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Mitsui Sumitomo Insurance

Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited

Syndicate 3210

Report and Accounts

31 December 2015

Contents

Directors and Administration

Managing Agent
Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited

Directors

John Maxwell Percy Taylor	(Non-Executive Chairman)
William Andrew McKee	(Chief Executive Officer)
Martin Thomas Burke	(appointed 14 May 2015)
David Alexander Casement	
Christopher David Forbes	
Kenichi Fukuhara	
Richard Emlyn Heppell	
Martin Peter Hudson	(resigned 16 January 2015)
Hiroyuki Iioka	(resigned 10 April 2015)
Shinichi Imayoshi	
Philip Richard Pearce	
John William Joseph Roome	
John Todd Young	

Company Secretary
David Alexander Casement

Managing Agent's registered office
2nd Floor
25 Fenchurch Avenue
London EC3M 5AD
http://www.msilm.com
Tel: 020 7977 8321
Fax: 020 7977 8300

Managing Agent's registered number
5965101

Syndicate
3210

Active underwriter
Graeme Scott Rayner

Registered Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Principal Bankers
Royal Bank of Scotland
PO Box 39952
2 ½ Devonshire Square
London
EC2M 4XJ

Citibank
Citigroup Centre
25 Canada Square
London
E14 5LB

Royal Bank of Canada
155 Wellington Street West
Toronto, ON
Canada
M5V 3L3

Investment managers
Sumitomo Mitsui Asset Management (London) Limited
Threadneedle Asset Management Limited
Union Bancaire Privée, UBP S.A. (London Branch)
Henderson Global Investors Limited
UBS Fund Management
Insight Investment Management
JPMorgan Asset Management

Principal securities custodians
Northern Trust
Citibank N.A.
Royal Bank of Canada

Report of the Directors of the Managing Agent

The Directors of the Managing Agent present their report for the year ended 31 December 2015.

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

Mission, Vision and Values

The Managing Agent adopts the MS&AD Insurance Group corporate mission statement:

Mission

To contribute to the development of a vibrant society and help secure a sound future for the earth by bringing security and safety through the global insurance and financial services business.

Vision

To be a profitable international speciality insurer writing multiple classes of business via appropriate underwriting platforms, providing innovative and effective underwriting and claims solutions, supported by superior customer service.

Values

Customer focused	Integrity	Teamwork	Innovation	Professionalism
We continuously strive to provide security and achieve customer satisfaction.	We are sincere, kind, fair and just in all our dealings.	We achieve mutual growth by respecting one another's individuality and opinions, sharing knowledge and ideas.	We listen to our stakeholders and continuously seek ways to improve our work and business.	We make continuous efforts to improve our skills and proficiency to provide high quality services.

Report of the Directors of the Managing Agent (continued)

Results

The results for the year are set out on pages 11 to 12. The profit for the year is £59,719k (2014: £41,653k).

Principal activities

The principal activity of the Syndicate remains the transaction of general insurance and reinsurance business in the United Kingdom.

Business review

This is the first year that the Syndicate has presented its results under FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS102 was 1 January 2014. In accordance with FRS102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS103 "Insurance contracts". The impact of the transition to FRS 102 is set out in note 17.

The Syndicate's key financial performance indicators during the year were as follows:

	2015 £'000	2014 £'000	Change %
Gross Premiums Written	370,288	350,801	5.6%
Underwriting Result	53,493	32,562	64.3%
General Insurance Result	59,719	41,653	43.4%
Combined Ratio	82.9%	88.6%	(5.7%)

Note: the combined ratio is the ratio of the net claims incurred and net operating expenses to net premiums earned. A lower combined ratio represents better performance.

The profit for the year is £59,719k (2014: £41,653k) with a combined ratio of 82.9% (2014: 88.6%). This is a record profit for the Syndicate, reaping the rewards of the hard work and active management of the portfolio over the last 5 years.

The market became even more challenging during 2015, with increased capital inflows and the continuing low incidence of catastrophe losses driving down rates and widening coverage. As the year progressed, the pace of competition increased across all of the Syndicate's markets. This is expected to continue in 2016, making the application of the Syndicate's disciplined underwriting approach and careful expense management even more important.

The Syndicate's business during 2015 and 2014 was written and managed in six business units: Property, Casualty, Professional, Commercial, Marine and Aviation.

Gross premiums written were higher in 2015 than 2014 in all business units, other than Commercial. The overall increase of 5.6% was lower than planned due to the difficult trading conditions, illustrated by a 4.5% fall in rates across the Syndicate.

The Syndicate continued to write for profit rather than income and achieved profitable results in Property, Casualty, Professional, Marine and Aviation, despite these challenging market conditions.

The exceptional claims ratio of 44.2% (2014: 50.8%) in 2015 is the reward for many years of effort and reflects not only the low catastrophe activity but also intelligent risk selection and favourable development of existing reserves. The Syndicate has maintained a strong reputation for claims management and is consistently ranked top-quartile by Lloyd's. The Syndicate was not significantly impacted by any notable industry losses in 2015 but does have a small net exposure to the flooding caused by the UK storms in December.

All business units, other than Property and Commercial, have benefited from prior year reserve improvements in 2015. This reflects the Syndicate's reserving philosophy of fully recognising any adverse experience immediately but only taking credit for favourable experience when enough time has passed to give certainty.

Report of the Directors of the Managing Agent (continued)

The increase in the expense ratio (including acquisition costs) from 37.8% in 2014 to 38.7% in 2015 is the result of increased facility premiums written during the year, which have higher commission ratios. The underlying administrative costs have remained largely flat due to the continued focus on expense discipline and the close monitoring of expenses as the business grows.

The table below presents the results by business unit:

Year ended 31 December 2015	Property £'000	Casualty £'000	Professional £'000	Commercial £'000	Marine £'000	Aviation £'000	Other £'000	Total £'000
Gross premiums written	116,482	64,137	28,972	26,727	93,562	39,483	925	370,288
Underwriting Result	**3,944**	**8,954**	**18,348**	**(17,834)**	**23,739**	**7,237**	**9,105**	**53,493**
Claims ratio	56.2%	45.9%	(36.0%)	122.0%	36.0%	43.3%	-	44.2%
Expense ratio	39.5%	37.4%	52.0%	48.9%	35.6%	34.8%	-	38.7%
Combined ratio	**95.7%**	**83.3%**	**16.0%**	**170.9%**	**71.6%**	**78.1%**	**-**	**82.9%**

Year ended 31 December 2014	Property £'000	Casualty £'000	Professional £'000	Commercial £'000	Marine £'000	Aviation £'000	Other £'000	Total £'000
Gross premiums written	116,029	60,206	24,581	29,874	83,457	36,624	30	350,801
Underwriting Result	**7,715**	**13,249**	**3,888**	**(4,900)**	**18,948**	**(7,325)**	**987**	**32,562**
Claims ratio	54.1%	35.6%	28.9%	71.9%	37.9%	91.3%	-	50.8%
Expense ratio	37.5%	34.0%	50.4%	46.5%	37.0%	33.3%	-	37.8%
Combined ratio	**91.6%**	**69.6%**	**79.3%**	**118.4%**	**74.9%**	**124.6%**	**-**	**88.6%**

Property
Gross premiums written increased by 0.4% to £116,482k (2014: £116,029k). Market conditions made writing profitable new business in Property difficult and the focus was on consolidating the existing position.

Property recorded an underwriting profit of £3,944k in 2015 (2014: £7,715k). The claims environment was relatively benign for most of the year, with no catastrophe losses affecting the business unit. However, the UK Floods (Storm Desmond) in December had a £5m net impact on the result across Property and Commercial.

Casualty
Gross premiums written increased by 6.5% in 2015 to £64,137k (2014: £60,206k). This is despite rate reductions that continued through the year, and competitors aggressively targeting existing high performing business, which has put significant pressure on retention. Performance was protected to some extent by long term agreements for facilities where rates have not been impacted to the same degree as annual business.

Casualty recorded an underwriting profit of £8,954k for 2015 (2014: £13,249k). The claims ratio of 45.9%, despite being a 10.3% increase on the prior year, was ahead of plan. This is due to the absence of any notable losses during the year and favourable development of existing claims.

Professional
This business unit comprises Professional Indemnity (PI), Directors and Officers (D&O) and Accident & Health (A&H). Gross premiums written increased 17.9% to £28,972k (2014: £24,581k) in the year driven by the new A&H underwriting team.

Professional made an underwriting profit of £18,348k in the year (2014: £3,888k). The result benefited from favourable reserve development and settlement of PI claims from prior years. The Syndicate recognised the impact of the financial crisis on PI claims and reserved prudently in 2010 as a response to multiple notifications. These notifications have been actively managed and monitored since, which has resulted in favourable settlements and a number of potential claims passing their statutory limitation without materialising. This has driven the negative claims ratio in 2015.

