Accounts disclaimer

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Tokio Marine Kiln Life Syndicate 308

Report and Accounts
For the year ended 31 December 2020

Contents

Directors, Run-off Manager and administration

Managing agent

Tokio Marine Kiln Syndicates Limited (TMKS) is the managing agent of Tokio Marine Kiln Life Syndicate 308 (Syndicate 308), Tokio Marine Kiln Catastrophe Syndicate 557 (Syndicate 557), Tokio Marine Combined Syndicate 510 (Syndicate 510) and Tokio Marine Kiln Syndicate 1880 (Syndicate 1880). TMKS is a wholly-owned subsidiary of Tokio Marine Kiln Group Limited (TMKGL). The Company's ultimate parent is Tokio Marine Holdings, Inc., Japan (Tokio Marine).

TMKS is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

Directors

S Batori (appointed 1 January 2021)
V M Gordon-Walker (appointed 1 August 2020)
R Harris (Non-executive)
N I Hutton-Penman (appointed 27 March 2020)
B T Irick (Chief Executive Officer)
C Kojima (Non-executive) (resigned 31 December 2020)
A McNamara
C J G Moulder (Non-executive)
R Patel
H Rohlf (Non-executive)
A M W Shaw (appointed 18 September 2020)
V Syal
D A Torrance (Chair from 1 January 2020)
C J B Williams (Non-executive)

Company Secretary

F J Molloy (resigned 30 October 2020)
A Gordon (appointed 1 November 2020)

Run-off Manager

K Boyes

Registered office

20 Fenchurch Street
London EC3M 3BY

Registered numbers

Company number	00729671
FCA reference number	204909
Lloyd's agent number	1041K

Bankers

Barclays Bank plc
Citibank, N.A.
BNY Mellon

Statutory auditors

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

Report of the Directors of the managing agent

The Directors of the managing agent present their report and accounts for the year ended 31 December 2020 under UK GAAP. This report covers Tokio Marine Kiln Life Syndicate 308 managed by Tokio Marine Kiln Syndicates Limited. The managing agency's ultimate parent is Tokio Marine Holdings, Inc., the head office of which is in Japan.

The annual report for the managed syndicate 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.

Separate run-off year accounts for the 2017 year of account are also included in this report.

Principal activity

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

Run-off review

The 2017 year of account remains open as there are material uncertainties on future losses and premiums in relation to long-term contracts residing in this year. Syndicate 308 wrote long-term policies of up to 10 years, with level term premium payable in annual instalments. The potential uncertainty will not only be around whether claims arise on that exposure, but also if they do, then the syndicate loses the benefit of any future annual premium post loss. Tokio Marine Kiln Syndicates Limited intends to close the 2017 year of account as soon as an equitable reinsurance to close (RITC) premium can be determined. This will be no later than 31 December 2028, being the first date by which all the liabilities on the 2017 year of account are expected to have been run-off to extinction.

The 2018 year of account was established solely to manage the run-off of the UNFCU policy with 100% of the capacity held by Tokio Marine Underwriting Limited to avoid there being any effect on third party Names from the related licencing breach. The 2018 year of account will not RITC at 31 December 2020 as there are significant barriers to closure which are further outlined below in the results section.

Results

The result for the 2020 calendar year is a profit of £3.0 million (2019: profit of £1,000). The syndicate's key financial performance indicators during the year were as follows:

	2020 **£m**	2019 (restated)* £m
Gross written premium	**1.5**	3.3
Net earned premium	**3.6**	6.8
Result for the financial year	**3.0**	-
Investment income	**-**	0.1
Claims ratio(1)	**(32.9%)**	61.1%
Combined ratio(2)	**20.5%**	101.8%

*See note 18

(1)Claims ratio Total of net incurred claims, including the movement in unexpired risk reserve, as a percentage of net earned premium

(2)Combined ratio Total of net incurred claims, net acquisition costs and operating expenses as a percentage of net earned premium

The syndicate profit of £3.0 million (2019: £1,000) is driven by a combined ratio of 20.5% (2019 restated: 101.8%) as a result of reserve releases on the Treaties, Schemes, Groups and Individual life classes, coupled with relatively benign claims experience across the remainder of the portfolio.

Gross written premiums and net earned premium both reduced from prior year by 54.5% and 47.1% to £1.5 million (2019 restated: £3.3 million) and £3.6 million (2019 restated: 6.8 million) respectively, reflecting the fact the Syndicate is in run-off.

Claims experience in the year to date has been favourable across a number of classes, and resulted in an overall reduction in the claims ratio to (32.9%) (2019: 61.1%), this was partially offset by an explicit claims reserve of £1.2 million recognised in relation to the COVID-19 pandemic (COVID-19), which is further outlined below.

COVID-19
The Syndicate is exposed to significant mortality risk on its portfolio of long-term business. There is uncertainty in the level of additional claims the Syndicate may receive as a direct result of COVID-19. An additional £1.2 million COVID-19 reserve has been established which takes account of the geographic diversity of the portfolio and the varying expected COVID-19 death rate in each country.

Investment income for Syndicate 308 was £43,000 (2019: £69,000) equating to a return of 0.3% (2019: 0.4%).

2017 year of account
Syndicate 308 is forecast to make an underwriting loss of £12.9 million (2019: £15.3 million) on the 2017 year of account. The forecast loss has reduced by £2.4 million in the year resulting from favourable claims development. Historically, the 2017 year of account was impacted by the poor performance of a group life policy covering investors in a certain investment scheme. Reinsurance has been purchased to cover the entire run-off period and a provision has been established for expenses to ensure an orderly run-off to closure.

2018 year of account
The 2018 year of account will remain open at 31 December 2020 as there remain barriers to closure.

Syndicate underwriting year accounts have not been prepared for the run-off 2018 year of account in accordance with the exemption available under Regulation 6(1) of the 2008 Regulations.

Outlook
Syndicate 308 will continue to focus on orderly run-off, ensuring that stakeholders interests continue to be served in a fair and equitable manner.

Operational activities
The COVID-19 pandemic is impacting the operational activities of the Syndicate. However, the directors consider the negative implications on operations to be low. Since March 2020 the vast majority of our staff have worked from home with all working remotely at the date of these accounts. Currently we do not expect significant numbers to return to our offices before at least mid 2021. This follows a successful stress test of our business continuity practices during March 2020, which has shown that the Syndicate can continue to operate remotely.

Principal risks & uncertainties
Our business model remains consistent: we are specialist underwriters, providing a wide variety of products tailored to our clients' changing risk profiles. This is supported by a comprehensive, enterprise wide framework for the management of risk across the whole of Tokio Marine Kiln. We are prudent in financial risk management, such as investment management and reserving. This allows us to protect our capital.

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

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

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

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

A syndicate may be supported by one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it is participating but not other members' shares. Accordingly, the capital requirements that Lloyd's set for each member operate on a similar basis. Each members' total capital requirement is therefore determined by the share of each syndicate's SCR 'to ultimate' on which they participate. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the members' capital requirement, known as the economic capital assessment (ECA). The purpose of this uplift, which is a Lloyd's rather than Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

Provision of capital by members

Each member may provide capital to meet its ECA either through assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's) or as the members' share of the members' balances on each syndicate on which it participates.

