	**367**	**1,386**

The number of active underwriters for 2018 was 1 (2017: 5)

The profit commission included within the emoluments is in relation to the 2015 year of account (2017: 2014 YOA), as the allocation to underwriters was only determined following its closure.

5. Investment income and expenses

	2018 £'000s	2017 £'000s
Investment income:		
Income from investments	**17,772**	16,009
Realised gains on investments	**574**	2,491
Unrealised gains on investments	**2,082**	5,213
Investment expenses:		
Investment management expenses, including interest	**(1,513)**	(1,426)
Realised losses on investments	**(2,704)**	(1,027)
Unrealised losses on investments	**(3,942)**	(5,450)
	12,269	15,810

6. Calendar year investment yield

	2018 £'000s	2017 £'000s
Average amount of syndicate funds during the year:		
Sterling fund	**58,805**	62,745
US dollar fund	**505,815**	584,271
Canadian dollar fund	**335,739**	313,412
Euro fund	**76,174**	73,288
Aggregate gross investment return:		
Before investment expenses	**13,782**	17,236
After investment expenses	**12,269**	15,810
Calendar year investment yield:	**%**	%
Before investment expenses	**1.4**	1.7
After investment expenses	**1.3**	1.5
Analysis of calendar year investment yield by fund:	**%**	%
Sterling fund	**1.9**	1.6
US dollar fund	**1.3**	2.2
Canadian dollar fund	**1.8**	0.1
Euro fund	**(1.7)**	2.5

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	
	2018 £'000s	2017 £'000s	2018 £'000s	2017 £'000s
Shares and other variable yield securities	**228,758**	207,713	**231,042**	203,873
Debt securities and other fixed income securities	**620,200**	657,062	**616,461**	659,699
Deposits with credit institutions	**5,192**	4,772	**5,192**	4,772
Other investments	**469**	601	**–**	–
	854,619	870,148	**852,695**	868,344

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 2018 was £85,629,092 (2017: £77,317,002).

8. Reconciliation of insurance balances

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

	Gross		Reinsurers' share	
	2018 £'000s	2017 £'000s	2018 £'000s	2017 £'000s
At 1 January	**617,684**	641,551	**(124,577)**	(123,980)
Premiums written during the year	**1,376,729**	1,416,940	**(373,935)**	(332,038)
Premiums earned during the year	**(1,361,932)**	(1,405,183)	**346,375**	323,288
Foreign exchange adjustments	**23,079**	(35,624)	**(6,923)**	8,153
At 31 December	**655,560**	617,684	**(159,060)**	(124,577)

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

	Gross		Reinsurers' share	
	2018 £'000s	2017 £'000s	2018 £'000s	2017 £'000s
At 1 January	**1,548,723**	1,307,362	**(407,391)**	(272,566)
Claims incurred during the year	**790,551**	1,045,295	**(170,422)**	(296,677)
Claims paid during the year	**(740,169)**	(723,492)	**158,028**	139,585
Foreign exchange adjustments	**57,091**	(80,442)	**(18,345)**	22,267
At 31 December	**1,656,196**	1,548,723	**(438,130)**	(407,391)

9. Claims outstanding

Within the calendar year technical result, a surplus of £7.2m (2017: £20.9m) 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 eight 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	2018 £m	Total £m
Year 1		370.0	452.6	309.7	332.3	277.6	354.6	631.5	452.0	
Year 2		671.5	722.0	635.4	645.5	625.2	793.4	1,036.3		
Year 3		671.2	743.8	656.0	664.5	639.7	834.4			
Year 4		661.5	740.3	648.9	665.5	644.2				
Year 5		644.0	739.3	637.2	656.6					
Year 6		634.9	731.8	627.0						
Year 7		626.4	724.6							
Year 8		624.5								
Cumulative claims paid		602.6	676.1	573.5	531.1	478.9	545.7	517.8	93.3	
Outstanding claims reserve	75.6	21.9	48.5	53.5	125.5	165.3	288.7	518.5	358.7	1,656.2

Net of reinsurance

Year of Account	2010 and prior £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	Total £m
Year 1		287.8	323.8	256.2	254.0	242.0	284.3	414.8	315.4	
Year 2		566.5	563.1	524.1	529.1	534.4	645.5	745.7		
Year 3		587.4	576.0	537.4	546.0	548.2	676.1			
Year 4		557.3	571.9	529.4	535.1	555.0				
Year 5		541.3	569.3	524.3	527.8					
Year 6		533.2	562.7	513.6						
Year 7		526.0	557.9							
Year 8		524.6								
Cumulative claims paid		507.8	521.5	464.8	440.2	419.1	448.8	378.8	69.3	
Outstanding claims reserve	52.3	16.8	36.4	48.8	87.6	135.9	227.3	366.9	246.1	1,218.1

10. Debtors arising out of direct insurance operations

	2018 £'000s	2017 £'000s
Amounts due from intermediaries within one year	**423,444**	415,812
Amounts due from intermediaries after one year	**9,357**	7,999
	432,801	423,811

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	
	2018 £'000s	2017 £'000s	2018 £'000s	2017 £'000s
At 1 January	**191,146**	193,951	**(34,891)**	(35,434)
Expenses for the acquisition of insurance contracts deferred during the year	**415,099**	427,796	**(110,330)**	(85,110)
Amortisation	**(409,034)**	(420,290)	**97,486**	83,203
Foreign exchange adjustments	**6,797**	(10,311)	**(2,313)**	2,450
At 31 December	**204,008**	191,146	**(50,048)**	(34,891)

13. Creditors arising out of direct insurance operations

	2018 £'000s	2017 £'000s
Amounts due to intermediaries within one year	**69,403**	88,028
Amounts due to intermediaries after one year	**2,748**	1,593
	72,151	89,621

14. Other creditors

The following balances are included within other creditors:

	2018 £'000s	2017 £'000s
Forward currency contracts – held to maturity	**48**	477
	48	477

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 2018 was £3,461,527 (2017: £145,843,758). 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 2018 calendar year of £4,527,846 (2017: £6,448,361). The unpaid premiums due from related parties at the period end were £7,152,947 (2017: £2,446,940). The outstanding claims (excluding IBNR) were £9,261,729 (2017: £4,712,718). Written premiums ceded by Syndicate 510 to related parties for the 2018 calendar year were £96,627,532 (2017: £91,064,915). Paid recoveries from related parties during the period were £67,173,118 (2017: £57,325,337). Unpaid recoveries at the period end amounted to £60,433,843 (2017: £55,360,296) and future recoveries on outstanding claims (excluding IBNR) were £206,102,887 (2017: £175,542,421).

Treaty profit commission due to Syndicate 510 from related parties for the 2018 calendar year was £nil (2017: £nil). Profit commissions received from related parties during the period were £nil (2017: £nil). Profit commission receivable at the period end amounted to £nil (2017: £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 Lloyd's Decile 10 Review impacted the viability of certain service companies within the Group. This included the Group's Hong Kong office, an investment in a European coverholder (Ibex) and Tokio Marine Kiln Regional Underwriting Limited. The impairment loss recognised and charged to Syndicate 510 was £5.1 million which includes redundancy costs of £0.6 million.

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 100% 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 2018. Profit commission on inwards business of £487,912 was paid to related parties for the 2018 calendar year (2017: £470,705) and profit commission payable was £nil as at the balance sheet date (2017: £nil).

Profit commission of £8,947,483 was payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of the 2018 calendar year (2017: £9,786,157) 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 £8,386,051 (2017: £8,346,684) were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £67,815,259 (2017: £57,747,737) were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 18 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 22 to 26.

a) Insurance risk

Further details on the management of the syndicate's insurance risk are given on page 23.

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.

2018	Gross claims provision £'000s	Reinsurance claims provision £'000s	Net claims provision £'000s
Division:			
Property & Special Lines	**892,837**	**(302,084)**	**590,753**
Marine & Special Risks	**299,696**	**(43,437)**	**256,259**
Accident & Health	**78,460**	**(5,481)**	**72,979**
Reinsurance	**151,801**	**(48,701)**	**103,100**
Enterprise Risk	**141,915**	**(22,883)**	**119,032**
Aviation	**79,991**	**(12,159)**	**67,832**
Syndicate 807 run-off	**11,496**	**(3,385)**	**8,111**
	1,656,196	**(438,130)**	**1,218,066**

2017	Gross claims provision £'000s	Reinsurance claims provision £'000s	Net claims provision £'000s
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
	1,548,723	(407,391)	1,141,332

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

	Gross claims provision	
	2018 £'000s	**2017 £'000s**
UK	**147,352**	141,607
Other EU countries	**184,262**	219,939
US	**768,512**	636,122
Other	**556,070**	551,055
	1,656,196	1,548,723

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 £13.6m (2017: £14.1m) 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 £2.1m (2017: £2.2m). A decrease of 1% would result in £13.6m (2017: £14.1m) less premium being reported and an estimated £2.1m (2017: £2.2m) 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 2018 is 61% (2017: 69%). 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 £10.2m (2017: £10.8m) and the result reducing by £10.2m (2017: £10.8m).

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 24.

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.

2018	AAA £'000s	AA £'000s	A £'000s	<A £'000s	NR £'000s	Total £'000s
Financial investments:						
Other financial investments	262,506	184,803	198,161	7,882	201,267	854,619
Overseas deposits	75,732	41,183	21,077	28,588	344	166,924
Deposits with ceding undertakings	–	–	–	–	590	590
Cash at bank and in hand	–	–	7,021	2,537	–	9,558
Reinsurers' share of outstanding claims including reinsurers' IBNR	–	69,647	243,960	2	124,521	438,130
Reinsurance recoverable on paid claims neither due nor impaired	–	2,725	16,596	–	15,803	35,124
	338,238	298,358	486,815	39,009	342,525	1,504,945

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
	371,889	274,197	486,946	44,114	314,959	1,492,105

Of the total reinsurers' share of outstanding claims including reinsurers' IBNR, 9.9% (2017: 0.3%) 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 $876.4m (2017: $852.1m).

The largest potential reinsurance credit exposure to the syndicate at 31 December 2018 was 21.2% (2017: 26.3%) with Tokio Marine & Nichido Fire Insurance Co. Ltd, which is an AAA 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.

2018	Fully performing £'000s	Past due £'000s	Impairment £'000s	Total £'000s
Financial investments:				
Other financial investments	**854,619**	**–**	**–**	**854,619**
Overseas deposits	**166,924**	**–**	**–**	**166,924**
Deposits with ceding undertakings	**590**	**–**	**–**	**590**
Cash at bank and in hand	**9,558**	**–**	**–**	**9,558**
Reinsurers' share of outstanding claims including reinsurers' IBNR	**438,130**	**–**	**–**	**438,130**
Insurance debtors	**387,308**	**45,493**	**–**	**432,801**
Reinsurance recoverable on paid claims	**35,124**	**5,638**	**–**	**40,762**
Other debtors	**574,783**	**–**	**–**	**574,783**
	2,467,036	**51,131**	**–**	**2,518,167**

2017	Fully performing £'000s	Past due £'000s	Impairment £'000s	Total £'000s
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
	2,386,960	58,990	–	2,445,950

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 24.

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 2018 the balance held in these trust funds was US$437.1m (2017: US$385.8m) and Canadian $511.0m (2017: Canadian $457.6m).

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.

2018	Up to 1 year £'000s	1–3 years £'000s	3–5 years £'000s	Over 5 years £'000s	Total £'000s
Forward currency contracts	**48**	**–**	**–**	**–**	**48**
Deposits received from reinsurers	**43,172**	**–**	**–**	**–**	**43,172**
Creditors	**326,801**	**18,768**	**13,233**	**–**	**358,802**
Financial liabilities	**370,021**	**18,768**	**13,233**	**–**	**402,022**
Claims outstanding	**654,294**	**554,859**	**232,398**	**214,645**	**1,656,196**
Financial liabilities and claims outstanding	**1,024,315**	**573,627**	**245,631**	**214,645**	**2,058,218**

2017	Up to 1 year £'000s	1–3 years £'000s	3–5 years £'000s	Over 5 years £'000s	Total £'000s
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

Foreign currency market risk

For further details of the management of the syndicate's market risk please refer to page 24.

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.

	2018 £'000s	**2017 £'000s**
Sterling strengthens 10% against US dollar	**(1,698)**	(11,550)
Sterling strengthens 10% against Canadian dollar	**(2,324)**	(692)
Sterling weakens 10% against US dollar	**1,698**	11,550
Sterling weakens 10% against Canadian dollar	**2,324**	692

Interest rate market risk

For further details of the management of the syndicate's market risk please refer to page 24.