Report of the Directors of the Managing Agent (continued)

Commercial
The Commercial business unit comprises a UK and Ireland branch network. Gross premiums written decreased by 10.5% in 2015 to £26,727k (2014: £29,874k). The decrease is due to the strategic exit from unprofitable segments of Casualty business in Ireland. The gross premiums written for the Property business remained largely in line with the prior year.

Commercial recorded an underwriting loss of £17,834k (2014: loss £4,900k). The major contributing factor to the loss has been the deteriorating claims environment for Casualty business in Ireland leading to a 2015 claims ratio of 122.0% (2014: 71.9%) for the Commercial account overall. The business unit has been restructured and will pursue a revised strategy in 2016. The UK Property claims ratio has also been impacted by the UK Floods during December.

Marine
The Marine business unit has been the Syndicate's most consistently profitable class and 2015 has been another good year. It recorded an underwriting profit of £23,739k (2014: £18,948k) and was the largest contributor to the overall Syndicate result.

The underwriting result was due to low 2015 claims, particularly in the Cargo and Specie segments, and favourable development of prior year reserves.

Gross premiums written increased by 12.1% to £93,562k (2014: £83,457k), largely due to increases in facility business and the favourable impact of exchange rates, notably the USD. This increase was despite pressure on both rate and retention and the slowdown in new business through the year.

Aviation
Gross premiums written have increased by 7.8% in the year to £39,483k (2014: £36,624k). This increase is due to new aerospace business resulting from an increased line structure. The business unit has experienced pressure on both rate and retention, with overcapacity and increased competition in the market. Retention deteriorated most significantly in the Airline portfolio following fourth quarter renewals where the Syndicate declined to renew some business due to uneconomic terms.

Aviation recorded an underwriting profit of £7,237k (2014: loss £7,325k). This is due to the favourable claims experience for the year with no significant losses, in contrast to 2014 where 3 significant airline losses affected the Syndicate.

Other
Other includes Motor that has been in run-off since the end of 2011.

Investment performance

The Syndicate's investment return for 2015 of £2,783k (2014: £7,790k), including investment management costs, represents a return of 0.6% on average funds under management (2014: 1.5%). The Syndicate targets an absolute return from the investment portfolio and any benchmark comparisons in the following sections are for illustrative purposes only.

Most asset classes did not generate significant returns in 2015. The core of the investment portfolio is fixed income securities, both in government bonds and investment grade corporate bonds.

During 2015, bond yields increased following the expectation that the Federal Reserve and the Bank of England would increase interest rates due to economic data, particularly employment data, remaining firm. This resulted in yield increases in the US and UK, with US 2 year government bonds increasing from 0.7% to 1.1% and UK 2 year government bonds increasing from 0.5% to 0.7%.

Credit spreads drifted wider during the year due to a combination of high levels of new issuance and growing concerns for certain sectors, particularly natural resources, as the oil price declined and demand for commodities slowed.

Report of the Directors of the Managing Agent (continued)

The combination of higher government bond yields and widening spreads has compressed returns, resulting in a net return of 0.3% for the fixed income portfolio.

The investment portfolio includes a small proportion of alternative assets (hedge funds). These comprise both traditional unregulated hedge funds and regulated UCITS-type alternative funds.

The weighted average net return on the alternative assets portfolio was 1.0% during 2015, despite the decline in equity markets during the second half of 2015 and the 3.6% annual fall in the HFRX hedge fund index. This was a satisfactory result in a challenging environment and demonstrated the merits of using diversified asset classes and manager styles.

Bank deposits are utilised to provide a more stable source of investment income and to protect the portfolio from the effects of rising interest rates. These were increased to 8.4% of the Syndicate's investment assets at the year end. Typically these deposits are placed for up to 1 year with high quality banks.

The Syndicate's main portfolios are managed on a day-to-day basis in segregated mandates by professional external managers as shown in the list below:

> *Bonds*: Sumitomo Mitsui Asset Management (London) Limited, Threadneedle Asset Management Limited, Henderson Global Investors Limited
>
> *Alternative Assets*: Union Bancaire Privée, UBP S.A. (London Branch)
>
> *Regulated collective investment schemes*: UBS Fund Management, Insight Investment Management and JPMorgan Asset Management

The Syndicate's investment assets, that are not required by Lloyd's to be held by a specific custodian, are held in custody accounts at Northern Trust.

2016 is likely to be another challenging year with signs of slowing demand from China, significant stress in commodity dependent economies caused by the supply-demand imbalance in the oil market, and developed economies outside of the US and UK struggling to generate significant growth. There is also continuing potential for future interest rate rises in the US and uncertainty in the EU due to the UK's pending referendum vote. In light of this challenging outlook, a conservative investment strategy will be pursued during 2016.

Future developments and post balance sheet events

On 8 September 2015 Mitsui Sumitomo Insurance Company, Ltd announced the terms of an agreed offer to acquire Amlin plc. The acquisition was completed on 1 February 2016. Following the acquisition it is the intention to integrate the business of Mitsui Sumitomo Insurance Underwriting at Lloyd's Ltd and Syndicate 3210, the main trading entity of the Mitsui Sumitomo Insurance (London Management) Limited group, with those of Amlin's Lloyd's business during the course of 2016. The intention is to novate the management of Syndicate 3210 to Amlin Underwriting Limited in 2016 and prepare a joint 2017 business plan for the combined syndicate operations.

Principal risks and uncertainties

The principal risks and uncertainties facing the Syndicate are addressed within note 2 to the financial statements.

Solvency II

During the year the Managing Agent has completed its preparations for Solvency II implementation on 1 January 2016. The work carried out in the year has been to finalise work streams that have been running since 2011. The Managing Agent is fully prepared for Quarterly Pillar 3 reporting and is in a position to meet all annual reporting requirements, once the final format of forms is agreed by Lloyd's.

Report of the Directors of the Managing Agent (continued)

Lloyd's minimum standards

Lloyd's published the updated suite of Minimum Standards on 1 July 2014 (30 July 2014 for Conduct Risk). These Standards are statements of business conduct which managing agents are expected to comply with to operate at Lloyd's.

The Managing Agent monitors the processes in place to ensure it meets these Standards on an ongoing basis, providing formal reporting to Lloyd's, as required.

Conduct risk

The Syndicate was reviewed for compliance with Conduct Risk Standards by Lloyd's in April 2015. The Syndicate initially received an amber rating but, following further work during the year, the Syndicate has now been rated green.

Directors

The current Directors, and those serving for part of the period, are shown on page 2.

None of the Directors participates on any year of account of the Syndicate.

Disclosure of information to the auditor

The Directors of the Managing Agent who held office at the date of approval of this Managing Agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditor are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditor are aware of that information.

Auditor

The Managing Agent, after discussion with the corporate name, intend to reappoint KPMG LLP as the Syndicate's auditor, pursuant to Section 14(2) of Schedule 1 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

On behalf of the Board
David Alexander Casement
Director
16 February 2016

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the Syndicate annual report and accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare Syndicate financial statements at 31 December each year in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Syndicate financial statements 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 Syndicate financial statements, the Managing Agent is required to:

- select suitable accounting policies and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Syndicate financial statements
- prepare the Syndicate financial statements on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The Managing Agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate financial statements comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditor's Report to the Member of Syndicate 3210

We have audited the financial statements of Syndicate 3210 for the year ended 31 December 2015 as set out on pages 11 to 42. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of the Managing Agent and the auditor

As explained more fully in the statement of Managing Agent's responsibilities set out on page 9, the Managing Agent is responsible for the preparation of the Syndicate's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Syndicate's financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2015 and of its profit for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

In our opinion the information given in the Report of the Directors of the Managing Agent for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Mark Taylor (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
16 February 2016

Statement of Profit or Loss: Technical Account – General Business
For the year ended 31 December 2015

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Earned premiums, net of reinsurance					
Gross premiums written	3	370,288		350,801	
Outward reinsurance premiums		(43,020)		(48,729)	
			327,268		302,072
Change in the provision for unearned premiums					
Gross amount	12	(17,257)		(15,986)	
Reinsurers' share	12	2,035		32	
			(15,222)		(15,954)
Earned premiums, net of reinsurance			312,046		286,118
Allocated investment return transferred from the non-technical account	7		2,783		7,790
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(162,817)		(163,729)	
Reinsurers' share		16,739		15,069	
			(146,078)		(148,660)
Change in the provision for claims					
Gross amount	12-13	31,126		(917)	
Reinsurers' share	12-13	(23,028)		4,195	
			8,098		3,278
Claims incurred, net of reinsurance			(137,980)		(145,382)
Net operating expenses	4		(120,573)		(108,174)
Balance on the technical account – general business			**56,276**		**40,352**

All the amounts above are in respect of continuing operations.