Accordingly, all the assets less liabilities of the syndicate, as represented in the members' balances reported on the respective balance sheets, represent resources available to meet members' and Lloyd's capital requirements. The Lloyd's market-wide capital uplift applied for 2020 to derive the ECA is 35% of the members' SCR 'to ultimate'.

Capital allocation

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

The results of the modelling confirm that the majority of capital is required to support insurance risk.

Risk management and risk appetite

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

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

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

Insurance risk

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

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

Reinsurance risk

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

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

Reserving risk

This is the risk of loss arising from claims reserves already in the balance sheet being understated, i.e. the risk that reserves are inadequate due to the inherent uncertainty of knowing the ultimate timing and quantum of liabilities incurred. Claims provisions represent estimates, based on both the underwriters' and claim managers' informed knowledge and judgement and on the Internal Reserving Actuary's statistical projections, of the expectation of the ultimate settlement and administration costs of claims incurred. A variety of estimation techniques are used, generally based upon statistical analyses of historical loss development patterns, to assist in the establishment of appropriate claims reserves.

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

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

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

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

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

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

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

To mitigate liquidity risk, the treasury team reviews syndicate cash flow projections quarterly, and also stress tests them. The Syndicate also has the ability to make cash calls on members in order to manage liquidity.

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

We seek to manage this risk by the recruitment of high calibre staff and providing them with ongoing, high quality training. Operational risk forms a significant part of the Syndicate's risk register. Risks are reviewed on a regular basis with departmental heads responsible for identifying, assessing and controlling operational risks effectively, as well as attesting to the effectiveness of these controls on a regular basis. This forms the Risk, Control and Self-Assessment (RCSA) process at Tokio Marine Kiln, supported by the Risk Management team who independently assess key risks and controls on a regular basis.

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

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

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

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

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

Our conduct objective is to build, maintain and enjoy long-term relationships with our customers whether they be held directly or indirectly via a third party. This culture of partnership is fundamental to our dealings with our customers, and comes regardless of the complexity of the risk, the sophistication of the buyer, or the length of the supply chain to the end customer.
The conduct objective is owned by the board and cascaded throughout the organisation. It is central in achieving delivery of the six consumer outcomes (as set out by the FCA), which are at the heart of our business.

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

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

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

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

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

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

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

Run-off risk
This is the risk that we fail to manage the run-off of Syndicate 308 efficiently and effectively, in the best interests of all members and not to the detriment of policyholders. The various risks associated with the run-off include the reputational risk, regulatory risk and the impact it may have from a resourcing perspective in terms of the potential for distraction from business as usual activities.

These risks require careful management and are a key priority for the business. It is clearly stated in our run-off plan that the runoff will be managed for all members in accordance with Lloyd's requirements and with full regard to our duties and obligations as a managing agent. We are managing the run-off in line with existing TMK policies and procedures and in compliance with Lloyd's Minimum Standards. A Run-Off Committee is in place to oversee the management of the run-off and this reports to the audit committee.

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

We are committed to the continual research and identification of emerging risks and actively undertake research independently, and via market working groups. Emerging risk analysis is included in the Tokio Marine Kiln ORSA process with annual and where relevant, quarterly updates. Through the effective management of emerging risks, which include climate change, we are able to identify external trends and threats, and improve risk selection and knowledge of future risk exposures. Emerging risks may present both threats and opportunities to the business and, as we have done in the past, we will readily capitalise on identified opportunities in this area.

Climate risks are complex, deep and broad, affecting the entirety of our business. Although the full manifestation of these risks will take many years, we are continuing to embed the consideration of climate risk within our Enterprise Risk Management Framework and ORSA process. In addition, we have established an Environmental, Social and Governance (ESG) Committee of the board which elevates discussion of these matters and supports required actions.

Climate risk exposure is further managed by the Lloyd's capital setting process. The majority of TMK's business is priced annually, which allows for the potential increase in risk exposures to be captured in pricing models. We adhere to Tokio Marine Group's underwriting guidelines in respect of thermal coal production. Although we currently have only small levels of exposure to Thermal Coal-fired Power Plants, Thermal Coal Mines, Oil Sands and Artic Energy Exploration, we are preparing for adherence to Lloyd's forthcoming underwriting and investment restrictions on these risks.

Political risk
This is the risk that political decisions, events or conditions will result in losses. Politics affect everything from taxes to interest rates and political events can heavily impact the structure of a business

Directors
The Directors of the managing agent who served during the year ended 31 December 2020, as well as any subsequent changes, are listed under the section 'Directors, Active Underwriter and administration'. The directors did not participate in Syndicate 308.

Percentages of capacity per year of account

Company	2017 %	2018 %
Tokio Marine Underwriting Limited	52	100

Post balance sheet events
These are discussed in note 20.

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

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

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

Approved by the board of directors

B T Irick
Chief Executive Officer
Tokio Marine Kiln Syndicates Limited
4 March 2021

Statement of managing agent’s responsibilities

The directors of the Managing Agent are responsible for preparing the Syndicate Underwriting Year Accounts for the 2017 Run-Off Year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’, and Financial Reporting Standard 103, ‘Insurance Contracts’ (FRS 103), Financial Reporting Standard 103, ‘Insurance Contracts’ (FRS 103), and applicable law) as modified by the Lloyd’s Syndicate Accounting Byelaw (No.8 of 2005) (the ‘applicable framework’), and have been prepared in accordance with the provisions of the Lloyd’s Syndicate Accounting Byelaw (No. 8 of 2005) (the ‘applicable legal requirements’).

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

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the syndicate affected;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the underwriting year accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the syndicate is able to continue to realise its assets and discharge its liabilities in the normal course of business.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of each syndicate and enable it to ensure that the syndicate underwriting year accounts for the 2017 run-off year comply with the applicable legal requirements. It is also responsible for safeguarding the assets of each syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Independent auditors’ report to the members of Syndicate 308

Report on the audit of the syndicate annual accounts

Opinion

In our opinion, 308’s syndicate annual accounts:

- give a true and fair view of the state of the syndicate’s affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the Report and Accounts (the “Annual Report”), which comprise: the Balance sheet: assets and the Balance sheet: liabilities as at 31 December 2020; the Profit and loss account: technical account- long-term business, the Profit and loss account: non-technical account, the Statement of cash flows; the Statement of changes in members’ balances for the year then ended and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”), and The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 and other applicable law. Our responsibilities under ISAs (UK) are further described in the *Auditors’ responsibilities for the audit of the syndicate annual accounts* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate’s ability to continue as a going concern for a period of at least twelve months from when the syndicate annual accounts are authorised for issue.

In auditing the syndicate annual accounts, we have concluded that the Managing Agent’s use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

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

Our responsibilities and the responsibilities of the Managing Agent with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us also to report certain opinions and matters as described below.

Managing Agent's Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent's Report for the year ended 31 December 2020 is consistent with the syndicate annual accounts and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the syndicate annual accounts and the audit

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

In preparing the syndicate annual accounts, the Managing Agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the syndicate is unable to continue to realise its assets and discharge its liabilities in the ordinary course of business.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the syndicate annual accounts. We also considered those laws and regulations that have a direct impact on the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journals and management bias in accounting estimates. Audit procedures performed included:

- Discussions with management, internal audit and the risk and compliance functions, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.

- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation of the IBNR component of claims outstanding and estimated premium income.

- Identifying and testing journal entries, in particular any journals that appear to be posted outside the normal patterns and parameters, any journal entries posted with unusual account combinations and journals posted by senior management.

- Reviewing relevant meeting minutes including those of the Conflicts Committee, Risk, Capital & Compliance Committee and Audit Committee and correspondence with regulatory authorities, including Lloyd's of London and the Prudential Regulatory Authority.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the syndicate annual accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

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

Other required reporting

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

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

We have no exceptions to report arising from this responsibility.

Matthew Nichols (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 March 2021

Profit and loss: technical account – long-term business for the year ended 31 December 2020

	Note	2020 £'000	2019 (restated)* £'000
Earned premiums, net of reinsurance			
Gross premiums written	3	**1,526**	3,296
Outward reinsurance premiums		**517**	(3,426)
Net premiums written		**2,043**	(130)
Change in the provision for unearned premiums:			
Gross amount		**2,353**	3,985
Reinsurers' share		**(793)**	2,953
Change in the net provision for unearned premiums		**1,560**	6,938
Earned premiums, net of reinsurance		**3,603**	6,808
Allocated investment return transferred from the non-technical account		**43**	69
Total technical income		**3,646**	6,877
Claims incurred, net of reinsurance			
Claims paid:			
- Gross amount		**(2,869)**	(11,035)
- Reinsurers' share		**43**	26
Net claims paid		**(2,826)**	(11,009)
Change in the long-term business provision:			
- Gross amount		**3,210**	4,526
- Reinsurers' share		**(88)**	78
Change in the net long-term business provision		**3,122**	4,604
Claims incurred, net of reinsurance		**296**	(6,405)
Change in other technical provisions, net of reinsurance		**890**	2,248
Members' standard personal expenses		**-**	(13)
Net operating expenses	4,5,6	**(1,926)**	(2,761)
Total technical charges		**(740)**	(6,931)
Balance on the technical account for long-term business		**2,906**	(54)

*See note 18

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

Profit and loss: non-technical account for the year ended 31 December 2020

	2020 £'000	2019 £'000
Balance on the technical account for long-term business	**2,906**	(54)
Investment income	**43**	69
Allocated investment return transferred to the long-term business technical account	**(43)**	(69)
Foreign exchange gain	**98**	55
Profit for the financial year	**3,004**	1

There is no other comprehensive income. Accordingly, a separate statement of other comprehensive income has not been provided.

The notes to the annual accounts form part of these annual accounts.

Balance sheet: assets
as at 31 December 2020

	Note	2020 £'000	2019 (restated)* £'000
Investments			
Other financial investments	19	**12,659**	15,276
Deposits with ceding undertakings		**239**	248
		12,898	15,524
Reinsurers' share of technical provisions			
Provision for unearned premiums	7	**2,173**	2,965
Long-term business provision	7,8	**-**	88
		2,173	3,053
Debtors			
Debtors arising out of direct insurance operations	9	**155**	1,743
Debtors arising out of reinsurance operations	10	**358**	346
Other debtors	11	**433**	1,612
		946	3,701
Other assets			
Cash at bank and in hand		**864**	544
Overseas deposits		**2,921**	536
		3,785	1,080
Prepayments and accrued income			
Deferred acquisition costs	12	**222**	1,013
Total assets		**20,024**	24,371

*See note 18

The notes to the annual accounts form part of these annual accounts.

Balance sheet: liabilities
as at 31 December 2020

	Note	2020 £'000	2019 (restated)* £'000
Capital and reserves			
Members' balances		**4,121**	1,117
Technical provisions			
Provision for unearned premiums	7	**573**	2,935
Long-term business provision	7,8	**10,180**	13,638
Other technical provisions	13	**130**	1,022
		10,883	17,595
Creditors			
Creditors arising out of direct insurance operations	14	**1,450**	1,169
Creditors arising out of reinsurance operations		**2,683**	3,949
Other creditors	15	**887**	539
		5,020	5,657
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs	12	**-**	2
Total liabilities		**20,024**	24,371

*See note 18

The annual accounts, which comprise the profit and loss account, the balance sheet, the statement of changes in members' balances the statement of cash flow and the notes to the annual accounts, were approved by the board of Tokio Marine Kiln Syndicates Limited on 2 March 2021 and were signed on its behalf by

R Patel
Chief Financial Officer
Tokio Marine Kiln Syndicates Limited
4 March 2021

The notes to the annual accounts form part of these annual accounts.

Statement of changes in members' balances for the year ended 31 December 2020

	2020 £'000	2019 £'000
Members' balances brought forward at 1 January	**1,117**	1,773
Profit for the financial year	**3,004**	1
Distribution loss collected	**-**	3,143
Payments to members' personal reserve funds	**-**	(3,800)
Members' balances carried forward at 31 December	**4,121**	1,117

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.

Statement of cash flows
for the year ended 31 December 2020

	2020 £'000	2019 restated* £'000
Cash flows from operating activities:		
Operating profit on ordinary activities	**3,004**	1
Decrease in gross technical provisions	**(6,712)**	(11,114)
Decrease/(increase) in reinsurers' share of technical provisions	**880**	(3,030)
Decrease in debtors	**3,546**	12,865
Decrease in creditors	**(639)**	(5,123)
Movement in other assets/liabilities	**(2,225)**	331
Unrealised foreign currency gains	**(18)**	(55)
Investment return	**(43)**	(69)
Net cash outflow from operating activities	**(2,207)**	(6,194)
Cash flows from investing activities:		
Purchase of equity and debt instruments	**18**	–
Sale of equity and debt instruments	**2,459**	6,124
Investment income received	**43**	69
Other	**(9)**	36
Net cash inflow from investing activities	**2,511**	6,229
Cash flows from financing activities:		
Transfer (to) member in respect of underwriting participation	**-**	(657)
Net cash outflow from financing activities	**-**	(657)
Net increase/(decrease) in cash and cash equivalents	**304**	(622)
Cash and cash equivalents at beginning of year	**544**	1,169
Foreign exchange gains/(losses) on cash and cash equivalents	**16**	(3)
Cash and cash equivalents at end of year	**864**	544

*See note 18
*The cash flow statement has been restated to remove overseas deposits. They are not deemed to be cash and cash equivalents and have been presented as other assets on the balance sheet.

Notes to the annual accounts

1. Accounting policies

1.1 Statement of compliance

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

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

These annual accounts are presented in pounds sterling, which is the functional currency of the Syndicate. All amounts have been rounded to the nearest thousand pounds, unless otherwise stated.

1.2 New standards and amendments

The Syndicate has applied FRS 102 and FRS 103, both as issued in March 2018, which reflects the amendments made as part of the Triennial Review 2017. There are no amendments to UK accounting standards impacting the year ended 31 December 2020 annual accounts

1.3 Funds at Lloyd's

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

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

1.4 Going concern

Having assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements. As disclosed in the Report of the Directors of the managing agent. The Syndicate has been placed into run-off but will continue in operation for the foreseeable future in accordance with a plan approved by the Directors of the managing agency.