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.

	2018 £'000s	2017 £'000s
Impact of 50 basis point increase on result	**(7,011)**	(6,669)
Impact of 50 basis point decrease on result	**7,321**	7,190
Impact of 50 basis point increase on net assets	**(7,011)**	(6,669)
Impact of 50 basis point decrease on net assets	**7,321**	7,190

Capital management

Disclosures on capital management can be found on page 22.

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 2018.

2018	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Derivative financial instruments:				
Forward currency derivatives – assets	**469**	**–**	**–**	**469**
Forward currency derivatives – liabilities	**(48)**	**–**	**–**	**(48)**
Shares and other variable yield securities	**–**	**228,758**	**–**	**228,758**
Debt securities and other fixed income securities	**213,077**	**407,123**	**–**	**620,200**
Loans and deposits with credit institutions	**5,192**	**–**	**–**	**5,192**
Overseas deposits	**100,348**	**66,576**	**–**	**166,924**
	319,038	**702,457**	**–**	**1,021,495**

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
	293,146	731,848	–	1,024,994

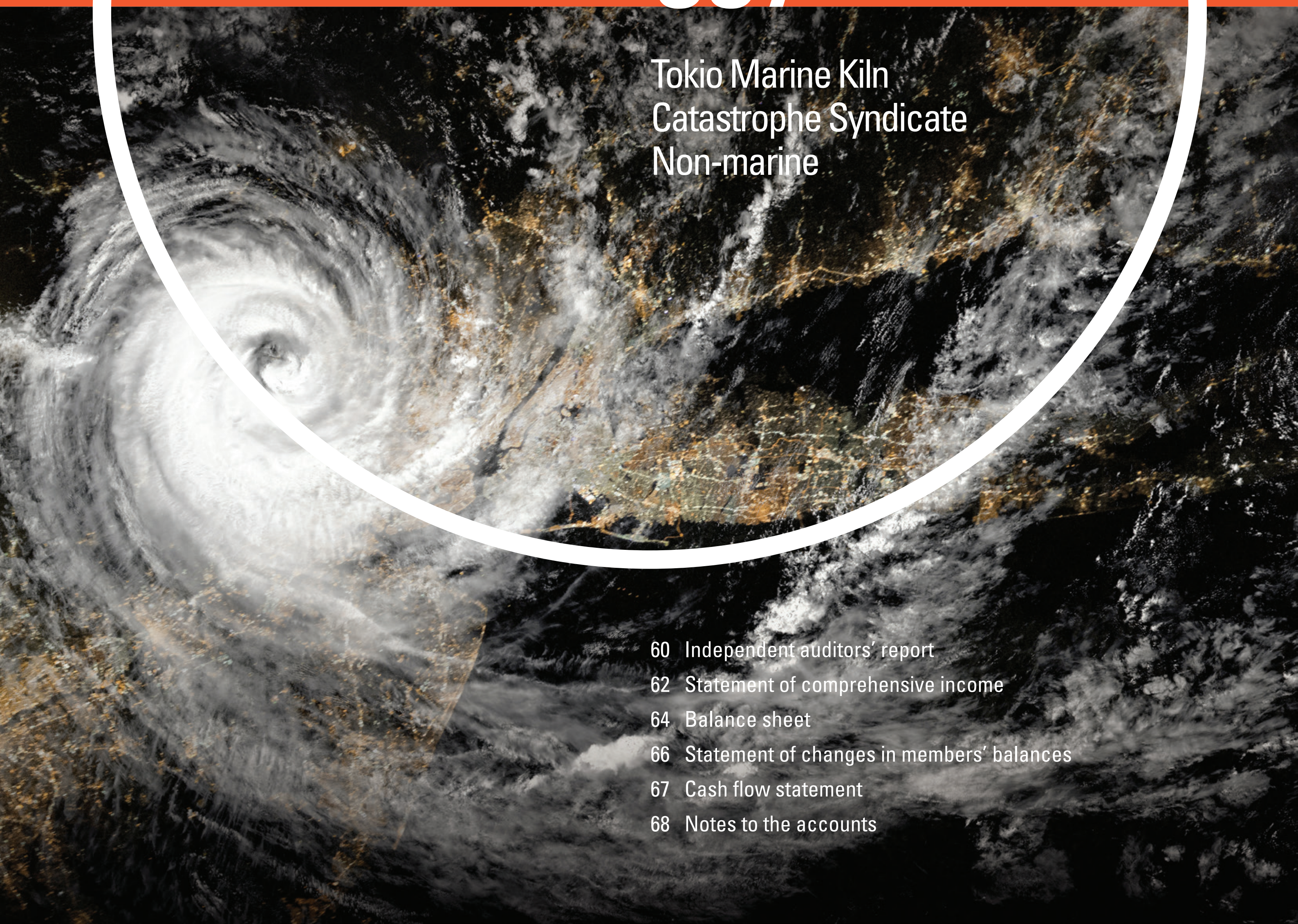
At 31 December 2018 the syndicate held forward currency contracts, for which the fair value is a net asset of £419,777 (2017: £124,474) with the gain (2017: gain) going through investment income in the statement of comprehensive income.

Annual report and accounts 2018

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



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 2018 and of its profit 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 2018 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018, 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the syndicate's business and the wider economy.

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 Report of the directors of the managing agent (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 2018 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 27, 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. 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 required reporting

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 2019

Statement of comprehensive income: technical account – general business

for the year ended 31 December 2018

	Note	2018 £'000s	2017 £'000s
Earned premiums, net of reinsurance			
Gross premiums written	1	**15,845**	17,679
Outward reinsurance premiums		**(2,010)**	(2,106)
Net premiums written		**13,835**	15,573
Change in the provision for unearned premiums:			
Gross amount		**108**	(89)
Reinsurers' share		**–**	(22)
Change in the net provision for unearned premiums		**108**	(111)
Earned premiums, net of reinsurance		**13,943**	15,462
Allocated investment return transferred from the non-technical account		**433**	496
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		**(10,741)**	(11,764)
Reinsurers' share		**421**	200
Net claims paid		**(10,320)**	(11,564)
Change in the provision for claims:			
Gross amount		**6,476**	(10,776)
Reinsurers' share		**(757)**	(200)
Change in the net provision for claims		**5,719**	(10,976)
Claims incurred, net of reinsurance		**(4,601)**	(22,540)
Members' standard personal expenses		**(1,167)**	(1,059)
Net operating expenses	2,3,4	**(2,410)**	(2,456)
Balance on the technical account for general business		**6,198**	(10,097)

All operations are continuing.

Statement of comprehensive income: non-technical account

for the year ended 31 December 2018

	Note	2018 £'000s	2017 £'000s
Balance on the general business technical account		**6,198**	(10,097)
Investment income	5	**649**	667
Investment expenses and charges	5	**(53)**	(75)
Net unrealised losses on investments	5	**(163)**	(96)
Allocated investment return transferred to the general business technical account	5,6	**(433)**	(496)
(Loss) on exchange		**(674)**	(424)
Profit/(Loss) for the financial year		**5,524**	(10,521)

There is no other comprehensive income.

Balance sheet: assets

as at 31 December 2018

	Note	2018 £'000s	2017 £'000s
Investments			
Other financial investments	7	**36,862**	34,451
Reinsurers' share of technical provisions			
Provision for unearned premiums	8	**348**	331
Claims outstanding	8,9	**496**	1,219
		844	1,550
Debtors			
Debtors arising out of reinsurance operations		**3,585**	4,247
Other debtors		**218**	351
		3,803	4,598
Other assets			
Cash at bank and in hand		**2,518**	2,562
Overseas deposits	10	**10**	13
		2,528	2,575
Prepayments and accrued income			
Deferred acquisition costs	11	**115**	98
Other prepayments and accrued income		**16**	5
		131	103
Total assets		**44,168**	43,277

Balance sheet: liabilities

as at 31 December 2018

	Note	2018 £'000s	2017 £'000s
Capital and reserves			
Members' balances		**5,759**	(24)
Technical provisions			
Provision for unearned premiums	8	**3,200**	3,148
Claims outstanding	8,9	**31,399**	36,321
		34,599	39,469
Creditors			
Creditors arising out of reinsurance operations		**1,507**	371
Other creditors	12	**2,303**	3,461
		3,810	3,832
Total liabilities		**44,168**	43,277

The annual accounts, which comprise pages 59 to 82 and the notes and principal accounting policies applicable to all syndicates on pages 28 to 32, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 15 March 2019 and were signed on its behalf by

Reeken Patel

Chief Financial Officer
Tokio Marine Kiln Syndicates Limited
15 March 2019

Statement of changes in members' balances

for the year ended 31 December 2018

	2018 £'000s	2017 £'000s
Members' balances brought forward at 1 January	**(24)**	21,141
Profit/(loss) for the financial year	**5,524**	(10,521)
Payments of profit to members' personal reserve funds	**(10,153)**	(10,461)
Cash calls made	**10,551**	–
Members' agents' fee advances	**(139)**	(183)
Members' balances carried forward at 31 December	**5,759**	(24)

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 2018

	Note	2018 £'000s	2017 £'000s
Cash flows from operating activities:			
Operating profit/(loss) on ordinary activities		**5,524**	(10,521)
(Decrease)/increase in gross technical provisions		**(4,870)**	8,552
Decrease in reinsurers' share of technical provisions		**706**	362
Decrease/((increase) in debtors		**767**	(782)
(Decrease) in creditors		**(22)**	(1,579)
Unrealised foreign currency (gains)/losses		**(1,239)**	3,161
Investment return		**(433)**	(496)
Net cash inflow/(outflow) from operating activities		**433**	(1,303)
Cash flows from investing activities:			
(Purchase)/sale of shares and other variable yield securities		**(4,540)**	7,792
(Purchase) of debt securities and other fixed income securities		**(5,762)**	(9,795)
Sale of debt securities and other fixed income securities		**9,118**	15,167
Sale of derivatives		**–**	14
Investment income received		**630**	629
Other		**(197)**	(128)
Net cash (outflow)/inflow from investing activities		**(751)**	13,679
Cash flows from financing activities:			
Transfer to members in respect of underwriting participations		**(10,153)**	(10,461)
Cash call made		**10,551**	–
Members' agents' fees paid on behalf of members		**(139)**	(183)
Net cash inflow/(outflow) from financing activities		**259**	(10,644)
Net (decrease)/increase in cash and cash equivalents		**(59)**	1,732
Cash and cash equivalents at beginning of year		**2,575**	825
Foreign exchange gains on cash and cash equivalents		**12**	18
Cash and cash equivalents at end of year		**2,528**	2,575
Cash and cash equivalents consists of:			
Cash at bank and in hand		**2,518**	2,562
Overseas deposits	10	**10**	13
Cash and cash equivalents at end of year		**2,528**	2,575

Notes to the accounts

as at 31 December 2018

1. Segmental analysis

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

2018	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
Reinsurance acceptances	**15,845**	**15,953**	**(4,265)**	**(3,577)**	**(2,346)**	**5,765**	**33,755**
	15,845	**15,953**	**(4,265)**	**(3,577)**	**(2,346)**	**5,765**	**33,755**

2017	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
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

All business was concluded in the UK.

The total commission payable on direct business was £nil (2017: £nil).

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

	2018 £'000s	2017 £'000s
UK	**15,845**	17,679
	15,845	17,679

2. Net operating expenses

	2018 £'000s	2017 £'000s
Acquisition costs	**667**	627
Change in deferred acquisition costs	**(13)**	(4)
Administrative expenses	**1,756**	1,833
Gross and net operating expenses	**2,410**	2,456

Included within administrative expenses is auditors' remuneration:

	2018 £'000s	2017 £'000s
Audit services:		
Fees payable to the syndicate's auditor for the audit of the syndicate annual accounts	**29**	28
Other services:		
Other services pursuant to legislation	**58**	57
	87	85

The charge incurred for other services relates to the audit and review of the syndicate's regulatory returns and the provision of the statement 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:

	2018 £'000s	2017 £'000s
Wages and salaries	**907**	825
Social security costs	**97**	89
Other pension costs	**134**	132
	1,138	1,046

Of this amount £9,818 (2017: £8,146) 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:

	2018 £'000s	2017 £'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:

	2018	2017
Administration and finance	**8**	7
Underwriting	**1**	1
Claims	**1**	1
	10	9

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 (2017: 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, and 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:

	2018 £'000s	2017 £'000s
Emoluments	**43**	38

Of the above amount £22,126 (2017: £14,763) 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:

	2018 £'000s	2017 £'000s
Emoluments	**170**	117

The profit commission included within the emoluments is in relation to the 2015 year of account (2017: 2014 YOA), as the allocation to underwriters was only determined following its closure.