The notes on pages 17 to 42 form part of these financial statements

Statement of Profit or Loss: Non-Technical Account
For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Balance on the technical account – general business		56,276	40,352
Investment income	7	5,047	8,156
Unrealised (losses)/gains on investments	7	(1,665)	338
Investment expenses and charges	7	(599)	(704)
Allocated investment return transferred to general business technical account	7	(2,783)	(7,790)
Gain on foreign exchange		2,878	572
Investment return on Funds in Syndicate		565	729
Profit for the financial year		**59,719**	**41,653**

There were no recognised gains and losses in the year other than those reported in the Statement of Profit or Loss and hence no Statement of Other Comprehensive Income has been presented.

All the amounts above are in respect of continuing operations.

The notes on pages 17 to 42 form part of these financial statements.

Balance Sheet – Assets
As at 31 December 2015

	Notes	2015 £'000	2014 £'000
ASSETS			
Investments			
Other financial investments	8	546,698	564,029
Reinsurers' share of technical provisions			
Provision for unearned premiums	12	13,147	10,793
Claims outstanding	12	63,864	85,366
		77,011	96,159
Debtors			
Arising out of direct insurance operations	9	113,425	101,009
Arising out of reinsurance operations	9	42,212	39,539
Other debtors	10	3,792	4,189
		159,429	144,737
Other assets			
Cash at bank and in hand	14	13,684	5,830
Prepayments and accrued income			
Deferred acquisition costs	12	62,092	54,900
Other prepayments and accrued income		3,302	157
		65,394	55,057
Total assets		**862,216**	**865,812**

The notes on pages 17 to 42 form part of these financial statements

Balance Sheet – Liabilities
As at 31 December 2015

	Notes	2015 £'000	2014 £'000
LIABILITIES			
Capital and reserves			
Member's balance		85,506	71,787
Technical provisions			
Provision for unearned premiums	12	231,733	212,510
Claims outstanding	12-13	524,170	553,885
		755,903	766,395
Creditors			
Arising out of direct insurance operations	9	2,408	1,792
Arising out of reinsurance operations	9	14,192	19,103
Other creditors including taxation and social security	11	3,663	3,416
Accruals and deferred income		544	3,319
		20,807	27,630
Total liabilities and equity		**862,216**	**865,812**

These financial statements were approved by the Board of Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited on 16 February 2016 and were signed on its behalf by:

Richard Emlyn Heppell
Finance Director

The notes on pages 17 to 42 form part of these financial statements.

Statement of Changes in Member's Balances
For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Member's balances brought forward at 1 January		71,787	36,914
Impact of change in accounting policy on adoption of FRS 102	17	-	3,220
Restated balance at 1 January		71,787	40,134
Profit for the financial year		59,719	41,653
Payment of profit to member		(46,000)	(10,000)
Member's balance carried forward at 31 December		**85,506**	**71,787**

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.

The notes on pages 17 to 42 form part of these financial statements.

Statement of Cash Flows

	Notes	2015 £'000	2014 £'000
Cash flows from operating activities			
Profit for the year		59,719	41,653
Decrease/(increase) in reinsurers share of technical provisions		19,148	(6,825)
(Increase) in deferred acquisition costs		(7,192)	(7,062)
(Increase) in debtors and prepayments		(17,837)	(17,220)
(Decrease)/increase in gross technical provisions		(10,492)	25,996
(Decrease)/increase in creditors		(4,048)	4,213
(Decrease) in accruals and deferred income		(2,775)	(12,664)
Investment return		(3,348)	(8,519)
Net cash inflow from operating activities		**33,175**	**19,572**
Cash flows from investing activities			
Acquisition of other financial instruments		(533,400)	(444,187)
Proceeds from sale of other financial instruments		553,655	423,255
Investment income received		5,857	10,297
Other		(955)	(880)
Net cash inflow/(outflow) from investing activities		**25,157**	**(11,515)**
Cash flows from financing activities			
Transfer to member in respect of underwriting participation		(46,000)	(10,000)
Net cash (outflow) from financing activities		**(46,000)**	**(10,000)**
Net increase/(decrease) in cash and cash equivalents		**12,332**	**(1,943)**
Cash and cash equivalents at 1 January	14	6,489	8,432
Cash and cash equivalents at 31 December	14	**18,821**	**6,489**

The notes on pages 17 to 42 form part of these Financial Statements.

Notes to the Financial Statements

1. Accounting policies

Basis of preparation

Syndicate 3210 (the Syndicate) comprises a single member of the Society of Lloyd's that underwrites insurance and reinsurance business in the London Market. The address of the Syndicate's Managing Agent is 25 Fenchurch Avenue, London, EC3M 5AD.

The Syndicate's financial statements have been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) as issued in August 2014, and Financial Reporting Standard 103 Insurance Contracts (FRS 103) as issued in March 2014.

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

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

Change to accounting policies

These are the first set of financial statements prepared by the Syndicate in accordance with FRS 102. In its transition to FRS 102 from old UK GAAP, the Syndicate has made measurement adjustments. An explanation of how the transition to FRS 102 has affected the financial position and performance of the Syndicate is provided in note 17.

Use of judgements and estimates

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

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Syndicate.

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims.

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Basis of accounting

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

Gross premiums written
Gross premiums written comprise contracts commencing in the financial year, together with any differences between booked premiums for the prior years and those previously accrued, and estimates of premiums due but not yet receivable or notified to the Syndicate. All premiums are shown gross of commission payable to intermediaries and exclude any taxes or duties based on premiums.

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

Unearned premiums
The provision for unearned premiums comprises the amounts representing that part of gross premiums written and outwards reinsurance premiums that relate to unexpired terms of policies in force at the balance sheet date. The provision is calculated using a time apportionment method.

Deferred acquisition costs
Acquisition costs comprise the expenses, both direct and indirect, of acquiring insurance policies written during the financial year. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premiums written that are unearned as at the balance sheet date.

Claims
Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported (IBNR) and related expenses, together with any adjustments to claims from prior years. Where applicable, deductions are made for salvage and other recoveries.

The provision for claims outstanding represents the ultimate cost of settling all claims (including direct and indirect claims settlement expenses) arising from events that have occurred up to the balance sheet date, including provision for IBNR, less any amounts paid in respect of those claims. Claims outstanding are reduced by anticipated salvage and other recoveries.

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims. Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers' share, having regard to recoverability.

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events. Adjustments to the amounts of provision are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Unexpired risks provision
Provision is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date is expected to exceed the provision for unearned premiums and claims, net of deferred acquisition costs and premiums receivable. The assessment of whether a provision is necessary is made by considering the business as a whole accounted for on the annual basis of accounting on the basis of information available as at the balance sheet date, after offsetting surpluses and deficits arising on products that are managed together. Investment income is taken into account in calculating the provision.

Foreign currency translation
Transactions in all foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rates of exchange at the balance sheet date.

Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

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

Financial assets and liabilities
In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 *Financial Instruments: Recognition and Measurement* (as adopted for use in the EU).

Classification
The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the statement of profit or loss. Financial assets and liabilities are classified on their initial recognition and subsequent reclassifications are permitted only in restricted circumstances.

All financial investments are classified as fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Syndicate's investment strategy.

Debtors are classified as loans and receivables.

Recognition
Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate's contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Syndicate commits itself to purchase or sell the asset.

Measurement
Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Financial assets and liabilities (continued)

Loans and receivables are measured at amortised cost. Creditors are measured at amortised cost.

Syndicate investments consist of bonds, deposits with credit institutions, investments in regulated collective investment schemes and pooled investments in unregulated investment schemes (hedge funds). Participation in investment pools are specific comingled funds managed by Lloyd's on behalf of the market and are predominantly invested in high quality government, agency and corporate bonds. Syndicate investments also include currency derivatives and bond futures.

Bonds are included in the balance sheet at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source. Deposits with credit institutions are included at cost plus accrued income. Currency derivatives and bond futures are included at market price.

Investments in regulated collective investment schemes are valued on the net asset values (NAVs) of each of the individual funds as published publicly by the managers. Investments in collective investment schemes include Money Market Funds which are valued on a stable NAV basis.

Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.

Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd's).

Identification and measurement of impairment
At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Off-setting
Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Syndicate currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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. Interest and related expenses are accounted for on an accruals basis.

Realised gains and losses on investments carried at fair value are calculated as the difference between net proceeds and purchase cost.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

Financial assets and liabilities (continued)

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase cost. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period, or the valuation at the beginning of the year, as well as the reversal of previously recognised unrealised gains and losses in respect of investments disposed of in the current period.

Investment returns are initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the return on investments supporting the technical provisions.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

Taxation
Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 20%) deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to the member is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading 'other debtors'.