1.5 Summary of accounting policies

The significant accounting policies adopted in the preparation of the financial statements are set out below. They have been applied consistently to all periods presented in these financial statements.

a. Product classification

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

b. Premiums written

Inwards premiums written comprise premiums on contracts incepting during the financial year as well as adjustments made in the year to premiums on contracts incepting in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums on a risk by risk basis, representing the difference between the written and signed premium, which is held on the balance sheet as an asset.

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

Periodic premium life contracts include those contracts under which premiums are payable at regular intervals during the policy year, including repeated or recurrent single premiums where the level of premiums is defined. For policies with recurrent single premiums and a policy term of greater than 12 months, premium is usually written on an annual basis at the anniversary of inception into the youngest year of account up to and including the 2017 year. As a result of the syndicate going into run-off from the 2018 calendar year, premium will continue to be written into the 2017 year of account on an annual basis until the policy expires.

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

c. Earned premiums
For policies reserved under a long-term methodology, written premium is treated as fully earned from inception, or anniversary of inception, and no unearned premium reserve is held. Other policies not reserved in this manner have their earning patterns based on time apportionment.

d. Claims paid and incurred
Paid claims represent all claims paid during the year and include claims handling expenses.

Claims incurred comprise paid claims and changes in the long-term business provision.

e. Long-term business provision and related recoveries
The long-term business provision is determined annually by an actuarial valuation. Policies are reserved using a gross premium valuation methodology to calculate the provision required to meet future expected claims and expenses less future expected premiums ('mathematical reserves').

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

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

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

g. Net operating expenses and personal expenses
Net operating expenses comprise the cost of acquiring business including commission and profit commission as well as the staff costs and other expenses attributable to underwriting operations.

Personal expenses comprise managing agent's fee, Lloyd's central fund contributions and Lloyd's subscriptions.

Net operating expenses and personal expenses are recognised on the accruals basis and represent the expenses incurred on underwriting operations and also the reinsurance commission income.

h. Finance costs
Finance costs comprise interest paid and bank charges together with facility fees on letters of credit and are recorded in the period in which they are incurred.

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

Deferred acquisition costs, representing the proportion of commission and other acquisition costs that relate to unearned premium on policies in force at the year-end, are charged over the period in which related premiums are earned. Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written off where they are no longer considered to be recoverable.

j. Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

Exchange rates used are as follows:

US dollar	2020	2019
Average rate	**1.28**	1.28
Year-end rate	**1.37**	1.32

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

k. Financial investments

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

Information relating to investments is reported to internal management on a fair value basis therefore all financial investments are designated at fair value through profit or loss at acquisition. These are initially recorded at cost, which equates fair value and subsequently carried at fair value through profit or loss.

All regular purchases and sales of financial investments are recognised on the trade date, being the date the Syndicate commits to purchase or sell the asset.

Fair value determinations for financial investments are based on either bid market prices at close of business on the year-end date for listed investments, broker or dealer price quotations, or by reference to current market values of another substantially similar instrument.

A financial asset is derecognised when the contractual right to receive cash flows expires or where they have been transferred and the Syndicate has also substantially transferred all risks and rewards of ownership. A financial liability is derecognised once the obligation under the liability is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Equity instruments that are not publicly traded and whose value cannot be measured reliably are subsequently measured at cost less impairment.

l. Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the profit and loss account. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

m. Debtors and creditors arising out of direct and reinsurance operations

Debtors and creditors arising out of direct and reinsurance operations are initially recognised at transaction price and are subsequently carried at the recoverable amount. The carrying value of is reviewed for impairment whenever events or circumstances indicate that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss. Debtors arising out of direct insurance and reinsurance operations are stated net of specific provisions against doubtful debts which are made on the basis of reviews conducted by management.

n. Other debtors and creditors

Any other debtors and creditors are recognised initially at transaction price and subsequently carried at the recoverable amount. The carrying value of other debtors is reviewed for impairment whenever events or circumstances indicate that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss account. All other debtors and creditors are due within one year, unless otherwise stated.

o. Cash at bank and in hand

Cash at bank and in hand include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 24 hours or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities. These are measured at cost less any allowance for impairment. Cash and cash equivalents consist of cash at bank and in hand only.

p. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries. These are measured at cost less any allowance for impairment and classified as other assets.

q. Investment return

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

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

r. Investment yield

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

s. Taxation

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

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

t. Pension costs

TMKS operates a defined contribution scheme. A defined contribution plan is a pension plan under which a fixed contribution is paid into a separate entity. Once the contributions have been paid TMKS has no further payment obligations. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

TMKS also operates a defined benefit scheme through the R J Kiln & Co. Limited Pension and Assurance Scheme (closed to future benefit accruals from 1 May 2003). This fund is valued at the balance sheet date by the scheme actuary. TMKS allocates a charge to the syndicate during the year which represents the syndicate's yearly share of the obligated funding requirement of the scheme.

u. Profit commission

Profit commission is charged by the managing agent at a rate of 17.5% of profit subject to the operation of a two year deficit clause. Final settlement to the managing agent is made when the year of account closes; normally at 36 months. Profit commission is estimated on an ultimate basis for each year of account and accrued by the syndicate based on the interim annual accounting results of the year of account under UK GAAP to the extent it is probable (more likely than not) that the syndicate will be required to transfer economic benefits in settlement.

v. Provisions

A provision is recognised when the syndicate has a present legal or constructive obligation, as a result of a past event, that is expected to result in an outflow of resources. A provision is recognised when a reliable estimate of the amount of the obligation can be made.

w. Current and non-current disclosure

For each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than 12 months after the year-end date and (b) more than 12 months after the year-end date, the relevant note discloses the amount expected to be recovered or settled after more than 12 months.

x. Contingencies

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

y. Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

2. Use of critical accounting estimates and judgements in applying accounting policies

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

<table>
<tr>
<td>Incurred but not reported claims (IBNR)</td>
<td>
The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

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

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these, regard is given to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.
Large claims affecting each relevant business class are generally assessed separately, either measured on a case by case basis or projected separately, in order to allow for the possible distorting effect of the development and incidence of these large claims.
Where possible, multiple techniques are adopted in order to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.
The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.
Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability. An estimate of the future cost of indirect claims handling is calculated as a percentage of the claims reserves held at the balance sheet date.
COVID-19
The directors are aware of the heightened estimation uncertainty in reserving for COVID-19 estimated losses, exacerbated by the ongoing nature of the event. Management have a robust reserving approach and carried out detailed analyses to corroborate the held reserves at the year-end date.
</td>
</tr>
</table>