5. Investment income and expenses

	2018 £'000s	2017 £'000s
Investment income:		
Income from investments	**544**	545
Realised gains on investments	**105**	122
Unrealised gains on investments	**–**	7
Investment expenses:		
Investment management expenses, including interest	**(35)**	(37)
Realised losses on investments	**(18)**	(38)
Unrealised losses on investments	**(163)**	(103)
	433	496

6. Calendar year investment yield

	2018 £'000s	2017 £'000s
Average amount of syndicate funds during the year:		
Sterling fund	**11,764**	11,424
US dollar fund	**25,322**	29,912
Canadian dollar fund	**1,101**	1,568
Euro fund	**579**	574
Aggregate gross investment return:		
Before investment expenses	**468**	533
After investment expenses	**433**	496
Calendar year investment yield:	**%**	%
Before investment expenses	**1.2**	1.2
After investment expenses	**1.1**	1.1
Analysis of calendar year investment yield by fund:	**%**	%
Sterling fund	**(0.1)**	0.4
US dollar fund	**1.7**	1.5
Canadian dollar fund	**1.5**	0.8
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	
	2018 £'000s	2017 £'000s	2018 £'000s	2017 £'000s
Shares and other variable yield securities	**20,306**	15,459	**20,394**	15,506
Debt securities and other fixed income securities	**16,556**	18,992	**16,489**	18,948
	36,862	34,451	**36,883**	34,454

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

8. Reconciliation of insurance balances

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

	Gross		Reinsurers' share	
	2018 £'000s	2017 £'000s	2018 £'000s	2017 £'000s
At 1 January	**3,148**	3,296	**(331)**	(377)
Premiums written during the year	**15,845**	17,679	**(2,010)**	(2,106)
Premiums earned during the year	**(15,954)**	(17,590)	**2,010**	2,128
Foreign exchange adjustments	**161**	(237)	**(17)**	24
At 31 December	**3,200**	3,148	**(348)**	(331)

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

	Gross		Reinsurers' share	
	2018 £'000s	2017 £'000s	2018 £'000s	2017 £'000s
At 1 January	**36,321**	27,621	**(1,219)**	(1,535)
Claims incurred during the year	**4,265**	22,540	**337**	–
Claims paid during the year	**(10,741)**	(11,764)	**421**	200
Foreign exchange adjustments	**1,554**	(2,076)	**(35)**	116
At 31 December	**31,399**	36,321	**(496)**	(1,219)

9. Claims outstanding

Within the calendar year technical result, a surplus of £9.6m (2017: £3.7m) 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 eight 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	2018 £m	Total £m
Year 1		24.7	30.3	14.6	8.5	3.5	6.9	25.8	13.0	
Year 2		22.4	27.9	16.6	8.7	4.4	6.6	22.7		
Year 3		21.1	27.1	15.9	7.9	3.8	6.1			
Year 4		20.0	28.0	15.4	7.5	3.5				
Year 5		19.2	27.8	15.1	7.5					
Year 6		18.7	27.8	14.7						
Year 7		18.5	27.7							
Year 8		18.5								
Cumulative claims paid		18.0	23.6	14.2	7.2	2.9	4.9	13.4	1.8	
Outstanding claims reserve	3.8	0.5	4.1	0.5	0.3	0.6	1.2	9.3	11.2	31.4

Net of reinsurance

Year of Account	2010 and prior £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	Total £m
Year 1		24.4	30.3	14.6	8.5	3.5	6.9	25.8	13.0	
Year 2		22.3	27.9	16.6	8.7	4.4	6.6	22.7		
Year 3		21.1	27.1	15.9	7.9	3.8	6.1			
Year 4		19.9	28.0	15.4	7.5	3.5				
Year 5		19.0	27.8	15.1	7.5					
Year 6		18.6	27.8	14.7						
Year 7		18.4	27.7							
Year 8		18.5								
Cumulative claims paid		18.2	23.6	14.2	7.2	2.9	4.9	13.4	1.8	
Outstanding claims reserve	3.5	0.3	4.1	0.5	0.3	0.6	1.2	9.3	11.2	30.9

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:

	2018 £'000s	2017 £'000s
At 1 January	**98**	99
Expenses for the acquisition of insurance contracts deferred during the year	**668**	627
Amortisation	**(654)**	(623)
Foreign exchange adjustments	**3**	(5)
At 31 December	**115**	98

12. Other creditors

The following balances are included within other creditors:

	2018 £'000s	2017 £'000s
Forward currency contracts – held to maturity	**28**	**15**
	28	**15**

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 2018 was £3,687,653 (2017: £5,813,987). The above balances are stated at fair value.

13. Related parties

As noted on page 18, 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 2018 calendar year of £15,421,831 (2017: £17,370,969). The unpaid premiums due from Syndicate 510 at the period end were £3,440,138 (2017: £3,845,086). The outstanding claims (excluding IBNR) were £31,399,582 (2017: £36,321,050). No business was ceded to related parties.

Profit commission of £907,543 was payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of the 2018 calendar year (2017: £804,128). 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 £259,545 (2017: £255,223) were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £2,038,106 (2017: £1,977,228) were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 18 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 22 to 26.

a) Insurance risk

Further details on the management of the syndicate's insurance risk are given on page 23.

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.

2018	Gross claims provision £'000s	Reinsurance claims provision £'000s	Net claims provision £'000s
Reinsurance acceptances	**31,399**	**(496)**	**30,903**
	31,399	**(496)**	**30,903**

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

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

	Gross claims provision	
	2018 £'000s	**2017 £'000s**
Other EU countries	**1,669**	2,605
US	**22,026**	18,670
Other	**7,704**	15,046
	31,399	36,321

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 (2017: £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 (2017: £0.1m). A decrease of 1% would result in £0.2m (2017: £0.2m) less premium being reported and an estimated £0.1m (2017: £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 2018 is 33% (2017: 146%). 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 £0.1m (2017: £0.2m) and the result reducing by £0.1m (2017: £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 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 24.

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.

2018	AAA £'000s	AA £'000s	A £'000s	<A £'000s	NR £'000s	Total £'000s
Financial investments:						
Other financial investments	**12,322**	**5,988**	**5,904**	**1,722**	**10,926**	**36,862**
Overseas deposits	**1**	**6**	**2**	**1**	**–**	**10**
Cash at bank and in hand	**–**	**–**	**2,518**	**–**	**–**	**2,518**
Reinsurers' share of outstanding claims including reinsurers' IBNR	**–**	**9**	**425**	**–**	**62**	**496**
	12,323	**6,003**	**8,849**	**1,723**	**10,988**	**39,886**

2017	AAA £'000s	AA £'000s	A £'000s	<A £'000s	NR £'000s	Total £'000s
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
	10,422	4,415	10,769	1,845	10,794	38,245

In respect of the reinsurers' share of claims, there are collateralised reinsurers, which comprise letters of credit and trust accounts totalling $13.7m (2017: $18.6m).

The largest potential reinsurance credit exposure to the syndicate at 31 December 2018 was 50% with a fully collateralised security (2017: 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.

2018	Fully performing £'000s	Past due £'000s	Impairment £'000s	Total £'000s
Financial investments:				
Other financial investments	**36,862**	–	–	**36,862**
Overseas deposits	**10**	–	–	**10**
Cash at bank and in hand	**2,518**	–	–	**2,518**
Reinsurers' share of outstanding claims including reinsurers' IBNR	**496**	–	–	**496**
Other debtors	**4,282**	–	–	**4,282**
	44,168	–	–	**44,168**

2017	Fully performing £'000s	Past due £'000s	Impairment £'000s	Total £'000s
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
	43,277	–	–	43,277

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 24.

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 2018 the balance held in these trust funds was US$8,844 (2017: US$1.0m) and Canadian $10,050 (2017: Canadian $9,803).

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.

2018	Up to 1 year £'000s	1–3 years £'000s	3–5 years £'000s	Over 5 years £'000s	Total £'000s
Forward currency contracts	**28**	**–**	**–**	**–**	**28**
Creditors	**3,782**	**–**	**–**	**–**	**3,782**
Claims outstanding	**16,713**	**9,106**	**3,062**	**2,518**	**31,399**
Financial liabilities and claims outstanding	**20,523**	**9,106**	**3,062**	**2,518**	**35,209**

2017	Up to 1 year £'000s	1–3 years £'000s	3–5 years £'000s	Over 5 years £'000s	Total £'000s
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

Foreign currency market risk

For further details of the management of the syndicate's market risk please refer to page 24.

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. 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 a forward currency contract to manage its exposure to foreign currency risks arising from material losses in the non-closing currency. 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.

	2018 £'000s	2017 £'000s
Sterling strengthens 10% against US dollar	**1,074**	(561)
Sterling strengthens 10% against Canadian dollar	**37**	13
Sterling weakens 10% against US dollar	**(1,074)**	561
Sterling weakens 10% against Canadian dollar	**(37)**	(13)

Interest rate market risk

For further details of the management of the syndicate's market risk please refer to page 24.

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.

	2018 £'000s	2017 £'000s
Impact of 50 basis point increase on result	**(232)**	(252)
Impact of 50 basis point decrease on result	**236**	248
Impact of 50 basis point increase on net assets	**(232)**	(252)
Impact of 50 basis point decrease on net assets	**236**	248

Capital management

Disclosures on capital management can be found on page 22.

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 2018.

2018	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Derivative financial instruments:				
Forward currency derivatives – liabilities	**(28)**	**–**	**–**	**(28)**
Shares and other variable yield securities	**–**	**20,306**	**–**	**20,306**
Debt securities and other fixed income securities	**2,700**	**13,856**	**–**	**16,556**
Loans and deposits with credit institutions	**–**	**–**	**–**	**–**
Overseas deposits	**6**	**4**	**–**	**10**
	2,678	**34,166**	**–**	**36,844**

2017	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Derivative financial instruments:				
Forward currency derivatives – assets	(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

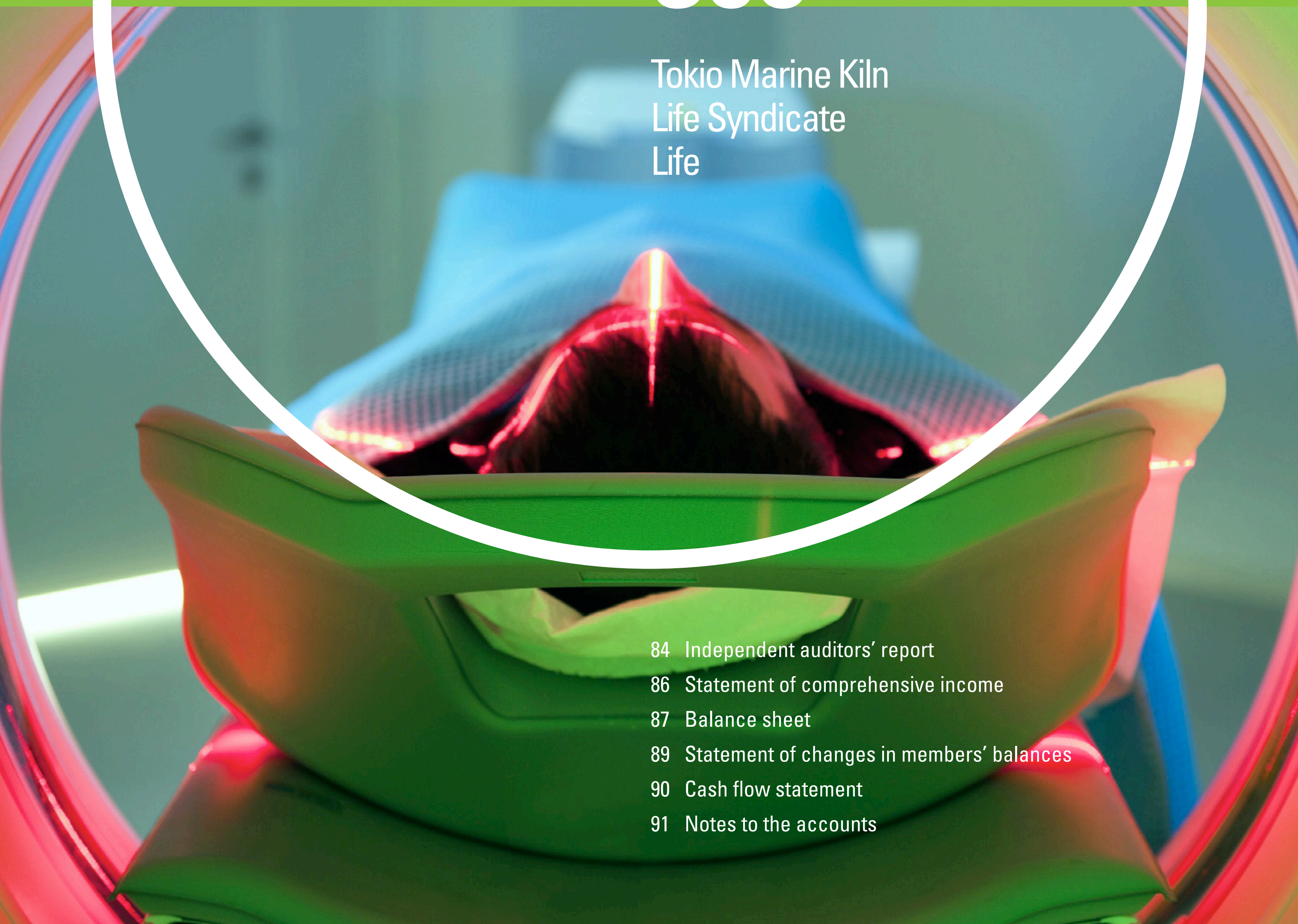
At 31 December 2018 the syndicate held forward currency contracts, for which the fair value is a net liability of £28,066 (2017: net asset of £15,119) with the loss (2017: loss) going through investment income in the statement of comprehensive income.