No provision has been made for any overseas tax payable by the member on the underwriting results.

Pension costs
Mitsui Sumitomo Insurance (London Management) Limited (the immediate parent company of MSI Corporate Capital Limited), operates a defined contribution pension scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate as incurred and are included within net operating expenses.

Notes to the Financial Statements (continued)

2. Risk and capital management

The Board of Directors of the Managing Agent (the Board) recognises that the effective management of risk is essential for the Syndicate to achieve its objectives. The Syndicate's risk management framework provides the structure through which the Syndicate identifies, assesses, controls, monitors and reports the risks posed to the achievement of its corporate objectives. It facilitates the timely and efficient flow of risk information between business functions and senior management, allowing appropriate decisions to be made at all levels of the organisation, thereby enabling the effective management of risk.

The Board, with support from the Risk and Capital Committee, oversee the risk management framework and monitor the Syndicate's risk profile at risk category level (e.g. insurance risk). Oversight of specific risks (as detailed on the Syndicate's risk register) is delegated to the relevant Standing Committees. In order to discharge their duties, the Board and Standing Committees receive regular risk reports that summarise the Syndicate's risk profile.

A suite of policies articulate the risk management framework. These identify and analyse the risks faced by the Syndicate and set appropriate risk limits and controls.

The principal risks and uncertainties facing the Syndicate are as follows:

2(a) Insurance risk

The acceptance of insurance risk is the basis of the business undertaken by the Syndicate and is therefore the principal source of its assets and liabilities.

Insurance risk refers to fluctuations in the timing, frequency and severity of insured events relative to expectations at the time of underwriting and includes consideration of the frequency and severity of claim settlements (claims risk), and the sufficiency of claims estimates (reserving risk). This may be exacerbated by an incorrect understanding of the risks assumed, a failure to price the exposures properly, a failure to prudently manage the portfolio insurance risk or ineffective management of underwriting delegated to third parties.

Management of insurance risk

The Board, with support from the Underwriting Committee and the Risk and Capital Committee, manages insurance risk by setting the risk appetite and strategy which form the framework for the annual business plan. Performance against the business plan is monitored throughout the year by:

- Measuring and reporting against defined limits
- Identifying and reporting insurance risk issues and losses
- Developing appropriate corrective action plans.

A key component of the management of underwriting risk for the Syndicate is a disciplined underwriting strategy that is focused on writing quality business and not writing for volume. Product pricing is designed to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Syndicate's total exposure to specific risks together with limits on geographical and industry exposures. The aim is to ensure a diversified book is maintained.

Risk aggregations are monitored across the portfolio in order to avoid excessive accumulation of exposure to individual loss events or systemic loss generating issues.

The Syndicate makes use of reinsurance to mitigate the risk of incurring significant losses linked to one event, including excess of loss and catastrophe reinsurance, enabling the Syndicate to manage the underwriting risk within the risk appetite. It provides capacity for underwriters to market and service their clients by the use of risk transfer and supports the capital resource requirement.

The Board delegates responsibility to the Claims Committee and the IBNR and Reserving Committee for the oversight of all aspects of the Syndicate's claims and reserving activities, respectively.

Notes to the Financial Statements (continued)

2(a) Insurance risk (continued)

Concentration of insurance risk

The table below details the Syndicate's risk exposures by geographical region and class of business.

2015	Gross Premiums Written £'000	Outward RI Premiums £'000	Net Premiums Written £'000
United Kingdom	61,094	(7,098)	53,996
Other EU countries	22,274	(2,588)	19,686
USA	5,759	(669)	5,090
Other	281,161	(32,665)	248,496
	370,288	**(43,020)**	**327,268**

2014	Gross Premiums Written £'000	Outward RI Premiums £'000	Net Premiums Written £'000
United Kingdom	59,459	(8,259)	51,200
Other EU countries	29,387	(4,082)	25,305
USA	3,943	(548)	3,395
Other	258,012	(35,840)	222,172
	350,801	**(48,729)**	**302,072**

2015	Gross Premiums Written £'000	Outward RI Premiums £'000	Net Premiums Written £'000	Net Technical Provisions £'000
Fire and other damage to property	79,083	(14,322)	64,761	88,916
Third party liability	95,902	(7,195)	88,707	216,548
Motor - other	10	121	131	4,466
Marine, aviation and transport	99,575	(7,422)	92,153	139,654
Reinsurance accepted	95,718	(14,202)	81,516	167,216
	370,288	**(43,020)**	**327,268**	**616,800**

2014	Gross Premiums Written £'000	Outward RI Premiums £'000	Net Premiums Written £'000	Net Technical Provisions £'000
Fire and other damage to property	78,755	(14,303)	64,452	78,914
Third party liability	90,151	(9,031)	81,120	230,844
Motor - other	(64)	38	(26)	11,907
Marine, aviation and transport	85,593	(9,767)	75,826	120,367
Reinsurance accepted	96,366	(15,666)	80,700	173,304
	350,801	**(48,729)**	**302,072**	**615,336**

Net technical provisions include deferred acquisition costs.

Sensitivity to insurance risk

The liabilities established could be lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the nature of the risk being underwritten and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of claims incurred but not reported (IBNR).

Notes to the Financial Statements (continued)

2(a) Insurance risk (continued)

Sensitivity to insurance risk (continued)

A 5% increase or decrease in the net incurred claims ratio would have the following effect on profit or loss and equity:

Net Incurred Claims (NIC)	Fire and other damage to property £'000	Third party liability £'000	Motor - other £'000	Marine aviation & transport £'000	Re-insurance accepted £'000	Total £'000
2015						
5% increase in NIC %	(3,058)	(4,111)	(6)	(4,199)	(4,228)	**(15,602)**
5% decrease in NIC %	3,058	4,111	6	4,199	4,228	**15,602**
2014						
5% increase in NIC %	(3,169)	(3,349)	1	(3,722)	(4,067)	**(14,306)**
5% decrease in NIC %	3,169	3,349	(1)	3,722	4,067	**14,306**

2(b) Financial risk

The Syndicate is exposed to a range of financial risks through its financial assets and financial liabilities. The key financial risk is that the proceeds from financial assets will not be sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due. The main components of financial risk are credit risk, liquidity risk and market risk. These risks arise from the Syndicate's investment and reinsurance assets and its insurance liabilities.

Credit risk

Credit risk refers to the risk of loss as a result of failure by another party to meet its contractual obligations or failure to perform them in a timely fashion. This risk arises where the Syndicate provides insurance and reinsurance on deferred terms, seeks to recover amounts under contracts of reinsurance, or invests or deposits surplus cash.

In the continuing uncertain market environment the inherent level of credit risk to all business counterparties is heightened.

Credit risk arising from insurance and reinsurance assets is managed and monitored by the Broker and Reinsurance Security Committee (BRSC) and that arising from investment assets by the Investment Committee.

The Syndicate reinsures only with reinsurers that have a minimum credit rating of A- from either S&P or AM Best (with the exception of captive insurance arrangements where security is taken over recoverable amounts). The BRSC assesses and approves all new reinsurers and reviews renewing reinsurers annually taking account of the latest information and assessments from independent advisers. It also monitors exposures against agreed limits.

The creditworthiness of intermediaries, including brokers and coverholders, is assessed annually. The latest information is assessed for all new brokers and a credit limit is assigned prior to accepting any business. The BRSC reviews the credit limits for the Syndicate's brokers and monitors outstanding debts against these credit limits on an ongoing basis.

All new and renewing coverholders are assessed by the Delegated Underwriting Panel. This incorporates an assessment of the financial strength and payment history of the coverholder.

Credit risk in respect of cash and invested assets is mitigated by the Syndicate's investment policy and by strict guidelines given to investment managers. These restrict the proportion of assets invested in or deposited with lower rated entities and prohibit investment in sub-investment grade entities.

Notes to the Financial Statements (continued)

2(b) Financial risk (continued)

Credit risk (continued)

The restrictions also limit the amount invested in counterparties with which the Syndicate can trade, ensuring that exposures are spread across a number of approved entities. In order to avoid compounding insurance-related credit risk, investment in insurance companies is prohibited. The credit profile of the investments and large exposure to individual counterparties is monitored and regularly reviewed by the Investment Committee.

The table below details the Syndicate's exposure to credit risk by asset type, with reference to the credit rating of the counterparties. For financial investments this also represents the Syndicate's maximum credit risk exposure.