Long-term business provision	TMKS adopts a prudent reserving methodology in valuing the long-term business provision due to a number of material uncertainties. TMKS has a surplus compared to the external actuaries, who adopt the following methodologies: • For group life business or business written under a delegated authority where individual data is not available, claims IBNR is estimated using those statistical and past experience methodologies described in the accounting policy for claims provisions and related recoveries. • For individual business where individual data is available, a gross premium valuation method has been used as described in the accounting policy for earned premium. The principal assumptions for the gross premium valuation method for all components of the long-term business provision aside from the UNFCU policy are: • The valuation interest rate and claims discount rate is the risk-free discount rate as at 31 December 2020 as published by EIOPA (2019: risk free discount rate as at 31 December 2019 as published by EIOPA); • Renewal expenses are 60.7% of regular premiums (2019: 28.4%); • Where policies have been underwritten, 105% of the TM/F08 select tables were used (2019: same). Where policies have not been underwritten, the ultimate tables were used (2019: same). Where smoker status is known, the smoker/non-smoker specific mortality sub-tables have been used (2019: same). Where smoker status is unknown, it is assumed that 90% of policyholders are non-smokers and 10% are smokers (2019: same). Following the issuance of the consent order by the NYDFS in November 2017, the UNFCU contract for the US insured lives changed from an annually renewable group life contract reserved using short-term methodologies into term life policies until age 71 reserved using long-term life reserving techniques. The UNFCU contract for the rest of the world lives remains as an annually renewable group life contract reserved using short-term methodologies. The principal assumptions for the gross premium valuation method in respect of the UNFCU policy for the US insured lives, are: • The valuation interest rate and claims discount rate is the risk free discount rate as at 31 December 2020 as published by EIOPA (2019: risk free discount rate as at 31 December 2019 as published by EIOPA); • The renewal expenses are nil% of regular premiums (2018: nil%), as TMKS has committed to pay all future expenses and not recharge this to the syndicate; Mortality is 120% (2019: 115%) of the TM08 tables for males and 110% (2019: 110%) of the TF08 tables for females. Information about smoker status is not available. It is assumed that 90% (2019: 90%) of policyholders are non-smokers and 10% (2019: 10%) are smokers.
Written premium Pipeline premium	Written premium is reported according to management estimation of when premium will be written. An estimate of premiums written during the year that have not yet been notified by the financial year-end 'pipeline premiums' is made on a risk by risk basis. The pipeline premium is booked as written and an assessment is made of the related unearned premium provision and an estimate of claims incurred but not reported in respect of the earned element. For periodic premium life contracts with recurrent single premiums and a policy term of greater than 12 months, premium is written on an annual basis, at anniversary of inception.
Earned premium	Earned premium is estimated based on assumptions of how each risk is earned according to its method of placement and class of business. Each risk falling within a class of business is earned according to the estimated pattern applying to that class of business, which takes into account the class characteristics including exposure to seasonal weather-related events. This approach is applied consistently year-on-year. The earning of premiums is based primarily on time apportionment, with an adjustment for the risk profile of certain classes of business particularly those exposed to seasonal weather related events. For life policies reserved under a long-term methodology, written premium is treated as fully earned from inception, or anniversary of inception, and no unearned premium reserve is held. Instead these policies are reserved using a gross premium valuation methodology to calculate the provision required to meet future expected claims and expenses less future expected premiums ('mathematical reserves'). Where mathematical reserves for an individual long-term life contract creates a deficit from inception on a best estimate basis, assets will be transferred from the year of account which originally underwrote the business to the year of account carrying the liability in order to maintain equity

	between capital providers. The assessment for this requirement is made on a 'managed together' basis.
Provision for unexpired risks	All reasonable steps are taken to ensure that the appropriate information regarding claims exposures is obtained. The calculation is based upon statistical analyses of historical experience, which assumes that the development pattern of premium and claims will be similar to past experience. However, given the uncertainty in establishing a provision for unexpired risks, it is likely that the final outcome will prove to be different from the original liability established.
Reinsurance recoverable	Reinsurance is deemed to be fully recoverable unless there is reason to doubt to its recoverability. In these circumstances specific provisions are made based on the expected proportional recovery and the credit risk profile of the counterparties.
Financial investments	Financial investments are carried in the balance sheet at fair values. Market valuations of funds are obtained from fund administrators. The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available is determined by using valuation techniques.

3. Segmental analysis

All business written by the Syndicate is life insurance. All business was concluded in the UK. There are no new business premiums.

	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Result £'000
2020						
Direct insurance	**1,349**	**3,574**	**948**	**(1,759)**	**(304)**	**2,459**
Reinsurance Accepted	**177**	**305**	**283**	**(158)**	**(26)**	**404**
	1,526	**3,879**	**1,231**	**(1,917)**	**(330)**	**2,863**
2019 (restated*)						
Direct insurance	3,123	6,772	(5,163)	(2,235)	(326)	(952)
Reinsurance Accepted	173	509	902	(539)	(43)	829
	3,296	7,281	(4,261)	(2,774)	(369)	(123)

*See note 18

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

	2020 £'000	2019 (restated)* £'000
Individual premiums	**1,249**	3,056
Premiums under group contracts	**100**	67
	1,349	3,123
Periodic premiums	**1,249**	1,456
Single premiums	**100**	1,667
	1,349	3,123

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

	2020 £'000	2019 (restated)* £'000
United Kingdom	**884**	1,531
European Union	**38**	212
United States	**718**	529
Other	**(114)**	1,024
	1,526	3,296

*See note 18

4. Net operating expenses

	2020 £'000	2019 (restated)* £'000
Acquisition costs	**680**	3,426
Change in deferred acquisition costs	**783**	(1,577)
Administrative expenses	**454**	913
Reinsurance commissions and profit participations	**9**	(1)
	1,926	2,761

*See note 18

Included within administrative expenses is auditors' remuneration:

	2020 £'000	2019 £'000
Fees payable to the syndicate's auditor for the audit of the syndicate annual accounts	**46**	65
Other services pursuant to legislation	**89**	54
	135	119

The charge incurred for other services pursuant to legislation is wholly and exclusively in relation to the audit and review of the syndicate's regulatory returns. A portion of the audit fee is borne by the managing agent which is not recharged.

5. Staff costs

The syndicate and its managing agent have no employees. Staff are employed by Tokio Marine Kiln Insurance Services Limited. The following amounts were recharged to the syndicate in respect of salary costs and are included within administrative expenses:

	2020 £'000	2019 £'000
Wages and salaries	**225**	328
Social security costs and other pension costs	**29**	81
	254	409

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

	2020 £'000	2019 £'000
Net charge from managing agent during year	**27**	27
Amount funded in year	**27**	27

6. Emoluments of the directors and Run-off Manager

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

	2020 £'000	2019 £'000
Emoluments	**3**	53

Of the above amount £2,000 (2019: £34,000) was charged to the syndicate as an expense, with the remainder borne by other group entities.

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

	2020 £'000	2019 £'000
Emoluments	**124**	136

7. Reconciliation of insurance balances

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

	Gross £'000	**Reinsurance £'000**	**Net £'000**
2020			
At 1 January 2020	**2,935**	**(2,965)**	**(30)**
Premiums written in the year	**1,526**	**517**	**2,043**
Premiums earned during the year	**(3,879)**	**276**	**(3,603)**
Foreign exchange adjustments	**(9)**	**(1)**	**(10)**
At 31 December 2020	**573**	**(2,173)**	**(1,600)**
2019 restated*			
At 1 January 2019	6,951	(12)	6,939
Premiums written in the year	3,296	(3,426)	(130)
Premiums earned during the year	(7,281)	473	(6,808)
Foreign exchange adjustments	(31)	-	(31)
At 31 December 2019	2,935	(2,965)	(30)

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

	Gross £'000	**Reinsurance £'000**	**Net £'000**
2020			
At 1 January 2020	13,638	(88)	13,550
Claims incurred during the year	(341)	45	(296)
Claims paid during the year	(2,869)	43	(2,826)
Foreign exchange adjustments	(248)	**-**	(248)
At 31 December 2020	**10,180**	**-**	**10,180**
2019 restated*			
At 1 January 2019	18,479	(10)	18,469
Claims incurred during the year	6,509	(104)	6,405
Claims paid during the year	(11,035)	26	(11,009)
Foreign exchange adjustments	(315)	-	(315)
At 31 December 2019	13,638	(88)	13,550

*See note 18

8. Claims development

Within the calendar year technical result, a surplus of £1,940,000 (2019: deficit of £4,972,000) relates to the reassessment of net claims incurred for previous accident years.