Annual report and accounts 2018

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



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 2018 and of its profit 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 2018 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018, 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the syndicate's business and the wider economy.

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 Report of the directors of the managing agent (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 2018 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 27, 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. 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 required reporting

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 2019

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

for the year ended 31 December 2018

	Note	2018 £'000s	2017 £'000s
Earned premiums, net of reinsurance			
Gross premiums written	1	**11,808**	39,427
Outward reinsurance premiums		**(1,657)**	(2,621)
Net premiums written		**10,151**	36,806
Change in the provision for unearned premiums:			
Gross amount		**12,173**	(5,676)
Reinsurers' share		**(31)**	(31)
Change in the net provision for unearned premiums		**12,142**	(5,707)
Earned premiums, net of reinsurance		**22,293**	31,099
Investment income	2,3	**95**	24
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		**(20,369)**	(22,166)
Reinsurers' share		**934**	495
Net claims paid		**(19,435)**	(21,671)
Change in the long-term business provision:			
Gross amount		**3,104**	(10,711)
Reinsurers' share		**(879)**	44
Change in the net long-term business provision	4	**2,225**	(10,667)
Claims incurred, net of reinsurance		**(17,210)**	(32,338)
Change in other technical provisions, net of reinsurance	10	**5,370**	(8,648)
Members' standard personal expenses		**(149)**	(454)
Net operating expenses	5,6,7	**(7,481)**	(13,017)
Investment expenses and charges	2	**–**	(2)
Balance on the technical account for long-term business and profit/(loss) for the year		**2,918**	(23,336)

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 2018

	Note	2018 £'000s	2017 £'000s
Investments			
Other financial investments	8	**21,597**	789
Deposits with ceding undertakings		**258**	242
		21,855	1,031
Reinsurers' share of technical provisions			
Provision for unearned premiums	9	**12**	43
Long-term business provision	9,11	**10**	889
		22	932
Debtors			
Debtors arising out of direct insurance operations	12	**11,465**	20,683
Debtors arising out of reinsurance operations		**3,427**	3,272
Other debtors		**1,080**	249
		15,972	24,204
Other assets			
Cash at bank and in hand		**1,169**	333
Overseas deposits	13	**639**	228
		1,808	561
Prepayments and accrued income			
Deferred acquisition costs	14	**1,606**	5,024
Total assets		**41,263**	31,752

Balance sheet: liabilities

as at 31 December 2018

	Note	2018 £'000s	2017 £'000s
Capital and reserves			
Members' balances		**1,773**	(28,568)
Technical provisions			
Provision for unearned premiums	9	**6,951**	19,044
Long-term business provision	9,11	**18,479**	20,986
Other technical provisions	10	**3,278**	8,648
		28,708	48,678
Creditors			
Creditors arising out of direct insurance operations	15	**7,317**	7,007
Creditors arising out of reinsurance operations		**2,630**	2,188
Other creditors		**830**	2,431
		10,777	11,626
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs	14	**5**	16
Total liabilities		**41,263**	31,752

The annual accounts, which comprise pages 83 to 108 and the notes and principal accounting policies applicable to all syndicates on pages 28 to 32, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 15 March 2019 and were signed on its behalf by

Reeken Patel

Chief Financial Officer
Tokio Marine Kiln Syndicates Limited
15 March 2019

Statement of changes in members' balances

for the year ended 31 December 2018

	2018 £'000s	2017 £'000s
Members' balances brought forward at 1 January	**(28,568)**	(4,526)
Profit/(loss) for the financial year	**2,918**	(23,336)
Payments of profit to members' personal reserve funds	**–**	(624)
Distribution loss collected	**2,122**	–
Cash calls made	**25,300**	–
Members' agents' fees	**1**	(82)
Members' balances carried forward at 31 December	**1,773**	(28,568)

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 2018

	Note	2018 £'000s	2017 £'000s
Cash flows from operating activities:			
Operating profit/(loss) on ordinary activities		**2,918**	(23,336)
(Decrease)/increase in gross technical provisions		**(19,970)**	24,114
Decrease/(increase) in reinsurers' share of technical provisions		**910**	(13)
Decrease/(increase) in debtors		**11,650**	(7,357)
(Decrease)/increase in creditors		**(860)**	3,480
Unrealised foreign currency (gains)/losses		**(43)**	1,852
Investment return		**(95)**	(22)
Net cash (outflow) from operating activities		**(5,490)**	(1,282)
Cash flows from investing activities:			
(Purchase) of shares and other variable yield securities		**(16,546)**	(199)
(Purchase) of debt securities and other fixed income securities		**–**	(6)
Sale of debt securities and other fixed income securities		**–**	525
Investment income received		**95**	23
Other		**(4,236)**	2
Net cash (outflow)/inflow from investing activities		**(20,687)**	345
Cash flows from financing activities:			
Transfer from/(to) members in respect of underwriting participations		**2,122**	(624)
Cash calls made		**25,300**	–
Members' agents' fees received/(paid) on behalf of members		**1**	(82)
Net cash inflow/(outflow) from financing activities		**27,423**	(706)
Net increase/(decrease) in cash and cash equivalents		**1,246**	(1,643)
Cash and cash equivalents at beginning of year		**561**	2,197
Foreign exchange gains on cash and cash equivalents		**1**	7
Cash and cash equivalents at end of year		**1,808**	561
Cash and cash equivalents consists of:			
Cash at bank and in hand		**1,169**	333
Overseas deposits	13	**639**	228
Cash and cash equivalents at end of year		**1,808**	561

Notes to the accounts

as at 31 December 2018

1. Segmental analysis

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

	2018		2017	
	Gross premiums written £'000s	Reinsurance balance £'000s	Gross premiums written £'000s	Reinsurance balance £'000s
Direct insurance	**12,194**	**(1,705)**	33,694	(1,669)
Reinsurance acceptances	**(386)**	**79**	5,733	(411)
	11,808	**(1,626)**	39,427	(2,080)

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

	2018 £'000s	2017 £'000s
Individual premiums	**2,040**	4,394
Premiums under group contracts	**10,154**	29,300
	12,194	33,694
Periodic premiums	**10,740**	24,781
Single premiums	**1,454**	8,913
	12,194	33,694

All business was concluded in the UK.

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

	2018 Gross premiums written £'000s	2017 Gross premiums written £'000s
Direct insurance	–	604
Reinsurance acceptances	**151**	641
	151	1,245

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

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

	2018 £'000s	2017 £'000s
Individual premiums	–	270
Premiums under group contracts	**151**	334
	151	604
Periodic premiums	**151**	270
Single premiums	–	334
	151	604

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

	2018 £'000s	2017 £'000s
UK	**9,327**	26,515
Other EU countries	**1,205**	555
US	**568**	4,539
Other	**708**	7,818
	11,808	39,427

2. Investment income and expenses

	2018 £'000s	2017 £'000s
Investment income:		
Income from investments	**95**	23
Realised gains on investments	**–**	1
Investment expenses:		
Investment management expenses, including interest	**–**	(1)
Realised losses on investments	**–**	(1)
	95	22

3. Calendar year investment yield

	2018 £'000s	2017 £'000s
Average amount of syndicate funds during the year:		
Sterling fund	**15,335**	1,763
US dollar fund	**4,017**	1,052
Euro fund	**44**	85
Aggregate gross investment return:		
Before investment expenses	**95**	23
After investment expenses	**95**	22
Calendar year investment yield:	**%**	%
Before investment expenses	**0.5**	0.8
After investment expenses	**0.5**	0.8
Analysis of calendar year investment yield by fund:	**%**	%
Sterling fund	**0.4**	0.3
US dollar fund	**0.8**	1.6
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% (2017: 0%);
- Renewal expenses are 19.3% of regular premiums (2017: 8%) and 0% p.a. of the initial premium paid on single premium business (2017: 1%);
- Where policies have been underwritten, 105% of the TM/F08 select tables were used (2017: 105% of the TM/F08 select tables). Where policies have not been underwritten, the ultimate tables were used (2017: same). Where smoker status is known, the smoker/non-smoker specific mortality sub-tables have been used (2017: same). Where smoker status is unknown, it is assumed that 90% of policy holders are non-smokers and 10% are smokers (2017: 90% of TM/FC00 tables).

Following the issuance of the consent order by the NYDFS in November 2017, 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 £3.8m, are:

- The valuation interest rate and claims discount rate is 0% (2017: 0%);
- The renewal expenses are 3.5% of regular premiums (2017: 8%);
- 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.

5. Net operating expenses

	2018 £'000s	2017 £'000s
Acquisition costs	**2,233**	10,966
Change in deferred acquisition costs	**3,283**	(666)
Administrative expenses	**1,812**	3,293
Loss/(profit)on exchange	**160**	(543)
Gross operating expenses	**7,488**	13,050
Reinsurance commissions and profit participations	**(7)**	(33)
	7,481	13,017

Included within administrative expenses is auditors' remuneration:

	2018 £'000s	2017 £'000s
Audit services:		
Fees payable to the syndicate's auditor for the audit of the syndicate annual accounts	**63**	62
Other services:		
Other services pursuant to legislation	**50**	48
	113	110

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:

	2018 £'000s	2017 £'000s
Wages and salaries	**1,012**	1,480
Social security costs	**127**	158
Other pension costs	**112**	141
	1,251	1,779

Of this amount £10,263 (2017: £9,320) 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:

	2018 £'000s	2017 £'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:

	2018	2017
Administration and finance	**11**	11
Underwriting	**2**	6
Claims	**2**	2
	15	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 (2017: less than one).

7. Emoluments of the directors and Active Underwriter / Run-off Manager

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, and 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:

	2018 £'000s	2017 £'000s
Emoluments	**22**	55

Of the above amount £12,133 (2017: £21,090) was charged to the syndicate as an expense, with the remainder borne by other group entities.

The Active Underwriter / Run-off Manager received the following remuneration charged as a syndicate expense:

	2018 £'000s	2017 £'000s
Emoluments	**88**	2

The profit commission included within the emoluments is in relation to the 2015 year of account (2017: 2014 YOA), as the allocation to underwriters was only determined following its closure.