2015	**AAA £'000**	**AA £'000**	**A £'000**	**<A £'000**	**Not rated £'000**	**Total £'000**
Other financial investments:						
Debt securities and other fixed income	104,490	158,479	89,434	46,437	-	**398,840**
Hedge funds	-	-	-	-	28,497	**28,497**
Holdings in collective investment schemes	8,001	12,606	1,951	1,244	9,585	**33,387**
Participation in investment pools	28,245	1,347	3,907	546	-	**34,045**
Regulatory deposits	-	-	-	-	5,059	**5,059**
Deposits with credit institutions	-	-	46,870	-	-	**46,870**
Reinsurers' share of outstanding claims including IBNR	-	18,531	42,332	3,001	-	**63,864**
Debtors arising out of direct insurance operations	-	-	-	-	113,425	**113,425**
Debtors arising out of reinsurance operations	-	-	-	-	42,212	**42,212**
Cash at bank and in hand	-	1,069	3	12,612	-	**13,684**
Other debtors	-	-	-	-	3,792	**3,792**
	140,736	**192,032**	**184,497**	**63,840**	**202,570**	**783,675**

2014	**AAA £'000**	**AA £'000**	**A £'000**	**<A £'000**	**Not rated £'000**	**Total £'000**
Other financial investments:						
Debt securities and other fixed income	100,314	168,232	128,473	38,419	-	**435,438**
Hedge funds	-	-	-	-	26,695	**26,695**
Holdings in collective investment schemes	10,405	21,654	3,269	1,241	6,070	**42,639**
Participation in investment pools	17,887	1,607	2,468	-	-	**21,962**
Regulatory deposits	-	-	-	-	4,636	**4,636**
Deposits with credit institutions	-	659	31,694	-	-	**32,353**
Derivatives	-	-	306	-	-	**306**
Reinsurers' share of outstanding claims including IBNR	-	23,886	54,656	2,207	4,617	**85,366**
Debtors arising out of direct insurance operations	-	-	-	-	101,009	**101,009**
Debtors arising out of reinsurance operations	-	-	-	-	39,539	**39,539**
Cash at bank and in hand	-	313	5,516	1	-	**5,830**
Other debtors	-	-	-	-	4,189	**4,189**
	128,606	**216,351**	**226,382**	**41,868**	**186,755**	**799,962**

Notes to the Financial Statements (continued)

2(b) Financial risk (continued)

Credit risk (continued)

Concentrations of financial investments are monitored by industry sector and geographic location of the counterparty as well as by individual counterparties. There are no significant geographical, or industry concentrations at 31 December 2015.

The Syndicate has debtors arising from direct insurance and reinsurance operations that are overdue but not impaired at the reporting date. The Syndicate also has debtors arising from direct insurance operations that are impaired at the reporting date. These debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

An analysis of the carrying amounts of overdue or impaired debtors is presented in the table below:

2015	Debtors arising out of direct insurance operations £'000	Debtors arising out of reinsurance operations £'000
Overdue but not impaired financial assets:		
Overdue by:		
0 to 3 months	13,071	-
3 to 6 months	2,359	63
6 to 12 months	2,193	157
12 to 18 months	506	118
Overdue but not impaired financial assets	**18,129**	**338**
Impaired financial assets	3,850	172
Gross value of overdue and impaired financial assets	**21,979**	**510**
Neither overdue nor impaired financial assets	95,296	41,874
Net carrying value	**113,425**	**42,212**

2014	Debtors arising out of direct insurance operations £'000	Debtors arising out of reinsurance operations £'000
Overdue but not impaired financial assets:		
Overdue by:		
0 to 3 months	15,667	-
3 to 6 months	2,458	203
6 to 12 months	1,999	1
12 to 18 months	-	-
Overdue but not impaired financial assets	**20,124**	**204**
Impaired financial assets	3,965	20
Gross value of overdue and impaired financial assets	**24,089**	**224**
Neither overdue nor impaired financial assets	80,885	39,335
Net carrying value	**101,009**	**39,539**

Impaired assets are carried at nil value.

All other financial assets are neither overdue nor impaired.

Notes to the Financial Statements (continued)

2(b) Financial risk (continued)

Liquidity risk

Liquidity risk is the risk that the Syndicate does not have sufficient financial resources available to meet its obligations as they fall due, or is able to secure them only at excessive cost. Liquidity risk has been categorised into two main types:

- Funding liquidity risk: the risk of unexpected unfunded short term cash out flow on a day-to-day basis
- Realistic disaster scenarios (RDS) and asset liquidity risk: the risk of insufficient liquid financial resources in stressed markets.

Liquidity risk is monitored and regularly reviewed by the Finance Committee and the Investment Committee.

Funding liquidity risk is managed by the close monitoring and modelling of cash positions and working capital requirements. Assets are primarily cash and bonds with strong credit ratings and high liquidity. In order to ensure that the Syndicate can meet its obligations to policyholders, sufficient assets to meet the worst RDS claim event must be held in cash, cash equivalents or government bonds. This liquidity stress test is reported to the Finance Committee and the Investment Committee. In addition, the Syndicate's policyholders benefit from a credit support guarantee in place with Mitsui Sumitomo Insurance Company, Ltd, the penultimate parent company.

The table below analyses the undiscounted cashflows of the Syndicate's monetary assets and liabilities into their relevant maturity groups based on the period remaining at the year end to their contractual maturities or expected settlement dates. As at 31 December 2015 all financial investments can be realised at any time, but the table shows their maturity profile should they continue to be held.

2015			Undiscounted net cash flows			
	Carrying amount £'000	Total cash flows £'000	Up to 1 year £'000	1 -3 years £'000	3-5 years £'000	Over 5 years £'000
Assets						
Other financial investments						
Debt securities and other fixed income	**398,840**	**414,740**	189,782	125,908	77,530	21,520
Hedge funds	**28,497**	**28,497**	28,497	-	-	-
Holdings in collective investment schemes	**33,387**	**34,494**	24,626	5,952	3,829	87
Participation in investment pools	**34,045**	**34,901**	20,085	14,172	183	461
Regulatory deposits	**5,059**	**5,059**	-	-	-	5,059
Deposits with credit institutions	**46,870**	**46,870**	46,870	-	-	-
Insurance and reinsurance receivables	**155,637**	**155,637**	155,446	191	-	-
Cash at bank and in hand	**13,684**	**13,684**	13,684	-	-	-
Technical provisions	**139,103**	**139,103**	89,333	29,337	12,444	7,989
	855,122	**872,985**	**568,323**	**175,560**	**93,986**	**35,116**
Liabilities						
Technical provisions	**755,903**	**755,903**	411,740	192,851	78,893	72,419
Insurance and reinsurance creditors	**16,600**	**16,600**	16,600	-	-	-
	772,503	**772,503**	**428,340**	**192,851**	**78,893**	**72,419**

Notes to the Financial Statements (continued)

2(b) Financial risk (continued)

Liquidity risk (continued)

2014	Carrying amount £'000	Total cash flows £'000	Undiscounted net cash flows Up to 1 year £'000	1 -3 years £'000	3-5 years £'000	Over 5 years £'000
Assets						
Other financial investments						
Debt securities and other fixed income	**435,438**	**450,226**	202,274	191,768	38,930	17,254
Hedge funds	**26,695**	**26,695**	26,695	-	-	-
Holdings in collective investment schemes	**42,639**	**43,901**	33,541	6,603	3,358	399
Participation in investment pools	**21,962**	**22,592**	14,520	6,998	475	599
Regulatory deposits	**4,636**	**4,636**	-	-	-	4,636
Deposits with credit institutions	**32,353**	**32,353**	32,353	-	-	-
Derivatives	**306**	**306**	306	-	-	-
Insurance and reinsurance receivables	**140,548**	**140,548**	140,433	115	-	-
Cash at bank and in hand	**5,830**	**5,830**	5,830	-	-	-
Technical provisions	**151,059**	**151,059**	85,321	35,522	15,956	14,260
	861,466	**878,146**	**541,273**	**241,006**	**58,719**	**37,148**
Liabilities						
Technical provisions	**766,395**	**766,395**	366,090	212,908	94,966	92,431
Insurance and reinsurance creditors	**20,895**	**20,895**	20,895	-	-	-
	787,290	**787,290**	**386,985**	**212,908**	**94,966**	**92,431**

Market risk

Market risk refers to the risks arising from adverse movements in the financial markets. These include potential losses in equity markets, changes in interest rates or credit spreads and adverse foreign exchange movements.

Management of market risk

Market risk is monitored and regularly reviewed by the Investment Committee and the Finance Committee and any actions necessary are implemented by the investment team.

The Syndicate regularly performs both qualitative and quantitative analysis to monitor market risk exposures, particularly their potential impact upon the investment balances. The Syndicate pursues a conservative investment strategy and the majority of its investments are in high quality, liquid, government and corporate bonds. These bonds will typically have relatively short duration so that changing interest rates will have a relatively low impact on investment balances. To diversify sources of market risk and return, the Syndicate has modest investments in alternative assets and also has the authority to make a small investment in equities.