The following tables show the development of gross and net claims incurred including IBNR and the claims handling provision the last 10 years. The claims development tables are prepared on an underwriting year of account basis, and therefore reflect the pattern of earned premium and risk exposure over a number of years. All figures are shown converted at current year-end rates.

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

	End of first year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later	Eight years later	Nine years later	Claims Paid
Year of Account	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Gross of reinsurance											
2011	6.6	14.8	14.1	14.3	14.3	14.2	14.2	14.2	14.1	14.1	(14.1)
2012	7.4	15.4	15.6	15.8	15.7	15.7	15.6	15.5	15.5		(15.5)
2013	9.5	17.6	17.2	17.1	17.1	17.0	17.1	17.1			(17.1)
2014	6.8	15.7	16.2	15.2	15.3	15.3	15.3				(15.3)
2015	9.9	16.3	19.4	18.9	18.8	18.8					(18.8)
2016	8.1	26.9	26.3	27.1	25.7						(25.3)
2017	10.4	24.3	28.4	29.3							(24.2)
2018	8.3	8.0	7.4								(2.7)
Net of reinsurance											
2011	6.2	14.8	14.1	14.3	14.3	14.2	14.2	14.2	14.1	14.1	(14.1)
2012	7.3	15.2	15.4	15.6	15.4	15.4	15.3	15.3	15.3		(15.3)
2013	9.0	17.1	16.6	16.6	16.5	16.5	16.6	16.6			(16.6)
2014	6.8	14.8	14.9	14.3	14.2	14.1	14.1				(14.1)
2015	9.9	16.3	19.0	18.5	18.4	18.4					(18.3)
2016	8.1	26.9	26.3	27.1	25.7						(25.3)
2017	10.0	23.9	28.1	28.9							(23.9)
2018	8.3	8.0	7.4								(2.7)

	Gross £m	Reinsurance £m	Net £m
Estimated balance to pay	10.2	-	10.2
2010 and prior	-	-	-
Outstanding claims reserve	**10.2**	-	**10.2**

9. Debtors arising out of direct insurance operations

	2020 £'000	2019 £'000
Amounts due from intermediaries	**155**	1,743

10. Debtors arising out of reinsurance operations

	2020 £'000	2019 £'000
Amounts due from intermediaries	**230**	259
Gross reinsurance recoverable on paid claims	**128**	85
	358	346

11. Other debtors

	2020 £'000	2019 £'000
Amounts due from managing agency	**403**	1,597
Indirect taxes	**30**	15
	433	1,612

12. Reconciliation of deferred acquisition costs

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

	Gross £'000	Reinsurance £'000	Net £'000
2020			
At 1 January2020	**1,013**	**(2)**	**1,011**
Cost deferred during the year	**680**	**11**	**691**
Charge for the year	**(1,218)**	**(9)**	**(1,227)**
Other movements	**(253)**	**-**	**(253)**
At 31 December 2020	**222**	**-**	**222**
2019 restated*			
At 1 January 2019	1,606	(5)	1,601
Cost deferred during the year	1,267	2	1,269
Charge for the year	(1,849)	1	(1,848)
Other movements	(11)	-	(11)
At 31 December 2019	1,013	(2)	1,011

*See note 18

13. Other technical provisions

	2020 £'000	2019 £'000
Provision for unexpired risks	**130**	1,022

14. Creditors arising out of direct insurance operations

	2020 £'000	2019 £'000
Amounts due to intermediaries within one year	**1,450**	1,169

15. Other creditors

	2020 £'000	2019 £'000
Amounts due to managing agency within one year	**887**	539

16. Off-balance sheet items

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

17. Related parties

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

Syndicate 308 accepted written premium from related parties in the 2020 calendar year of £8,000 (2019: £3,000). The unpaid premiums due from related parties at the period end were £nil (2019: £325,000). The outstanding claims (excluding IBNR) were £nil (2019: £nil). No business was ceded to related parties.

No profit commission was payable by the syndicate to Tokio Marine Kiln Syndicates Limited in respect of the 2020 calendar year (2019: £nil). Profit commission is accrued by the syndicate based on the interim annual accounting results of each year of account under UK GAAP and final settlement to the managing agent is paid when the year of account is closed, normally after three years.

No managing agency fees were paid by the syndicate to Tokio Marine Kiln Syndicates Limited (2019: £nil). Expenses of £733,000 (2019: £2,014,000) were paid to Tokio Marine Kiln Syndicates Limited for expenses paid on behalf of the syndicate.

18. Prior year restatement

Due to an incorrect classification of a number of contracts as single premium life contracts as opposed to periodic premium life contracts, the profit and loss technical account – long term business for the year ended 31 December 2019, balance sheet as 31 December 2019 and cash flow statement for the year ended 31 December 2019 have been restated. The restatement had a nil impact on both the profit for the year and members' balances as at 31 December 2019 but impact on individual line items are corrected to reflect the accurate presentation of gross written premium and acquisition costs on the long term contracts.

	as reported £'000	restated £'000
Profit and loss: Technical account – long-term business		
Gross written premiums	5,206	3,296
Earned premiums, net of reinsurance	8,524	6,808
Change in the long-term business provision: Gross amount	4,090	4,526
Net operating expenses	(3,986)	(2,761)
Balance sheet: Assets		
Debtors arising out of reinsurance operations	785	345
Prepayments and accrued income: Deferred acquisition costs	1,148	1,013
Balance sheet: Liabilities		
Technical provisions: Provision for unearned premiums	3,074	2,935
Technical provisions: Long-term business provision	14,073	13,638
Cash flow statement		
Decrease in gross technical provisions	(10,539)	(11,114)
Decrease in debtors	12,290	12,865

19. Risk management

Details of the syndicate's risk management framework are given in the 'principal risks & uncertainties' section in the managing agent's report.

a) Insurance risk

Earned premium sensitivity analysis

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

The following table gives an indication of the impact on Gross earned premium and members' balances of a one percent increase and decrease in earned premium on each year of account. Impact on members' balance has been calculated by applying the underlying attritional loss ratio.

	2020 £'000	2019 £'000
Impact of 1% increase on Gross earned premium	391	90
Impact of 1% increase on Members balances	(485)	(25)
Impact of 1% decrease on Gross earned premium	(391)	(90)
Impact of 1% decrease on Members balances	485	25

Claims sensitivity analysis

The following table gives an indication of the impact on members' balances of a one percent increase and decrease in loss ratio.

	2020 £'000	2019 £'000
Impact of 1% increase on Members balances	39	85
Impact of 1% decrease on Members balances	(39)	(85)

b) Financial risk

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

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

Credit risk

For details of the management of the syndicate's credit risk please refer to the managing agent's report.