8. Other financial investments

	Fair value		Purchase price	
	2018 £'000s	2017 £'000s	2018 £'000s	2017 £'000s
Shares and other variable yield securities	**17,289**	718	**17,289**	718
Deposits with credit institutions	**4,308**	71	**4,308**	71
	21,597	789	**21,597**	789

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	
	2018 £'000s	2017 £'000s	2018 £'000s	2017 £'000s
At 1 January	**19,044**	13,639	**(43)**	(74)
Premiums written during the year	**11,808**	39,427	**(1,657)**	(2,621)
Premiums earned during the year	**(23,981)**	(33,751)	**1,688**	2,652
Foreign exchange adjustments	**80**	(271)	**–**	–
At 31 December	**6,951**	19,044	**(12)**	(43)

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

	Gross		Reinsurers' share	
	2018 £'000s	2017 £'000s	2018 £'000s	2017 £'000s
At 1 January	**20,986**	10,925	**(889)**	(845)
Claims incurred during the year	**17,265**	32,877	**(55)**	(539)
Claims paid during the year	**(20,369)**	(22,166)	**934**	495
Foreign exchange adjustments	**597**	(650)	**–**	–
At 31 December	**18,479**	20,986	**(10)**	(889)

10. Other technical provisions

	2018 £'000s	2017 £'000s
Provision for unexpired risks	**3,278**	8,648

11. Claims outstanding

Within the calendar year technical result, a surplus of £3.9m (2017: deficit of £5.2m) 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 eight 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	2018 £m	Total £m
Year 1		6.7	7.5	9.7	6.9	10.1	8.2	10.6	8.7	
Year 2		15.1	15.8	18.0	16.0	16.6	27.9	25.4		
Year 3		14.4	16.0	17.5	16.5	19.9	26.6			
Year 4		14.6	16.2	17.4	15.5	19.4				
Year 5		14.6	16.1	17.4	15.6					
Year 6		14.5	16.1	17.4						
Year 7		14.6	15.9							
Year 8		14.5								
Cumulative claims paid		14.4	15.9	17.3	15.3	19.1	23.7	14.9	1.1	
Outstanding claims reserve	0.0	0.1	0.0	0.1	0.3	0.3	2.9	10.5	7.6	21.8

Net of reinsurance

Year of Account	2010 and prior £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	Total £m
Year 1		6.3	7.4	9.2	6.9	10.1	8.2	10.1	8.7	
Year 2		15.1	15.5	17.4	15.1	16.6	24.1	25.0		
Year 3		14.4	15.7	17.0	10.9	19.4	26.6			
Year 4		14.6	15.9	16.9	14.6	18.9				
Year 5		14.6	15.8	16.9	14.5					
Year 6		14.5	15.8	16.9						
Year 7		14.5	15.7							
Year 8		14.5								
Cumulative claims paid		14.4	15.7	16.8	14.2	18.6	23.7	14.6	1.1	
Outstanding claims reserve	0.0	0.1	0.0	0.1	0.3	0.3	2.9	10.4	7.6	21.7

12. Debtors arising out of direct insurance operations

	2018 £'000s	2017 £'000s
Amounts due from intermediaries within one year	**11,465**	20,683

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	
	2018 £'000s	2017 £'000s	2018 £'000s	2017 £'000s
At 1 January	**5,024**	4,271	**(16)**	(19)
Expenses for the acquisition of insurance contracts deferred during the year	**2,233**	10,966	**4**	(31)
Amortisation	**(5,516)**	(10,300)	**7**	33
Foreign exchange adjustments	**29**	(111)	**–**	1
Other	**(164)**	198	**–**	–
At 31 December	**1,606**	5,024	**(5)**	(16)

15. Creditors arising out of direct insurance operations

	2018 £'000s	2017 £'000s
Amounts due to intermediaries within one year	**7,317**	7,007

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 22.

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 2018 is estimated to be £14.4m 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. The syndicate's capital requirement as at 31 December 2017 was £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.

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	2018 £'000s	2017 £'000s
Members' balances surplus/(deficit)	**1,773**	(28,568)
Disallowance – overdue premium and sundry debtors	**148**	236
Deferred acquisition costs	**(1,606)**	(5,024)
Total available capital resource	**315**	(33,356)
Provision for unearned premiums	**(6,951)**	(19,044)
Long-term business provision	**(18,479)**	(20,986)
Other technical provisions	**(3,278)**	(8,648)
Gross technical provisions in the balance sheet	**(28,708)**	(48,678)

During 2018 the gross technical provisions moved from £48.7m to £28.7m including:

- reduction of the provision for unexpired risks to £3.3m (2017: £8.6m);
- reduction of unearned premiums provisions to £7.0m (2017: £19.0m);
- reduction of an additional expense reserve for the run-off to £nil (2017: £1.1m);
- no change to the UNFCU reserve of £7.7m (2017: £7.7m);

The general reduction in the technical provisions during 2018 is due to the run-off of the liabilities over time as Syndicate 308 is no longer writing new business.

Movements in capital resource	2018 £'000s	2017 £'000s
Balance at 1 January	**(33,356)**	(9,863)
Disallowance – increase in overdue premium and sundry debtors	**(88)**	69
Solvency adjustments:		
Expense run-off reserve	–	676
Currency mismatch reserve	–	557
Total solvency adjustments	–	1,233
Deferred acquisition costs	**3,418**	(753)
Movement in members' balances	**30,341**	(24,042)
Balance as at 31 December	**315**	(33,356)

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 2018 calendar year of £nil (2017: £85,231). The unpaid premiums due from related parties at the period end were £340,678 (2017: £378,463). The outstanding claims (excluding IBNR) were £nil (2017: £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 2018 calendar year (2017: £nil). 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 £120,877 (2017: £227,541) were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £2,037,360 (2017: £3,421,626) were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 18 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 22 to 26.

a) Insurance risk

Further details on the management of the syndicate's insurance risk are given on page 23.

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.

2018	Gross claims provision £'000s	Reinsurance claims provision £'000s	Net claims provision £'000s
Life	**21,757**	**(10)**	**21,747**

2017	Gross claims provision £'000s	Reinsurance claims provision £'000s	Net claims provision £'000s
Life	29,634	(889)	28,745

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

	Gross claims provision	
	2018 £'000s	**2017 £'000s**
UK	**10,834**	15,300
Other EU countries	**1,939**	2,233
US	**8,337**	9,608
Other	**647**	2,493
	21,757	29,634

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 £0.2m (2017: £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 £0.03m (2017: £0.05m). A decrease of 1% would result in £0.2m (2017: £0.3m) less premium being reported and an estimated £0.03m reduction in the net result (2017: £0.05m). 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 2018 is 68% (2017: 132%). 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 (2017: £0.3m) and result reducing by £0.2m (2017: £0.3m).

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 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 24.

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.

2018	AAA £'000s	AA £'000s	A £'000s	<A £'000s	NR £'000s	Total £'000s
Financial investments:						
Other financial investments	**17,289**	**–**	**4,308**	**–**	**–**	**21,597**
Overseas deposits	**254**	**382**	**3**	**–**	**–**	**639**
Deposits with ceding undertakings	**–**	**–**	**–**	**–**	**258**	**258**
Cash at bank and in hand	**–**	**–**	**1,169**	**–**	**–**	**1,169**
Reinsurers' share of outstanding claims including reinsurers' IBNR	**–**	**10**	**–**	**–**	**–**	**10**
Reinsurance recoverable on paid claims netiher due nor impaired	**–**	**59**	**–**	**–**	**–**	**59**
	17,543	**451**	**5,480**	**–**	**258**	**23,732**

2017	AAA £'000s	AA £'000s	A £'000s	<A £'000s	NR £'000s	Total £'000s
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
	375	582	865	–	659	2,481

The largest potential reinsurance credit exposure to the syndicate at 31 December 2018 was 36.7% with an A+ rated security (2017: 36.7% 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.

2018	Fully performing £'000s	Past due £'000s	Impairment £'000s	Total £'000s
Financial investments:				
Other financial investments	**21,597**	**–**	**–**	**21,597**
Overseas deposits	**639**	**–**	**–**	**639**
Deposits with ceding undertakings	**258**	**–**	**–**	**258**
Cash at bank and in hand	**1,169**	**–**	**–**	**1,169**
Reinsurers' share of outstanding claims including reinsurers' IBNR	**10**	**–**	**–**	**10**
Insurance debtors	**10,507**	**958**	**–**	**11,465**
Reinsurance recoverable on paid claims	**59**	**–**	**–**	**59**
Other debtors	**6,066**	**–**	**–**	**6,066**
	40,305	**958**	**–**	**41,263**

2017	Fully performing £'000s	Past due £'000s	Impairment £'000s	Total £'000s
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
	24,875	6,877	–	31,752

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 24. 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.

2018	No Stated Maturity	Up to 1 year £'000s	1–3 years £'000s	3–5 years £'000s	Over 5 years £'000s	Total £'000s
Creditors	–	10,777	–	–	–	10,777
Gross claims provision	624	8,518	3,224	2,839	6,552	21,757
Financial liabilities and gross claims provisions	624	19,295	3,224	2,839	6,552	32,534

2017	No Stated Maturity	Up to 1 year £'000s	1–3 years £'000s	3–5 years £'000s	Over 5 years £'000s	Total £'000s
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

Foreign currency market risk

For further details of the management of the syndicate's market risk please refer to page 24.

The syndicate maintains bank accounts and claims reserves in pounds sterling and US dollars (the Lloyd's closing currencies). Additionally, bank accounts 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.

	2018 £'000s	2017 £'000s
Sterling strengthens 10% against US dollar	**792**	863
Sterling weakens 10% against US dollar	**(792)**	(863)

Interest rate market risk

For further details of the management of the syndicate's market risk please refer to page 24.

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 of cash despoits.
- Level 2 financial instruments are 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 2018.

2018	Level 1 £'000s	Level 2 £'000s	Level 3 £'000s	Total £'000s
Shares and other variable yield securities	**–**	**17,289**	**–**	**17,289**
Debt securities and other fixed income securities	**–**	**–**	**–**	**–**
Loans and deposits with credit institutions	**4,308**	**–**	**–**	**4,308**
Overseas deposits	**639**	**–**	**–**	**639**
	4,947	**17,289**	**–**	**22,236**

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

Annual report and accounts 2018

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

Underwriting Year Accounts

for the closed year of account 2016

Report of the directors of the managing agent

The managing agent presents its report at 31 December 2018 for the 2016 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.

2016 closed year of account

The 2016 year of account closed for the syndicates with the following results:

510	£'000s	% of capacity
Profit after standard personal expenses	**46,716**	**4.40**

The underwriting surplus (excluding investment return and operating expenses, other than acquisition costs) attributable to the reinsurance to close (RITC) of the 2015 year of account was £54,609k.

557	£'000s	% of capacity
Profit after standard personal expenses	**8,904**	**25.65**

The underwriting surplus (excluding investment return and operating expenses, other than acquisition costs) attributable to the RITC of the 2015 year of account was £4,647k.

308	£'000s	% of capacity
Loss after standard personal expenses	**(3,028)**	**(9.52)**

The underwriting surplus (excluding investment return and operating expenses, other than acquisition costs) attributable to the RITC of the 2015 year of account was £1,587k

The underwriters' reports on pages 10 to 16 and the report of the directors of the managing agent on pages 22 to 26 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

Fiona Molloy

Company Secretary
Tokio Marine Kiln Syndicates Limited
15 March 2019

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 2018

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 2016 year of account which has been closed by RITC as at 31 December 2018. Consequently the balance sheet represents the assets and liabilities of the 2016 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 2016 year of account to the date of closure. Accordingly, this is the only reporting period and comparative amounts are not shown.

2. Use of significant estimates, judgements and assumptions

The preparation of the syndicates' financial statements requires the use of significant estimates, judgements and assumptions. The directors consider the accounting policies for determining premium written, earned premiums, claims provisions, provision for unexpired risks and the valuation of investments as being most critical to an understanding of the syndicates' results and position. These are all discussed in more detail in note 3.

The most critical estimate included within the syndicates' balance sheet is the estimate for losses incurred but not reported. The total gross estimate is included within Claims outstanding liabilities on the balance sheet.

Estimates of losses incurred but not reported are continually evaluated, based on entity-specific historical experience and contemporaneous developments observed in the wider industry when relevant. Estimates are also updated for expectations of prospective future developments.The procedures used in estimating the cost of settling insured losses at the balance sheet date including losses incurred but not reported are detailed in note 3 (b).

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 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. A defined contribution plan is a pension plan under which a fixed contributions is paid into a separate entity. Once the contributions have been paid the Group has no further payment obligations. 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 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.

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 2018

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited
Underwriting year accounts for the 2016 closed year of account

Syndicate 510

Tokio Marine Kiln Combined Syndicate Composite

Independent auditors' report to the members of Syndicate 510 – 2016 closed year of account. Report on the audit of the syndicate underwriting year accounts

Opinion

In our opinion, 510's syndicate underwriting year accounts for the 2016 year of account for the three years ended 31 December 2018 (the "syndicate underwriting year accounts"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2018 and of its profit and cash flows for the 2016 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 2018 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018, the statement of comprehensive income and 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the syndicate's business and the wider economy.