Notes to the Financial Statements (continued)

2(b) Financial risk (continued)

Foreign currency market risk

The Syndicate holds its assets and liabilities predominantly in five currencies: Sterling, Euros, US dollars, Canadian dollars and Australian dollars.

It is the Syndicate's policy to match assets and liabilities in the currencies it is exposed to on a monthly basis in order to minimise foreign currency risk. The table below details the Syndicate's assets and liabilities, in converted Sterling, by currency at 31 December 2015.

2015	GBP £'000	EUR £'000	USD £'000	CAD £'000	AUD £'000	Other £'000	Total £'000
Assets	355,732	83,319	319,724	25,438	63,352	14,651	862,216
Liabilities	(282,055)	(79,741)	(308,472)	(26,257)	(57,882)	(22,303)	(776,710)
Net assets	**73,677**	**3,578**	**11,252**	**(819)**	**5,470**	**(7,652)**	**85,506**

2014	GBP £'000	EUR £'000	USD £'000	CAD £'000	AUD £'000	Other £'000	Total £'000
Assets	388,050	84,031	304,326	23,520	61,796	4,089	865,812
Liabilities	(327,012)	(81,900)	(299,415)	(22,722)	(62,976)	-	(794,025)
Net assets	**61,038**	**2,131**	**4,911**	**798**	**(1,180)**	**4,089**	**71,787**

The table below shows the impact on the Syndicate's net assets of a 5% appreciation or depreciation in each currency relative to Sterling, as at 31 December 2015:

2015	GBP £'000	EUR £'000	USD £'000	CAD £'000	AUD £'000	Other £'000	Total £'000
5% appreciation	-	179	562	(41)	274	(383)	**591**
5% depreciation	-	(179)	(562)	41	(274)	383	**(591)**

2014	GBP £'000	EUR £'000	USD £'000	CAD £'000	AUD £'000	Other £'000	Total £'000
5% appreciation	-	107	246	40	(59)	204	**538**
5% depreciation	-	(107)	(246)	(40)	59	(204)	**(538)**

Interest rate market risk

The Syndicate holds investments in its balance sheet that are sensitive to movements in interest rates. The sensitivity of the Syndicate's investment portfolio to movements in interest rates is monitored by the Investment Committee.

The table below shows the estimated immediate impact on the Syndicate's profit or loss and member's balance for the year of a 1% increase in the UK, US, Euro, Canadian and Australian interest rates on the market value of the Syndicate's investments:

	2015 £'000	2014 £'000
1% increase in UK interest rates	1,838	2,112
1% increase in US interest rates	1,690	1,675
1% increase in Euro interest rates	1,279	1,839
1% increase in Canadian interest rates	168	132
1% increase in Australian interest rates	864	768

Notes to the Financial Statements (continued)

2(c) Operational risk

Operational risk refers to the risk of loss to the business from inadequate or failed internal processes, people or systems, or from certain external events.

Operational risk is monitored and regularly reviewed by the Operations Committee.

The Syndicate seeks to manage exposure to operational risks by the implementation of a robust set of systems and controls, including consideration of business continuity management.

2(d) Group risk

Group risk refers to the potential impact of risks arising from being part of the MS&AD Insurance group.

Group risk is monitored and regularly reviewed by the Operations Committee.

The Directors and senior managers maintain a close working relationship with the Syndicate's parent group. There are formal regular meetings and a small team of head-office representatives permanently based in London who attend all relevant board, management and oversight committees.

2(e) Regulatory and compliance risk

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

Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited, as the Managing Agent for Syndicate 3210, must comply with the requirements of the Prudential Regulation Authority (PRA), the Financial Conduct Authority and the Society of Lloyd's (Lloyd's).

Conduct risk, a subset of regulatory risk, is regarded as the risk of failure to pay due regard to the interests of customers or to treat them fairly at all times.

Regulatory risk is monitored and regularly reviewed by the Operations Committee.

The Compliance team monitors regulatory developments, assesses the impact on agency policy, and carries out a compliance monitoring programme. Conduct Risk is managed through implementation of the Lloyd's Conduct Risk Framework.

Notes to the Financial Statements (continued)

2(f) Capital management

Capital framework at Lloyd's

Lloyd's is a regulated undertaking and subject to the supervision of 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 the member level and centrally to ensure that Lloyd's complies with Solvency II requirements, and to meet its own financial strength, licence and ratings objectives.

The requirement to meet Solvency II and Lloyd's capital requirements apply at an overall and member level respectively, and accordingly the capital requirement in respect of the Syndicate is not disclosed in these financial statements.

Lloyd's capital setting process

The Lloyd's capital setting processes use a capital requirement set at the Syndicate level as a starting point. 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.

Syndicate 3210 has one member, MSI Corporate Capital Limited, that is liable for all the liabilities of the Syndicate and an SCR that reflects the capital requirement to cover a 1 in 200 year loss to ultimate. Over and above this, Lloyd's applies a capital uplift to all members' capital requirements. The SCR plus uplift is known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the SCR to ultimate.

Provision of capital by the member

MSI Corporate Capital Limited provides capital to meet its ECA by assets held in trust by Lloyd's (Funds at Lloyd's) and assets held within and managed within the Syndicate (Funds in Syndicate).

The Funds at Lloyd's (FAL) provided by MSI Corporate Capital Limited at 31 December 2015 consist of letters of credit guaranteed by Mitsui Sumitomo Insurance Company, Ltd of £163,500k (2014: £87,500k) and Japanese bonds provided by Mitsui Sumitomo Insurance Company, Ltd with a market value of ¥24.0 billion (2014: ¥24.0 billion). Since FAL is not under the management of the Managing Agent, no amount has been shown in these financial statements 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.

All of the assets less liabilities of the Syndicate, as represented in the member's balances reported on the balance sheet on page 14, represent resources available to meet MSI Corporate Capital Limited's and Lloyd's capital requirements.

Notes to the Financial Statements (continued)

3. Analysis of underwriting result

An analysis of the underwriting result before investment return is set out below:

	Fire and other damage to property	Third party liability	Motor - other	Marine aviation & transport	Re-insurance accepted	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2015						
Gross premiums written	79,083	95,902	10	99,575	95,718	**370,288**
Gross premiums earned	75,415	89,417	10	90,192	97,997	**353,031**
Gross claims incurred	(39,659)	(34,070)	11,518	(30,349)	(39,131)	**(131,691)**
Gross operating expenses	(28,588)	(30,619)	-	(31,420)	(29,946)	**(120,573)**
Gross technical result	7,168	24,728	11,528	28,423	28,920	**100,767**
Re-insurance balance	(11,182)	(5,491)	(6,166)	(12,517)	(11,918)	**(47,274)**
Underwriting result	**(4,014)**	**19,237**	**5,362**	**15,906**	**17,002**	**53,493**
Net technical provisions	88,916	216,548	4,466	139,654	167,216	**616,800**
2014						
Gross premiums written	78,755	90,151	(64)	85,593	96,366	**350,801**
Gross premiums earned	79,014	75,378	(64)	83,366	97,121	**334,815**
Gross claims incurred	(30,931)	(28,413)	(1,806)	(38,762)	(64,734)	**(164,646)**
Gross operating expenses	(24,705)	(28,357)	(8)	(27,312)	(27,792)	**(108,174)**
Gross technical result	23,378	18,608	(1,878)	17,292	4,595	**61,995**
Re-insurance balance	(15,309)	(10,589)	1,913	(3,656)	(1,792)	**(29,433)**
Underwriting result	**8,069**	**8,019**	**35**	**13,636**	**2,803**	**32,562**
Net technical provisions	78,914	230,844	11,907	120,367	173,304	**615,336**

All premiums are written in the UK.

Notes to the Financial Statements (continued)

4. Net operating expenses

	2015 £'000	2014 £'000
Acquisition costs:		
Brokerage and commissions	77,155	68,894
Other acquisition costs	22,572	19,152
Reinsurance commission	(356)	(315)
Change in deferred costs	(6,795)	(6,541)
Administrative expenses	24,754	24,152
Member's standard personal expenses	3,243	2,832
	120,573	**108,174**

Total written commissions for direct insurance business for the year amounted to £61,301k (2014: £53,014k).

Net operating expenses include:

Auditor's remuneration excluding VAT:

	2015 £'000	2014 £'000
Audit of financial statements	226	195
All other services	103	95
	329	**290**

5. Staff numbers and costs

All staff are employed by Mitsui Sumitomo Insurance (London Management) Limited (the immediate parent company of Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited and MSI Corporate Capital Limited). The following amounts were recharged to the Syndicate in respect of salary costs:

	2015 £'000	2014 £'000
Wages and salaries	23,100	23,181
Social security costs	2,827	2,678
Pension costs	2,678	2,542
Other	587	811
	29,192	**29,212**

Mitsui Sumitomo Insurance (London Management) Limited operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Syndicate in an independently administered fund.