The following table provides information regarding credit risk exposures of the syndicate by classifying assets according to the Standard & Poor's credit ratings of the counterparties. Where a security has no credit rating, the rating of the issuer is used. During the year there were no material breaches in exposure limits.

	AAA	AA	A	BBB and below	Total
	£'000	£'000	£'000	£'000	£'000
2020					
Financial investments					
Other financial investments	**8,689**	**-**	**3,970**	**-**	**12,659**
Deposits with ceding undertakings	**-**	**-**	**-**	**239**	**239**
Overseas deposits	**1,227**	**1,694**	**-**	**-**	**2,921**
Cash at bank and in hand	**-**	**-**	**864**	**-**	**864**
Reinsurers' share of technical provisions	**-**	**-**	**-**	**-**	**-**
Reinsurance recoverable on paid claims	**-**	**-**	**-**	**-**	**-**
	9,916	**1,694**	**4,834**	**239**	**16,683**
2019					
Financial investments					
Other financial investments	11,165	–	4,111	-	15,276
Deposits with ceding undertakings	-	-	-	248	248
Overseas deposits	223	309	4	-	536
Cash at bank and in hand	–	–	544	-	544
Reinsurers' share of technical provisions	57	–	31	-	88
Reinsurance recoverable on paid claims	–	84	–	-	84
	11,445	393	4,690	248	16,776

There was no potential reinsurance credit exposure to the syndicate at 31 December 2020 (2019: 46.0% with an A+ rated security). The Outwards Reinsurance team reviews the level of this exposure and takes appropriate action where necessary. This includes requesting a letter of credit for all reinsurers, related parties included.

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

	Fully performing £'000	Past due £'000	Impairment £'000	Total £'000
2020				
Financial investments				
Other financial investments	**12,659**	**-**	**-**	**12,659**
Deposits with ceding undertakings	**239**	**-**	**-**	**239**
Overseas deposits	**2,921**	**-**	**-**	**2,921**
Cash at bank and in hand	**864**	**-**	**-**	**864**
Reinsurers' share of technical provisions	**-**	**-**	**-**	**-**
Reinsurance recoverable on paid claims	**-**	**128**	**-**	**128**
Insurance debtors	**155**	**-**	**-**	**155**
	16,838	**128**	**-**	**16,966**
2019 (restated)*				
Financial investments				
Other financial investments	15,276	–	–	15,276
Deposits with ceding undertakings	248	–	–	248
Overseas deposits	536	–	–	536
Cash at bank and in hand	544	–	–	544
Reinsurers' share of technical provisions	88	–	–	88
Reinsurance recoverable on paid claims	84	–	–	84
Insurance debtors	1,697	46	–	1,743
	18,473	46	-	18,519

*See note 18

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

Liquidity risk

For details of the management of the syndicate's liquidity risks please refer to the managing agent's report.

The syndicate writes a significant proportion of US Situs and Canadian business which requires the deposit of appropriate monies in specific trust funds. Some of these trust funds are regulated, requiring quarterly assessment of the adequacy of funding. Surplus funds or additional funding requirements are settled each quarter between the regulated and non-regulated trust funds. In exceptional circumstances, and with approval from Lloyd's, inter-fund settlement can take place outside the quarterly process. As at 31 December 2020 the balance held in these trust funds was US $5,820,000 (2019: US $6,066,000).

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

	No stated maturity £'000	Up to 1 year £'000	1-3 years £'000	3-5 years £'000	Over 5 years £'000	Total £'000
2020						
Creditors	**-**	**5,020**	**-**	**-**	**-**	**5,020**
Technical provisions: Claims outstanding	**460**	**1,853**	**2,548**	**1,932**	**3,387**	**10,180**
Financial liabilities and claims outstanding	**460**	**6,873**	**2,548**	**1,932**	**3,387**	**15,200**
2019 (restated)*						
Creditors	-	5,657	-	-	-	5,657
Technical provisions: Claims outstanding	139	2,990	3,117	3,358	5,056	14,660
Financial liabilities and claims outstanding	139	8,647	3,117	3,358	5,056	20,317

*See note 18

Foreign currency market risk
For further details of the management of the syndicate's market risk please refer to the managing agent's report.

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

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

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

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

The following table gives an indication of the impact on the result and net assets or liabilities of a ten percent change in the relative strength of the pound sterling against the value of the US dollar, excluding the effect of hedges.

	2020 **£'000**	2019 £'000
Sterling strengthens 10% against US dollar	**338**	769
Sterling weakens 10% against US dollar	**(338)**	(769)

Interest rate market risk
For further details of the management of the syndicate's market risk please refer to the managing agent's report.

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

Interest rate market risk

For further details of the management of the syndicate's market risk please refer to the managing agent's report.

Capital management

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

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

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

Further disclosures on capital management can be found in the managing agent's report.

Regulatory capital requirements

The members maintain Funds at Lloyd's determined in accordance with Lloyd's ECA and also in accordance with the PRA's SCR. These funds are deposited at Lloyd's by the members and therefore are off balance sheet. The syndicate's capital requirement as at 31 December 2020 is estimated to be £8,100,000 (2019: £11,900,000) in respect of the run-off of the 2017 year of account and £2,600,000 (2019: £4,300,000) in respect of the 2018 year of account which has been formed exclusively for the purpose of managing the liabilities and remedies arising from the UNFCU contract. The syndicate's capital requirement as at 31 December 2018 was £14,400,000 in respect of the run-off of the 2017 and 2016 years of account and £4,500,000 in respect of the 2018 year of account.

Restrictions on available capital resource

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

Other UK life business	2020 £'000	2019 (restated)* £'000
Members' balances surplus	**4,121**	1,117
Disallowance – overdue premium and sundry debtors	**128**	75
Deferred acquisition costs	**(222)**	(1,013)
Total available capital resource	**4,027**	179
Provision for unearned premiums	**(573)**	(2,935)
Long-term business provision	**(10,180)**	(13,638)
Other technical provisions	**(130)**	(1,022)
Gross technical provisions in the balance sheet	**(10,883)**	(17,595)

*See note 18

The general reduction in the technical provisions during 2020 is due to the run-off of the liabilities over time as Syndicate 308 is no longer writing new business.

Movements in capital resource	2020 £'000	2019 (restated)* £'000
Balance at 1 January	**179**	315
Disallowance – (decrease) in overdue premium and sundry debtors	**53**	(73)
Deferred acquisition costs	**791**	593
Movement in members' balances	**3,004**	(656)
Balance as at 31 December	**4,027**	179

*See note 18

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

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

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

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

- Level 1 financial instruments comprise government bonds and securities which have been valued at fair value using quoted prices in an active market.
- Level 2 financial instruments are less regularly traded government agency bonds, supranational bonds, corporate bonds, money market and open-ended funds. These fair values have been derived from market observable inputs.
- The fair value for level 3 financial instruments is derived from inputs that are not observable. The syndicate held no level 3 securities as at 31 December 2020.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Historical Cost £'000
2020					
Financial investments					
Other financial investments	**3,970**	**8,689**	**-**	**12,659**	**12,659**
Overseas deposits	**2,921**	**-**	**-**	**2,921**	**2,921**
	6,891	**8,689**	**-**	**15,580**	**15,580**
2019					
Financial investments					
Other financial investments	4,111	11,165	–	15,276	15,276
Overseas deposits	536	–	–	536	536
	4,647	11,165	–	15,812	15,812

20. Post balance sheet events
There are no post balance sheet events.

Tokio Marine Kiln Life Syndicate 308

Run-off accounts for the 2017 year of account

Report of the Directors of the managing agent

The managing agent presents its report at 31 December 2020 for the 2017 run-off year of account. This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). It accompanies the run-off accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No. 1950 of 2008, Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

2017 run-off year of account

Syndicate 308 is forecast to make an underwriting loss of £12.9 million (2019: £15.3 million) on the 2017 year of account. The forecast loss has reduced by £2.4 million in the year as a result of favourable claims development since the year of account entered run-off last year. Historically, the 2017 year of account was impacted by the poor performance of a group life policy covering investors in a certain investment scheme. Reinsurance has been purchased to cover the entire run-off period and a provision has been established for expenses to ensure an orderly run-off to closure.