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 Report of the directors of the managing agent (the "Managing Agent's Report"), we also considered whether the disclosures required by The 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 2018 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 111, 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 2016 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. 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 required reporting

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 2019

Statement of comprehensive income: technical account – general business

for the 36 months ended 31 December 2018

	Note	2016 £'000s
Syndicate allocated capacity		1,061,786
Earned premiums, net of reinsurance		
Gross premiums written	1	1,408,247
Outward reinsurance premiums		(300,163)
Earned premiums, net of reinsurance		1,108,084
Reinsurance to close premium receivable, net of reinsurance	2	515,479
Allocated investment return transferred from the non-technical account		12,017
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		(668,336)
Reinsurers' share		109,806
Reinsurance to close premium payable, net of reinsurance	3	(617,533)
Claims incurred, net of reinsurance		(1,176,063)
Members' standard personal expenses		(25,023)
Net operating expenses	4,5,6	(399,611)
Balance on the technical account for general business	7	34,883

Statement of comprehensive income: non-technical account

for the 36 months ended 31 December 2018

	Note	2016 £'000s
Balance on the general business technical account		34,883
Investment income	8	17,296
Investment expenses and charges	8	(4,003)
Net unrealised losses on investments	8	(1,276)
Allocated investment return transferred to the general business technical account	8	(12,017)
Profit on exchange		11,833
Profit for the 2016 closed year of account		46,716

There is no other comprehensive income.

Balance sheet

for the 2016 closed year of account as at 31 December 2018

Assets	Note	2016 £'000s
Investments		
Other financial investments	9	542,999
Deposits with ceding undertakings		590
Debtors	10	154,085
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	3	170,303
Other assets		
Cash at bank and in hand		4,897
Overseas deposits	11	99,242
Prepayments and accrued income		832
Total assets		972,948

Liabilities	Note	2016 £'000s
Amounts due to members	12	42,995
Reinsurance to close premium payable to close the account – gross amount	3	787,836
Deposits received from reinsurers		5,925
Creditors	13	135,713
Accruals and Deferred income		479
Total liabilities		972,948

The underwriting year accounts, which comprise pages 117 to 130 and the notes and principal accounting policies applicable to all syndicates on pages 112 to 116, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 15 March 2019 and were signed on its behalf by

Reeken Patel

Chief Financial Officer
Tokio Marine Kiln Syndicates Limited
15 March 2019

Cash flow statement

for the 36 months ended 31 December 2018

	Note	2016 £'000s
Cash flows from operating activities:		
Operating profit on ordinary activities		46,716
Non-cash consideration for net RITC receivable		(427,410)
Net RITC premium payable	3	617,533
Decrease in debtors		14,642
(Decrease) in creditors		(29,911)
Unrealised foreign currency losses		5,115
Net cash inflow from operating activities		**226,685**
Cash flows from investing activities:		
(Purchase) of shares and other variable yield securities		(31,148)
Purchase of debt securities and other fixed income securities		(603,776)
Sale of debt securities and other fixed income securities		517,702
Movements in deposits with credit institutions		(5,057)
Movements in other investments		(150)
Movements in deposits		4,939
Net cash (outflow) from investing activities		**(117,490)**
Cash flows from financing activities:		
Members' agents' fees paid on behalf of members		(3,721)
Net cash (outflow) from financing activities		**(3,721)**
Net increase in cash and cash equivalents		**105,474**
Cash and cash equivalents at beginning of the 36 months		–
Foreign exchange (losses) on cash and cash equivalents		(1,335)
Cash and cash equivalents at end of the 36 months		104,139
Cash and cash equivalents consists of:		
Cash at bank and in hand		4,897
Overseas deposits	11	99,242
Cash and cash equivalents at end of the 36 months		**104,139**

Notes to the accounts

for the 36 months ended 31 December 2018

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	747,686	(506,033)	(272,933)	(9,761)	(41,041)
Marine & Special Risks	235,419	(152,924)	(83,609)	(14,827)	(15,941)
Accident & Health	165,168	(92,820)	(66,130)	(3,418)	2,800
Reinsurance	108,240	(32,384)	(30,121)	(36,827)	8,908
Enterprise Risk	96,516	(35,831)	(39,856)	(4,701)	16,128
Aviation	55,218	(39,238)	(20,709)	2,132	(2,597)
	1,408,247	(859,230)	(513,358)	(67,402)	(31,743)
RITC received	681,236	(596,942)	–	(29,685)	54,609
	2,089,483	(1,456,172)	(513,358)	(97,087)	22,866

Of the above divisions the following have accepted inwards reinsurance business: Reinsurance (100.0%); Aviation (26.9%); Accident & Health (27.7%); Marine & Special Risks (11.8%); Enterprise Risk (11.0%) and Property & Special Lines (12.0%).

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	874,802
Other EU countries	155,615
US	596,001
Canada	148,527
Other	314,538
	2,089,483

2. Reinsurance to close premium receivable

	£'000s
Gross reinsurance to close premium receivable	681,236
Reinsurance recoveries anticipated	(165,757)
	515,479

3. Reinsurance to close premium payable

	£'000s
Gross notified outstanding claims	461,288
Reinsurance recoveries anticipated	(114,249)
Net notified outstanding claims	347,039
Provision for gross claims IBNR	326,548
Reinsurance recoveries anticipated on IBNR	(56,054)
Provision for net IBNR	270,494
	617,533

The reinsurance to close is effected to the 2017 year of account of Syndicate 510.

4. Net operating expenses

	£'000s
Acquisition costs	415,991
Administrative expenses	72,344
Gross operating expenses	488,335
Reinsurance commissions and profit participations	(88,724)
	399,611

Included within administrative expenses is auditors' remuneration:

	£'000s
Audit services:	
Fees payable to the syndicate's auditor for the audit of the syndicate accounts	148
Other services:	
Other services pursuant to legislation	337
	485

The charge incurred for other services relates to the audit and review of the syndicate's regulatory returns and the provision of statement 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 2016 year of account in respect of salary costs and are included within administrative expenses:

	£'000s
Wages, salaries and social security costs	25,511
Other pension costs	3,053
	28,564

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 2016 year of account was as follows:

Administration and finance	151
Underwriting	90
Claims	41
	282

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 279 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 £899,722 was charged as an expense to the 2016 year of account:

	£'000s
Emoluments	1,859

The Active Underwriters received the following remuneration charged to the 2016 year of account as a syndicate expense:

	£'000s
Emoluments	2,275

7. Analysis of technical result

	2015 & prior years of account £'000s	2016 pure year of account £'000s	Total 2016 £'000s
Technical account balance excluding investment return and operating expenses	54,609	392,891	447,500
Brokerage and commission on gross premium	–	(415,991)	(415,991)
Reinsurance commissions receivable	–	88,724	88,724
	54,609	65,624	120,233
Allocated investment return transferred from the non-technical account	–	12,017	12,017
Net operating expenses other than acquisition costs	–	(97,367)	(97,367)
	54,609	(19,726)	34,883

All acquisition costs are attributable to business allocated to the 2016 pure year of account.

8. Investment income and expenses

	£'000s
Investment income:	
Income from investments	16,240
Realised gains on investments	1,056
Unrealised gains on investments	4,095
Investment expenses:	
Investment management expenses, including interest	(1,554)
Realised losses on investments	(2,449)
Unrealised losses on investments	(5,371)
	12,017

9. Other financial investments

	Fair value £'000s	Purchase price £'000
Shares and other variable yield securities	212,824	214,949
Debt securities and other fixed income securities	324,978	323,019
Deposits with credit institutions	5,057	5,057
Other investments	140	–
	542,999	543,025

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 2018 was £96,022,794.

10. Debtors

	£'000s
Due within one year:	
Arising out of direct insurance operations:	
Due from intermediaries	46,318
Arising out of reinsurance operations	99,141
Other debtors	4,417
	149,876
Due after one year:	
Arising out of reinsurance operations	182
Other debtors	4,027
	4,209
	154,085

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 2016 closed year of account	46,716
Members' agents' fee advances	(3,721)
Amounts due to members at 31 December 2018	42,995

13. Creditors

	£'000s
Due within one year:	
Arising out of direct insurance operations:	
Due to intermediaries	37,426
Inter-year loans	17,643
Arising out of reinsurance operations	66,353
Other creditors	14,262
	135,684
Due after one year:	
Arising out of direct insurance operations:	1
Arising out of reinsurance operations	28
	135,713

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 2016 year of account of £5,971,113. Unpaid premium of £304,151 was due from related parties at the period end. The outstanding claims (excluding IBNR) were £430,805.

Written premiums ceded by Syndicate 510 to related parties for the 2016 year of account were £83,866,941. Paid recoveries from related parties during the period were £30,090,970. Unpaid recoveries at the period end amounted to £2,334,873 and future recoveries on outstanding claims (excluding IBNR) were £21,231,771.

Treaty profit commission due to Syndicate 510 from related parties for the 2016 year of account was £1,124. Profit commission received from related parties during the period was £nil. Profit commission receivable at the period end amounted to £1,181.

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 Lloyd's Decile 10 Review impacted the viability of certain service companies within the Group. This included the Group's Hong Kong office, an investment in a European coverholder (Ibex) and Tokio Marine Kiln Regional Underwriting Limited. The impairment loss recognised and charged to Syndicate 510 was £3.6 million which includes redundancy costs of £0.5 million.

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 100% 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 2018. Profit commission on inwards business of £67,889 was paid to related parties for the 2016 year of account and £653,587 of profit commission was payable at the period end.

Profit commission of £10,200,306 was payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of profits for the 2016 year.

Managing agency fees of £7,842,802 were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £52,204,001 were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 18 provides further information regarding all syndicates and related parties.

Seven year summary (unaudited)

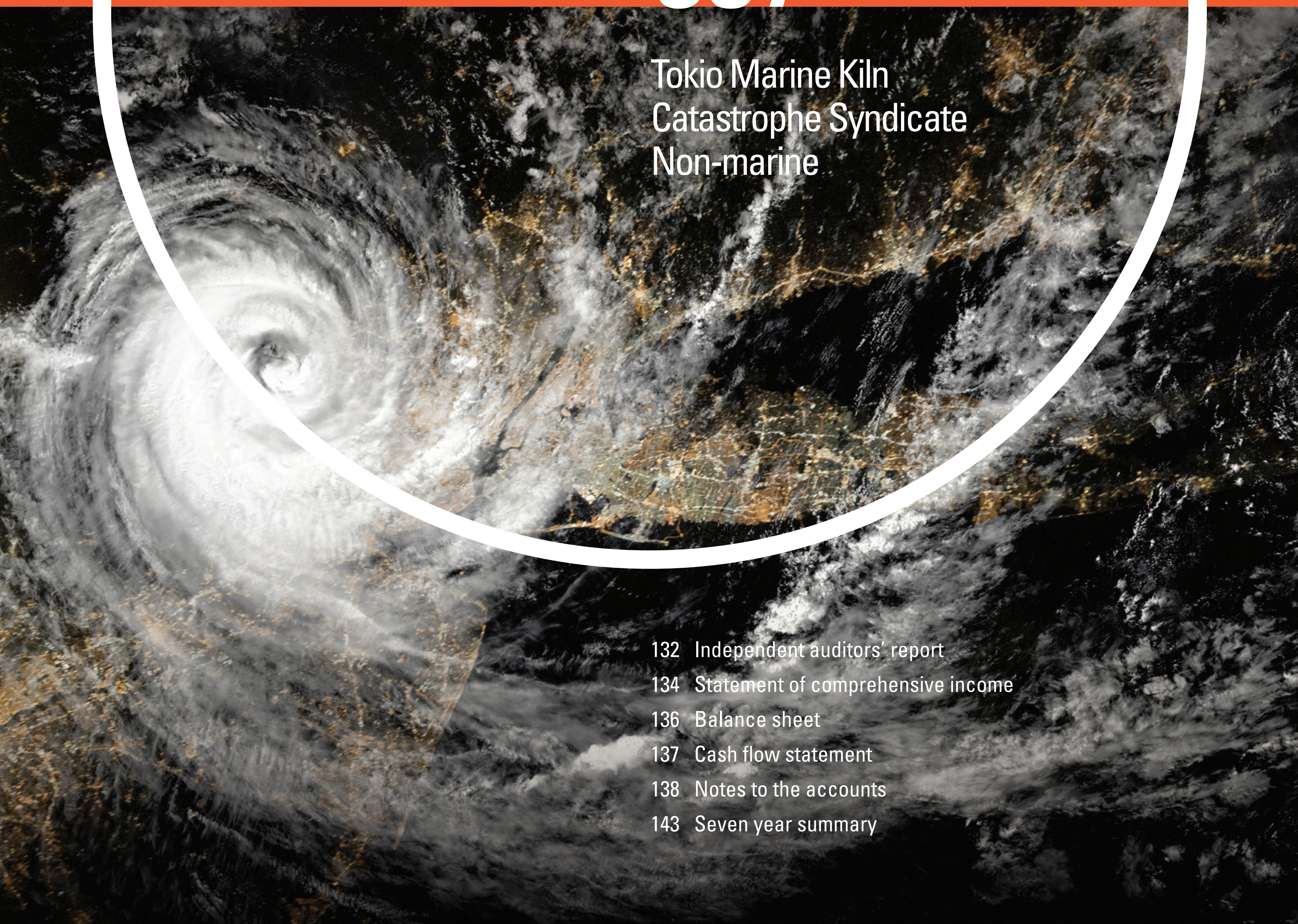
	2010	2011	2012	2013	2014	2015	2016
Syndicate allocated capacity £m	922.53	922.31	1,062.27	1,063.67	1,063.97	1,062.85	1,061.79
Number of underwriting members	1,540	1,577	1,647	1,661	1,660	1,635	1,656
Aggregate net premiums £m	707.01	739.10	906.73	913.83	1,055.95	1,006.28	1,108.08
Result £m	24.88	69.05	90.43	115.69	167.05	118.01	46.72
Results for an illustrative share of £10,000							
Gross premiums written and earned	7,403	7,532	8,143	8,029	9,435	8,557	9,345
– as a percentage of allocated capacity	74%	75%	81%	80%	94%	86%	93%
Net premiums written and earned	5,548	5,778	6,156	6,268	7,062	6,711	7,354
– as a percentage of allocated capacity	55%	58%	62%	63%	71%	67%	74%
RITC from an earlier year of account	3,596	3,701	3,529	4,007	4,017	4,599	4,855
Net claims incurred	(4,586)	(4,261)	(4,140)	(4,367)	(4,746)	(4,264)	(5,260)
RITC the year of account	(3,700)	(3,706)	(4,012)	(4,019)	(4,595)	(4,850)	(5,816)
Underwriting result	858	1,512	1,533	1,889	1,738	2,196	1,133
(Loss)/profit on exchange	(106)	(120)	1	(55)	687	(244)	111
Syndicate operating expenses	(450)	(475)	(524)	(511)	(568)	(657)	(681)
Balance on the technical account	302	917	1,010	1,323	1,857	1,295	563
Investment return	155	90	87	74	88	127	113
Result before personal expenses	457	1,007	1,097	1,397	1,945	1,422	676
Illustrative personal expenses	(187)	(259)	(245)	(309)	(377)	(313)	(236)
Result	270	748	852	1,088	1,568	1,109	440