Notes to the Financial Statements (continued)

5. Staff numbers and costs (continued)

The average number of employees employed by Mitsui Sumitomo Insurance (London Management) Limited but working for the Syndicate during the year was as follows:

	2015 no.	2014 no.
Finance	26	25
Administration	79	68
Claims	27	35
Underwriting	160	151
	292	**279**

6. Key management personnel compensation

	2015 £'000	2014 £'000
Key management personnel compensation	3,935	3,680
Compensation for loss of office	668	-
Contributions to money purchase pension schemes	236	242
	4,839	**3,922**

The aggregated emoluments of the highest paid Director were £1,320,442 (2014: £1,047,557), including pension contributions of £2,625 (2014: £65,754). The contributions to the money purchase pension schemes above accrued to six Directors.

The active underwriters of the Syndicate who served during the year received £577,022 (2014: £986,655) in remuneration.

For the purposes of this disclosure key management personnel are taken to be the Directors of the Managing Agent.

No advances or credits granted by the Managing Agent to any of its Directors existed during the year.

7. Investment return

	2015 £'000	2014 £'000
Investment income:		
Income from investments	8,609	11,252
Gains on the realisation of investments	4,869	3,381
Losses on the realisation of investments	(8,431)	(6,477)
	5,047	8,156
Unrealised (losses)/gains on investments:		
Unrealised gains on investments	6,427	6,966
Unrealised losses on investments	(8,092)	(6,628)
	(1,665)	338
Investment expenses and charges:		
Investment management expenses, including interest	(599)	(704)
Allocated investment return transferred to general business technical account	**2,783**	**7,790**

Notes to the Financial Statements (continued)

7. Investment return (continued)

The average amount of Syndicate funds available for investment and the investment return and yield for the calendar year were as follows:

	2015 £'000	2014 £'000
Average funds	573,994	553,704
Investment return, including unrealised gains	3,348	8,519
Calendar year investment yield	0.58%	1.54%
Average funds available for investment by fund		
Sterling	249,286	262,114
United States Dollars	185,076	157,567
Euros	65,430	66,404
Canadian Dollars	14,390	12,683
Australian Dollars	45,026	50,426
Other	14,786	4,510
Analysis of calendar year investment yield by fund		
Sterling	0.50%	1.14%
United States Dollars	0.42%	0.90%
Euros	(0.21%)	2.33%
Canadian Dollars	1.35%	1.43%
Australian Dollars	2.45%	4.45%
Other	1.04%	3.00%

Average funds means the average of bank balances and investments held at the end of each month during the calendar year. For this purpose, investments are revalued at month end market prices, which include accrued income where appropriate.

8. Other financial investments

	Market Value 2015 £'000	Cost 2015 £'000	Market Value 2014 £'000	Cost 2014 £'000
Debt securities and other fixed income				
Government and supranational securities	164,689	164,479	167,312	167,187
Government agency and regional government	15,908	15,972	15,756	15,741
Mortgage backed instruments	3,670	3,679	6,473	6,463
Corporate bonds	214,573	216,008	245,897	246,056
Hedge funds	28,497	26,837	26,695	25,085
Holdings in collective investment schemes	33,387	33,310	42,639	42,684
Participation in investment pools	34,045	34,045	21,962	22,108
Regulatory deposits	5,059	5,059	4,636	4,636
Deposits with credit institutions	46,870	46,870	32,353	32,353
Derivatives	-	-	306	-
	546,698	**546,259**	**564,029**	**562,313**

Debt securities and other fixed income consist of listed investments.

Holdings in collective investment schemes include Money Market Funds of £13,313k (2014: £25,758k).

Notes to the Financial Statements (continued)

8. Other financial investments (continued)

Fair value estimation

Financial instruments that are classified as fair value through the profit or loss account are assigned a level using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

- **Level 1** financial instruments comprise government bonds that are regularly traded, deposits with credit institutions and collective investment schemes which comprise Money Market Funds.
  - Bonds have been valued at fair value using quoted prices in an active market
  - Deposits with credit institutions are included at cost plus accrued income
  - Money Market Funds are valued on a stable net asset value (NAV) basis. Money Market Funds are readily convertible into cash, are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

- **Level 2** financial instruments are less regularly traded government and agency bonds, supranational bonds, corporate bonds, currency derivatives, bond futures, and fund investments.
  - Bonds are included in the balance sheet at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source
  - Currency derivatives and bond futures are included at market price
  - Investments in regulated collective investment schemes are valued on the NAVs of each of the individual funds as published publicly by the managers
  - Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes
  - Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd's).

- **Level 3** financial instruments have a fair value derived from inputs that are not based on observable market data. The Syndicate does not currently hold any level 3 financial instruments.

Investments	2015 Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Debt securities and other fixed income				
Government and supranational securities	159,773	4,916	-	164,689
Government agency and regional government	-	15,908	-	15,908
Mortgage and asset backed instruments	-	3,670	-	3,670
Corporate bonds	-	214,573	-	214,573
Hedge funds	-	28,497	-	28,497
Holdings in collective investment schemes	14,559	18,828	-	33,387
Participation in investment pools	14,248	19,797	-	34,045
Regulatory deposits	-	5,059	-	5,059
Deposits with credit institutions	46,870	-	-	46,870
	235,450	311,248	-	546,698

Other creditors including taxation and social security (note 11) includes derivative financial liabilities of £517k (2014: derivative financial asset of £306k, disclosed in Other financial investments) which are assigned to level 2.

Notes to the Financial Statements (continued)

8. Other financial investments (continued)

Investments	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
		2014		
Debt securities and other fixed income				
Government and supranational securities	161,441	5,871	-	167,312
Government agency and regional government	-	15,756	-	15,756
Mortgage and asset backed instruments	-	6,473	-	6,473
Corporate bonds	-	245,897	-	245,897
Hedge funds	-	26,695	-	26,695
Holdings in collective investment schemes	26,507	16,132	-	42,639
Participation in investment pools	8,183	13,779	-	21,962
Regulatory deposits	-	4,636	-	4,636
Deposits with credit institutions	32,353	-	-	32,353
Derivatives	-	306	-	306
	228,484	**335,545**	**-**	**564,029**

9. Debtors and creditors arising out of direct insurance and reinsurance operations

All amounts due to or receivable from the Syndicate in respect of direct insurance and reinsurance operations are in relation to intermediaries.

Of the debtors arising out of direct insurance and reinsurance operations, £191k (2014: £115k) are due after more than one year.

10. Other debtors

	2015 £'000	2014 £'000
Claims funds	3,645	2,614
Other debtors	7	1,527
Salvage and subrogation	140	48
	3,792	**4,189**

All balances are due within one year.

11. Other creditors including taxation and social security

	2015 £'000	2014 £'000
Other creditors	2,516	2,570
Tax creditors	630	846
Derivative financial liabilities	517	-
	3,663	**3,416**

All balances are due within one year.

Notes to the Financial Statements (continued)

12. Technical Provisions

The table below shows a reconciliation of changes in insurance liabilities, reinsurance assets and related deferred acquisition costs for the year ended 31 December 2015.

	As at 31 December 2014 £'000	Movement in provision £'000	Foreign exchange £'000	As at 31 December 2015 £'000
Technical provisions				
Provision for unearned premium	212,510	17,257	1,966	**231,733**
Claims outstanding	553,885	(31,126)	1,411	**524,170**
	766,395	(13,869)	3,377	**755,903**
Reinsurer's share of technical provisions				
Provision for unearned premium	10,793	2,035	319	**13,147**
Claims outstanding	85,366	(23,028)	1,526	**63,864**
	96,159	(20,993)	1,845	**77,011**
Deferred acquisition costs	54,900	6,795	397	**62,092**
Net technical provisions	**615,336**	**329**	**1,135**	**616,800**

	As at 31 December 2013 £'000	Movement in provision £'000	Foreign exchange £'000	As at 31 December 2014 £'000
Technical provisions				
Provision for unearned premium	193,656	15,986	2,868	**212,510**
Claims outstanding	546,743	917	6,225	**553,885**
	740,399	16,903	9,093	**766,395**
Reinsurer's share of technical provisions				
Provision for unearned premium	10,688	32	73	**10,793**
Claims outstanding	78,646	4,195	2,525	**85,366**
	89,334	4,227	2,598	**96,159**
Deferred acquisition costs	47,838	6,541	521	**54,900**
Net technical provisions	**603,227**	**6,135**	**5,974**	**615,336**

Foreign exchange shows the effect of the movement in exchange rates during the year.

Notes to the Financial Statements (continued)

13. Claims development

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. Balances have been translated at exchange rates prevailing at 31 December 2015.