Annual report and accounts 2018

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited Underwriting year accounts for the 2016 closed year of account

Syndicate 557

Tokio Marine Kiln Catastrophe Syndicate Non-marine



Independent auditors' report to the members of Syndicate 557 – 2016 closed year of account. Report on the audit of the syndicate underwriting year accounts

Opinion

In our opinion, 557's syndicate underwriting year accounts for the 2016 year of account for the three years ended 31 December 2018 (the "syndicate underwriting year accounts"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2018 and of its profit and cash flows for the 2016 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 2018 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018, the statement of comprehensive income and 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the syndicate's business and the wider economy.

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 Report of the directors of the managing agent (the "Managing Agent's Report"), we also considered whether the disclosures required by The 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 2018 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 111, 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 2016 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. 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 required reporting

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 2019

Statement of comprehensive income: technical account – general business

for the 36 months ended 31 December 2018

	Note	2016 £'000s
Syndicate allocated capacity		34,710
Earned premiums, net of reinsurance		
Gross premiums written	1	17,916
Outward reinsurance premiums		(2,274)
Earned premiums, net of reinsurance		15,642
Reinsurance to close premium receivable, net of reinsurance	2	13,789
Allocated investment return transferred from the non-technical account		319
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		(6,644)
Reinsurers' share		445
Reinsurance to close premium payable, net of reinsurance	3	(9,760)
Claims incurred, net of reinsurance		(15,960)
Members' standard personal expenses		(2,147)
Net operating expenses	4,5,6	(2,705)
Balance on the technical account for general business	7	8,939

Statement of comprehensive income: non-technical account

for the 36 months ended 31 December 2018

	Note	2016 £'000s
Balance on the general business technical account		8,939
Investment income	8	576
Investment expenses and charges	8	(76)
Net unrealised losses on investments	8	(181)
Allocated investment return transferred to the general business technical account	8	(319)
Loss on exchange		(35)
Profit for the 2016 closed year of account		8,904

There is no other comprehensive income.

Balance sheet

for the 2016 closed year of account as at 31 December 2018

Assets	Note	2016 £'000s
Investments		
Other financial investments	9	18,188
Debtors	10	597
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	3	442
Other assets		
Cash at bank and in hand		1,932
Overseas deposits	11	10
Prepayments and accrued income		6
Total assets		21,175

Liabilities	Note	2016 £'000s
Amounts due to members	12	8,621
Reinsurance to close premium payable to close the account – gross amount	3	10,202
Creditors	13	2,352
Total liabilities		21,175

The underwriting year accounts, which comprise pages 131 to 144 and the notes and principal accounting policies applicable to all syndicates on pages 112 to 116, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 15 March 2019 and were signed on its behalf by

Reeken Patel

Chief Financial Officer
Tokio Marine Kiln Syndicates Limited
15 March 2019

Cash flow statement

for the 36 months ended 31 December 2018

	Note	2016 £'000s
Cash flows from operating activities:		
Operating profit on ordinary activities		8,904
Non-cash consideration for net RITC receivable		(13,776)
Net RITC premium payable	3	9,760
Decrease in debtors		1,415
(Decrease) in creditors		(300)
Unrealised foreign currency losses		225
Net cash inflow from operating activities		**6,228**
Cash flows from investing activities:		
Purchase of shares and other variable yield securities		(734)
Purchase of debt securities and other fixed income securities		(24,266)
Sale of debt securities and other fixed income securities		20,995
Net cash (outflow) from investing activities		**(4,005)**
Cash flows from financing activities:		
Members' agents' fees paid on behalf of members		(283)
Net cash (outflow) from financing activities		**(283)**
Net increase in cash and cash equivalents		**1,940**
Cash and cash equivalents at beginning of the 36 months		–
Foreign exchange gains on cash and cash equivalents		2
Cash and cash equivalents at end of the 36 months		1,942
Cash and cash equivalents consists of:		
Cash at bank and in hand		1,932
Overseas deposits	11	10
Cash and cash equivalents at end of the 36 months		**1,942**

Notes to the accounts

for the 36 months ended 31 December 2018

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	17,916	(8,017)	(4,852)	(1,075)	3,972
RITC received	14,933	(8,830)	–	(1,456)	4,647
	32,849	(16,847)	(4,852)	(2,531)	8,619

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	14,933
Reinsurance recoveries anticipated	(1,144)
	13,789

3. Reinsurance to close premium payable

	£'000s
Gross notified outstanding claims	5,430
Reinsurance recoveries anticipated	(205)
Net notified outstanding claims	5,225
Provision for gross claims IBNR	4,772
Reinsurance recoveries anticipated on IBNR	(237)
Provision for net IBNR	4,535
	9,760

The reinsurance to close is effected to the 2017 year of account of Syndicate 557.

4. Net operating expenses

	£'000s
Acquisition costs	644
Administrative expenses	2,061
Gross and net operating expenses	2,705

Included within administrative expenses is auditors' remuneration:

	£'000s
Audit services:	
Fees payable to the syndicate's auditor for the audit of the syndicate accounts	26
Other services:	
Other services pursuant to legislation	61
	87

The charge incurred for other services relates to the audit and review of the syndicate's regulatory returns and the provision of statement 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 2016 year of account in respect of salary costs and are included within administrative expenses:

	£'000s
Wages, salaries and social security costs	1,120
Other pension costs	171
	1,291

Of this amount £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.

The average number of full-time employees working for the syndicate on the 2016 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 £11,315 was charged as an expense to the 2016 year of account:

	£'000s
Emoluments	23

The Active Underwriter received the following remuneration charged to the 2016 year of account as a syndicate expense:

	£'000s
Emoluments	199

7. Analysis of technical result

	2015 & prior years of account £'000s	2016 pure year of account £'000s	Total 2016 £'000s
Technical account balance excluding investment return and operating expenses	4,647	8,824	13,471
Brokerage and commission on gross premium	–	(644)	(644)
	4,647	8,180	12,827
Allocated investment return transferred from the non-technical account	–	319	319
Net operating expenses other than acquisition costs	–	(4,208)	(4,208)
	4,647	4,291	8,938

All acquisition costs are attributable to business allocated to the 2016 pure year of account.

8. Investment income and expenses

	£'000s
Investment income:	
Income from investments	475
Realised gains on investments	101
Unrealised losses on investments	(39)
Investment expenses:	
Investment management expenses, including interest	(36)
Realised losses on investments	(40)
Unrealised losses on investments	(142)
	319

9. Other financial investments

	Fair value £'000s	Purchase price £'000s
Shares and other variable yield securities	13,626	13,686
Debt securities and other fixed income securities	4,562	4,543
	18,188	18,229

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

10. Debtors

	£'000s
Arising out of reinsurance operations	399
Inter-year loans	125
Other debtors	73
	597

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 2016 closed year of account	8,904
Members' agents' fee advances	(283)
Amounts due to members at 31 December 2018	8,621

13. Creditors

	£'000s
Arising out of reinsurance operations	438
Other creditors	1,914
	2,352

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 2016 year of account of £18,614,456. The unpaid premiums due from Syndicate 510 at the period end were £1,248. The outstanding claims (excluding IBNR) were £1,208,676. No business was ceded to related parties.

Profit commission of £1,886,822 was payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of profits for the 2016 year.

Managing agency fees of £260,102 were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £2,330,433 were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 18 provides further information regarding all syndicates and related parties.

Seven year summary (unaudited)

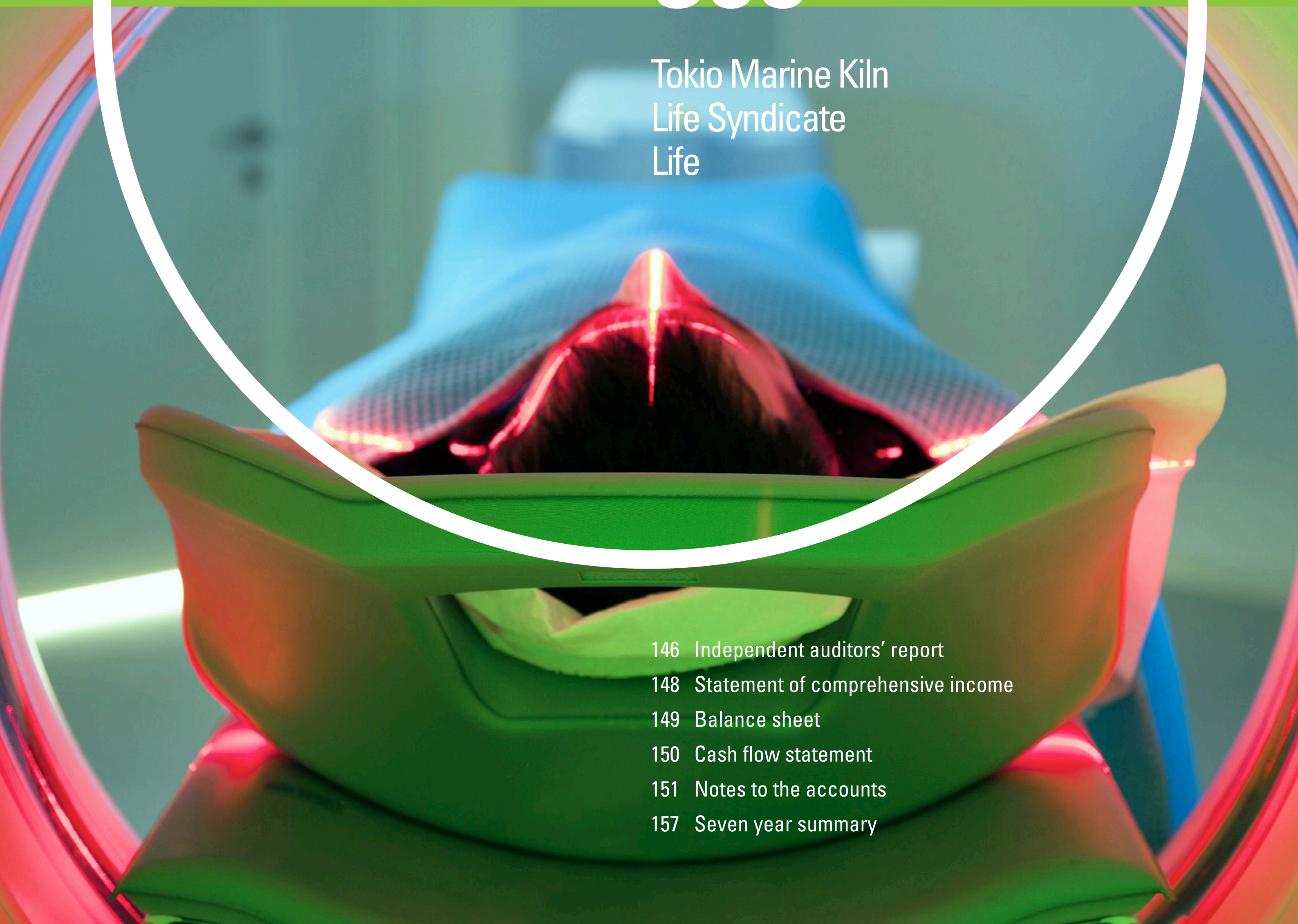
	2010	2011	2012	2013	2014	2015	2016
Syndicate allocated capacity £m	119.54	59.87	56.27	45.82	39.28	34.87	34.71
Number of underwriting members	1,129	1,144	1,086	932	810	770	818
Aggregate net premiums £m	34.57	25.72	28.06	26.06	22.18	17.13	15.64
Result £m	(30.35)	6.12	3.27	7.02	10.77	10.44	8.90
Results for an illustrative share of £10,000							
Gross premiums written and earned	2,737	4,876	5,954	6,637	6,295	5,387	4,976
– as a percentage of allocated capacity	27%	49%	60%	66%	63%	54%	50%
Net premiums written and earned	2,349	4,151	4,819	5,488	5,453	4,722	4,321
– as a percentage of allocated capacity	23%	42%	48%	55%	55%	47%	43%
RITC from an earlier year of account	885	4,535	3,328	4,653	4,851	4,662	3,973
Net claims incurred	(3,264)	(4,150)	(3,510)	(3,613)	(3,247)	(1,008)	(1,786)
RITC the year of account	(2,271)	(3,128)	(3,789)	(4,158)	(4,138)	(3,954)	(2,812)
Underwriting result	(2,301)	1,408	848	2,370	2,919	4,422	3,696
(Loss)/profit on exchange	(53)	(43)	27	(72)	794	(270)	(10)
Syndicate operating expenses	(171)	(332)	(309)	(437)	(414)	(567)	(594)
Balance on the technical account	(2,525)	1,033	566	1,861	3,299	3,585	3,092
Investment return	60	64	91	70	99	118	92
Result before personal expenses	(2,465)	1,097	657	1,931	3,398	3,703	3,184
Illustrative personal expenses	(75)	(75)	(75)	(399)	(656)	(709)	(619)
Result	(2,540)	1,022	582	1,532	2,742	2,994	2,565

Annual report and accounts 2018

For Syndicates 510, 557 and 308 managed by Tokio Marine Kiln Syndicates Limited Underwriting year accounts for the 2016 closed year of account

Syndicate 308

Tokio Marine Kiln
Life Syndicate
Life



Independent auditors' report to the members of Syndicate 308 – 2016 closed year of account. Report on the audit of the syndicate underwriting year accounts

Opinion

In our opinion, 308's syndicate underwriting year accounts for the 2016 year of account for the three years ended 31 December 2018 (the "syndicate underwriting year accounts"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2018 and of its loss and cash flows for the 2016 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 2018 (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018, the statement of comprehensive income and 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the syndicate's business and the wider economy.

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 Report of the directors of the managing agent (the "Managing Agent's Report"), we also considered whether the disclosures required by The 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 2018 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 111 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 2016 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. 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 required reporting

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 2019

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

for the 36 months ended 31 December 2018

	Note	2016 £'000s
Syndicate allocated capacity		31,879
Earned premiums, net of reinsurance		
Gross premiums written	1	39,744
Outward reinsurance premiums		(1,724)
Earned premiums, net of reinsurance		38,020
Reinsurance to close premium receivable, net of reinsurance	2	2,279
Investment income	3	49
Claims incurred, net of reinsurance		
Claims paid:		
Gross amount		(24,482)
Reinsurers' share		608
Reinsurance to close premium payable, net of reinsurance	4	(5,122)
Claims incurred, net of reinsurance		(28,996)
Members' standard personal expenses		(542)
Net operating expenses	5,6,7	(13,824)
Investment expenses and charges	3	(3)
Net unrealised (losses) on investments	3	(11)
Balance on the technical account for long-term business and (loss) for the 2016 closed year of account	8	(3,028)

There are no non-technical items.

There is no other comprehensive income.

Balance sheet

for the 2016 closed year of account as at 31 December 2018

Assets	Note	2016 £'000s
Investments		
Other financial investments	9	3,857
Deposit with ceding undertakings		257
Debtors	10	7,531
Other assets		
Cash at bank and in hand		216
Overseas deposits	11	35
Total assets		11,896

Liabilities	Note	2016 £'000s
Amounts due from members	12	658
Reinsurance to close premium payable to close the account – gross amount	4	4,804
Creditors	13	6,116
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	4	318
Total liabilities		11,896

The underwriting year accounts, which comprise pages 145 to 158 and the notes and principal accounting policies applicable to all syndicates on pages 112 to 116, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 15 March 2019 and were signed on its behalf by

Reeken Patel

Chief Financial Officer
Tokio Marine Kiln Syndicates Limited
15 March 2019

Cash flow statement

for the 36 months ended 31 December 2018

	Note	2016 £'000s
Cash flows from operating activities:		
Operating (loss) on ordinary activities		(3,028)
Non-cash consideration for net RITC receivable		(112)
Net RITC premium payable	4	5,122
(Increase) in debtors		(3,625)
Increase in creditors		2,008
Unrealised foreign currency losses		68
Net cash inflow from operating activities		**433**
Cash flows from investing activities:		
(Purchase) of shares and other variable yield securities		(3,782)
(Purchase) of debt securities and other fixed income securities		(1,413)
Sale of debt securities and other fixed income securities		1,332
Movements in deposits with credit institutions		3
Movements in deposits with ceding undertakings		(15)
Net cash (outflow) from investing activities		**(3,875)**
Cash flows from financing activities:		
Members' agents' fees paid on behalf of members		(114)
Cash calls made to date		3,800
Net cash inflow from financing activities		**3,686**
Net increase in cash and cash equivalents		**244**
Cash and cash equivalents at beginning of the 36 months		–
Foreign exchange gains on cash and cash equivalents		7
Cash and cash equivalents at end of the 36 months		251
Cash and cash equivalents consists of:		
Cash at bank and in hand		216
Overseas deposits	11	35
Cash and cash equivalents at end of the 36 months		**251**

Notes to the accounts

for the 36 months ended 31 December 2018

1. Segmental analysis

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

	Gross premiums written (note i) £'000s	Reinsurance balance (note ii) £'000s
Direct insurance	32,459	(1,163)
Reinsurance acceptances	7,285	(261)
RITC received	2,467	(188)
	42,211	(1,612)

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:

	£'000s
Individual premiums	3,891
Premiums under group contracts	28,568
	32,459
Periodic premiums	20,479
Single premiums	11,980
	32,459

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:

	Gross premiums written £'000s
Direct insurance	8,797
Reinsurance acceptances	1,680
	10,477

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:

	£'000s
Individual premiums	1,380
Premiums under group contracts	7,417
	8,797
Periodic premiums	5,840
Single premiums	2,957
	8,797

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

	£'000s
UK	29,025
Other EU countries	3,023
US	4,865
Other	5,298
	42,211

2. Reinsurance to close premium receivable

	£'000s
Gross reinsurance to close premium receivable	2,467
Reinsurance recoveries anticipated	(188)
	2,279

3. Investment income and expenses

	£'000s
Investment income:	
Income from investments	48
Realised gains on investments	1
Investment expenses:	
Investment management expenses, including interest	(2)
Realised losses on investments	(1)
Unrealised losses on investments	(11)
	35

4. Reinsurance to close premium payable

	£'000s
Gross notified outstanding claims	1,042
Reinsurance recoveries anticipated	(50)
Net notified outstanding claims	992
Provision for gross claims IBNR	3,762
Reinsurance recoveries anticipated on IBNR	368
Provision for net IBNR	4,130
	5,122

The reinsurance to close is effected to the 2017 year of account of Syndicate 308.

5. Net operating expenses

	£'000s
Acquisition costs	10,795
Administrative expenses	3,155
Loss on exchange	(116)
Gross operating expenses	13,834
Reinsurance commissions and profit participations	(10)
	13,824

Included within administrative expenses is auditors' remuneration:

	£'000s
Audit services:	
Fees payable to the syndicate's auditor for the audit of the syndicate accounts	51
Other services:	
Other services pursuant to legislation	55
	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 were employed by Tokio Marine Kiln Insurance Services Limited. The following amounts were recharged to the 2016 year of account in respect of salary costs and are included within administrative expenses:

	£'000s
Wages, salaries and social security costs	1,668
Other pension costs	164
	1,832

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 2016 year of account was as follows:

Administration and finance	11
Underwriting	5
Claims	2
	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 £25,946 was charged as an expense to the 2016 year of account:

	£'000s
Emoluments	54

The Active Underwriter received the following remuneration charged to the 2016 year of account as a syndicate expense:

	£'000s
Emoluments	–

8. Analysis of technical result

	2015 & prior years of account £'000s	2016 pure year of account £'000s	Total 2016 £'000s
Technical account balance excluding investment return and operating expenses	1,587	9,716	11,303
Brokerage and commission on gross premium	–	(10,795)	(10,795)
Reinsurance commissions receivable	–	10	10
	1,587	(1,069)	518
Allocated investment return	–	35	35
Net operating expenses other than acquisition costs	–	(3,581)	(3,581)
	1,587	(4,615)	(3,028)

All acquisition costs are attributable to business allocated to the 2016 pure year of account.

9. Other financial investments

	Fair value £'000s	Purchase price £'000s
Shares and other variable yield securities	3,788	3,788
Deposits with credit institutions	69	69
	3,857	3,857

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	4,375
Arising out of reinsurance operations	2,866
Other debtors	290
	7,531

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 2016 closed year of account	(3,028)
Members' agents' fee advances	(114)
Cash calls made to date	3,800
Amounts due from members at 31 December 2018	658

13. Creditors

	£'000s
Arising out of direct insurance operations:	
Due to intermediaries	4,096
Inter-year loans	45
Arising out of reinsurance operations	1,975
Other creditors	–
	6,116

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 2016 year of account of £39,682. Unpaid premiums of £31,933 were due from related parties at the period end. The outstanding claims (excluding 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 2016 year.

Managing agency fees of £234,984 were paid by the syndicate to Tokio Marine Kiln Syndicates Limited. In addition to this, expenses of £3,414,040 were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 18 provides further information regarding all syndicates and related parties.

Seven year summary (unaudited)

	2010	2011	2012	2013	2014	2015	2016
Syndicate allocated capacity £m	20.00	20.00	22.50	26.50	31.98	32.00	31.88
Number of underwriting members	46	84	96	108	136	136	136
Aggregate net premiums £m	17.30	24.09	26.44	27.85	28.38	30.59	38.02
Result £m	2.68	1.83	1.42	0.33	0.74	(2.00)	(3.02)
Results for an illustrative share of £10,000							
Gross premiums written and earned	8,977	9,549	9,279	8,360	6,648	6,820	9,081
– as a percentage of allocated capacity	90%	95%	93%	84%	66%	68%	91%
Net premiums written and earned	6,068	8,759	8,504	7,640	6,017	6,272	8,543
– as a percentage of allocated capacity	61%	88%	85%	76%	60%	63%	85%
RITC from an earlier year of account	1,256	535	278	348	452	764	715
Net claims incurred	(4,075)	(6,781)	(6,398)	(6,240)	(4,564)	(5,854)	(7,489)
RITC the year of account	(535)	(313)	(409)	(545)	(764)	(712)	(1,607)
Underwriting result	2,714	2,200	1,975	1,203	1,141	470	162
(Loss)/profit on exchange	(69)	7	31	(53)	43	(25)	36
Syndicate operating expenses	(890)	(945)	(1,112)	(851)	(775)	(935)	(990)
Balance on the technical account	1,755	1,262	894	299	409	(490)	(792)
Investment return	26	19	12	5	5	3	11
Result before personal expenses	1,781	1,281	906	304	414	(487)	(781)
Illustrative personal expenses	(444)	(364)	(276)	(181)	(185)	(140)	(170)
Result	1,337	917	630	123	229	(627)	(951)