Pure underwriting year	**2011 £'000**	**2012 £'000**	**2013 £'000**	**2014 £'000**	**2015 £'000**	**Total £'000**
Estimate of cumulative gross claims						
at end of underwriting year	73,476	78,177	109,713	100,952	105,850	
one year later	147,581	159,505	211,954	206,470		
two years later	130,943	147,274	193,784			
three years later	129,371	138,341				
four years later	123,548					
Less gross claims paid	102,205	92,748	96,410	58,711	10,542	
Gross claims reserve	21,343	45,593	97,374	147,759	95,308	**407,377**
Gross claims reserve for 2010 and prior years						**116,793**
Gross claims reserves						**524,170**

Pure underwriting year	**2011 £'000**	**2012 £'000**	**2013 £'000**	**2014 £'000**	**2015 £'000**	**Total £'000**
Estimate of cumulative net claims						
at end of underwriting year	67,418	72,971	98,341	94,985	100,079	
one year later	137,775	145,659	180,276	194,514		
two years later	125,353	138,334	173,283			
three years later	123,987	129,870				
four years later	116,668					
Less net claims paid	96,110	87,032	95,177	55,941	10,070	
Net ultimate claims reserve	20,558	42,838	78,106	138,573	90,009	**370,084**
Net claims reserve for 2010 and prior years						**90,222**
Net claims reserves						**460,306**

Prior periods claims provisions

The movement in the net provision for claims includes a release of £52,922k (2014: £34,490k) in respect of claims outstanding at the previous year end.

14. Cash and cash equivalents

	2015 £'000	**2014 £'000**
Cash at bank and in hand	13,684	5,830
Deposits with credit institutions	5,137	659
	18,821	**6,489**

Deposits with credit institutions are included within Other financial investments in the balance sheet.

Notes to the Financial Statements (continued)

15. Related parties

The smallest group of undertakings of which the Managing Agent is a member, and for which group financial statements are prepared, is headed by Mitsui Sumitomo Insurance (London Management) Limited, a company incorporated in the UK. The largest group of undertakings of which the Managing Agent is a member, and for which group financial statements are prepared, is headed by MS&AD Insurance Group Holdings, Inc. a company incorporated in Japan, which is the ultimate parent undertaking. Consolidated financial statements for the smallest and largest group undertakings are available from the Registered Office of the Managing Agent's immediate parent company, Mitsui Sumitomo Insurance (London Management) Limited at 25 Fenchurch Avenue, London, EC3M 5AD.

MSI Corporate Capital Limited
MSI Corporate Capital Limited (MSICC) satisfies Lloyd's capital requirements by assets held in trust (Funds at Lloyd's) and assets held within and managed within the Syndicate (Funds in Syndicate). Funds in Syndicate at 31 December 2015 were £84,031k (2014: £79,755k). The provision of capital and Funds at Lloyd's is addressed in note 2(f).

Distributions of profit to MSICC of £46,000k (2014: £10,000k) were made during the year. Members personal expenses of £3,243k (2014: £2,832k) were incurred by the Syndicate on behalf of MSICC.

Mitsui Sumitomo Insurance Underwriting at Lloyd's Limited
Managing agent's fees of £680k (2014: £680k) were paid by the Syndicate during the year.

The Managing Agent has waived profit commissions on the 2012, 2013 and 2014 years of account. No profit commission will be due on the 2015 and subsequent years of account.

There have been no transactions entered into or carried out during the year by the Managing Agent on behalf of the Syndicate in which it or any of its executives had directly or indirectly a material interest.

Mitsui Sumitomo Insurance (London Management) Limited
Mitsui Sumitomo Insurance (London Management) Limited (MSILM) was paid £57,444k (2014: £58,309k) during the year for expenses incurred directly and indirectly on behalf of the Syndicate. The balance sheet includes prepayments of £3,302k (2014: accruals of £3,319k) in relation to expenses recharged to the Syndicate by MSILM. These expenses are shown in administrative expenses and there is no profit element in the amounts paid to MSILM.

MSI Insurance Management (Ireland) Limited
MSI Insurance Management (Ireland) Limited (MSIIMI) is a service company and its business is written under a coverholder agreement with the Syndicate. There was £5,757k due to the Syndicate in relation to business written under the service company agreement as at 31 December 2015. For the year ended 31 December 2015 gross written premiums of £13,550k (2014: Nil) were written by MSIIMI on behalf of the Syndicate.

All transactions between MSIIMI and the Syndicate are conducted on an arm's length basis.

MSIG Insurance Europe AG
One reinsurance contract is placed with the Syndicate for insurance written by MSIG Insurance Europe AG (MSIGAG). The gross premiums written in relation to MSIGAG during 2015 were £374k (2014: £215k), of which, £163k (2014: £19k) was outstanding at 31 December 2015. The outstanding claims reserves at 31 December were £51k (2014: £17k).

16. Off-balance sheet items

The Syndicate has not been party to an arrangement, which is not reflected in its balance sheet, where material risks and benefits arise for the Syndicate.

Notes to the Financial Statements (continued)

17. Explanation of transition to FRS 102 from old UK GAAP

These financial statements are the Syndicate's first prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied consistently in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

In preparing its FRS 102 balance sheet, the Syndicate has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (old UK GAAP). An explanation of how the transition from old UK GAAP to FRS 102 has affected the Syndicate's financial position and financial performance is set out in the table below and the narrative that accompanies the table.

Reconciliation of profit and member's balance from old UK GAAP to FRS 102	**Profit for the year ended 31 December 2014 £'000**	**Member's balance as at 31 December 2014 £'000**	**Member's balance as at 1 January 2014 £'000**
Amount under old UK GAAP	47,892	74,806	36,914
Provision for unearned premiums retranslated at the closing rate	(7,923)	(2,559)	5,364
Deferred acquisition costs retranslated at the closing rate	1,684	518	(1,166)
Movements in other creditors and accruals	-	(978)	(978)
Impact of change in accounting policy on adoption of FRS 102	(6,239)	(3,019)	3,220
Amount under FRS 102	**41,653**	**71,787**	**40,134**

Previously, under old UK GAAP, both Deferred Acquisition Costs (DAC) and Unearned Premium Reserve (UPR) were treated as non-monetary items. Therefore DAC and UPR balances denominated in currencies other than the functional currency (GBP) were translated at the date of the transaction. These balances were not retranslated at the closing rate at the end of the accounting period and there were therefore no currency gains or losses arising from these balances.

Under FRS 102, UPR and DAC are treated as if they were monetary assets. At 1 January 2014 and 31 December 2014, UPR and DAC denominated in foreign currencies have been retranslated into the closing rates applying on those dates. The resulting gain at 1 January 2014 has been recognised as an adjustment to the Member's balance in accordance with FRS 102.35.8, while for the year ended 31 December 2014, the currency gain arising in the year is included in 'gain on foreign exchange' in the non-technical account.

Whilst the Syndicate does not directly employ staff or hold leases it is recharged by Mitsui Sumitomo Insurance (London Management) Limited (the immediate parent company of MSI Corporate Capital Limited) for related expenses.

Included within movements in other creditors and accruals are:

Under FRS 102 a lessee shall recognise the aggregate benefit of lease incentives as a reduction to the expense over the lease term on a straight-line basis. Previously, this has been recognised on a straight-line basis up until the first rent review period.

Under FRS 102 an entity shall recognise a liability for the value of paid annual leave due but not taken by employees at the balance sheet date. Previously, no liability has been recognised.

Notes to the Financial Statements (continued)

17. Explanation of transition to FRS 102 from old UK GAAP (continued)

In addition to the transition adjustments identified above, which effect profit for the year and member's balance, the following adjustments have arisen which have had no effect on the member's balance or the profit or loss, but have affected the presentation of items on the balance sheet. The main items are:

- Overseas deposits, with a value of £53,224k at 1 January 2014 (transition date), have been reclassified from Other assets to Other financial investments. Overseas deposits, with a value of £92k at 1 January 2014 (transition date), have been reclassified from Other assets to Cash at bank and in hand

- Money market funds, with a value of £15,767k at 1 January 2014 (transition date), have been reclassified from Cash at bank and in hand to Other financial investments.

18. Post balance sheet events

On 8 September 2015 Mitsui Sumitomo Insurance Company, Ltd announced the terms of an agreed offer to acquire Amlin plc. The acquisition was completed on 1 February 2016. Following the acquisition it is the intention to integrate the business of Mitsui Sumitomo Insurance Underwriting at Lloyd's Ltd and Syndicate 3210, the main trading entity of the Mitsui Sumitomo Insurance (London Management) Limited group, with those of Amlin's Lloyd's business during the course of 2016. The intention is to novate the management of Syndicate 3210 to Amlin Underwriting Limited in 2016 and prepare a joint 2017 business plan for the combined syndicate operations.