Disclosure of information to the auditors

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

Reappointment of auditors

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

Approved by the board of directors

B T Irick
Chief Executive Officer
Tokio Marine Kiln Syndicates Limited
4 March 2021

Statement of managing agent's responsibilities

The directors of the Managing Agent are responsible for preparing the Syndicate run-off accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and Financial Reporting Standard 103, 'Insurance Contracts' (FRS 103), Financial Reporting Standard 103, 'Insurance Contracts' (FRS 103), and applicable law) as modified by the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005) (the 'applicable framework'), and have been prepared in accordance with the provisions of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) (the 'applicable legal requirements').

In preparing the syndicate run-off accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the syndicate affected;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the run-off year accounts.

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

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

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

Independent auditors' report to the members of Syndicate 308 – 2017 run-off year of account

Report on the audit of the syndicate underwriting year financial statements

Opinion

In our opinion, 308's syndicate underwriting year financial statements for the 2017 year of account for the 48 months ended 31 December 2020 (the "underwriting year financial statements"):

- have been properly prepared, in all material respects, in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), as modified by the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005); and
- have been properly prepared, in all material respects, in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the underwriting year financial statements included within the Underwriting Year Accounts for the 2017 Run-Off Year, which comprise: the Balance sheet for the 2017 year of account as at 31 December 2020; the Profit and loss: technical account – long-term business, the Profit and loss: non-technical account, the Statement of changes in members' balances 2017 Year of Account for the 48 months ended 31 December 2020 and the notes to the underwriting year financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the underwriting year financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue as a going concern for a period of at least twelve months from when the underwriting year financial statements are authorised for issue.

In auditing the underwriting year financial statements, we have concluded that the Managing Agent's use of the going concern basis of accounting in the preparation of the underwriting year financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Managing Agent with respect to going concern are described in the relevant sections of this report.

Emphasis of matter – Basis of preparation

Without modifying our opinion, we draw attention to note 1 of the underwriting year financial statements, which describes the basis of preparation. The underwriting year financial statements are prepared in accordance with a special purpose framework for the specific purpose as described in the Use of this report paragraph below. As a result, the underwriting year financial statements may not be suitable for another purpose.

Reporting on other information

The other information comprises all of the information in the Underwriting Year Accounts other than the underwriting year financial statements and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the underwriting year financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

Responsibilities for the underwriting year financial statements and the audit

Responsibilities of the Managing Agent for the underwriting year financial statements

As explained more fully in the Statement of managing agent's responsibilities, the Managing Agent is responsible for the preparation of the underwriting year financial statements in accordance with the applicable framework. The Managing Agent is also responsible for such internal control as they determine is necessary to enable the preparation of underwriting year financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the underwriting year financial statements, the Managing Agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the syndicate is unable to continue to realise its assets and discharge its liabilities in the ordinary course of business.

Auditors' responsibilities for the audit of the underwriting year financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the underwriting year financial statements. We also considered those laws and regulations that have a direct impact on the underwriting year financial statements such as the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). We evaluated management's incentives and opportunities for fraudulent manipulation of the underwriting year financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journals and management bias in accounting estimates. Audit procedures performed included:

- Discussions with management, internal audit and the syndicate's compliance function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation of the IBNR component of claims outstanding and estimated premium income.
- Identifying and testing journal entries, in particular any journals that appear to be posted outside the normal patterns and parameters, any journal entries posted with unusual account combinations and journals posted by senior management.

- Reviewing relevant meeting minutes including those of the Conflicts Committee, Risk, Capital & Compliance Committee and Audit Committee and correspondence with regulatory authorities, including Lloyd’s of London and the Prudential Regulatory Authority.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the underwriting year financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the underwriting year financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors’ report.

Use of this report
This report, including the opinions, has been prepared for and only for the syndicate’s members as a body in accordance with paragraph 8 of the Lloyd’s Syndicate Accounting Byelaw (No. 8 of 2005) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Under the Lloyd’s Syndicate Accounting Byelaw (No. 8 of 2005) we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the Managing Agent in respect of the syndicate; or
- the underwriting year financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Matthew Nichols (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 March 2021

Profit and loss: technical account – long-term business for the 48 months ended 31 December 2020

	Note	Calendar year 2020 £'000	2017 Year of account £'000
Syndicate allocated capacity			30,887
Earned premiums, net of reinsurance			
Gross premiums written	3	1,224	38,786
Outward reinsurance premiums		517	(7,029)
Change in the gross provision for unearned premiums		1,762	(1,356)
Change in the provision for unearned premiums, reinsurers' share		(793)	2,173
Earned premiums, net of reinsurance		2,710	32,574
Reinsurance to close premium receivable, net of reinsurance	4	-	2,169
Investment income		24	121
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(2,127)	(26,812)
Reinsurers' share		43	388
The amount retained to meet all known and unknown outstanding liabilities, net of reinsurance	5	2,878	(3,346)
Claims incurred, net of reinsurance		794	(29,770)
Members' standard personal expenses		-	(506)
Net operating expenses	6,7	(1,551)	(15,018)
Balance on the technical account for long-term business		1,977	(10,430)

There is no other comprehensive income.

The notes to the 2017 run-off year of account form part of these run-off accounts.

Profit and loss: non-technical account for the 48 months ended 31 December 2020

	Calendar year 2020 £'000	2017 Year of account £'000
Balance on the technical account for long-term business	1,977	(10,430)
Investment income	24	121
Allocated investment return transferred to the long-term business technical account	(24)	(121)
Non-technical foreign exchange gain	69	52
Profit for the calendar year/loss at the end of 48 months	2,046	(10,378)

The Syndicate has ceased trading forward and therefore there are no component parts of the business to be separately classified and disclosed as discontinued.

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts, therefore no statement of other comprehensive income has been presented.

The notes to the 2017 run-off year of account form part of these run-off accounts.

Balance sheet for the 2017 year of account as at 31 December 2020

	Note	2017 £'000
Assets		
Investments		
Other financial investments	9	3,017
Deposits with ceding undertakings		239
Debtors		
Arising out of direct insurance operations:		152
Arising out of reinsurance operations		272
Other debtors		873
Reinsurance recoveries anticipated on gross amounts retained to meet all known and unknown outstanding liabilities	5	2,173
Other assets		
Cash at bank and in hand		742
Overseas deposits		2,921
Prepayments and accrued income		
Deferred acquisition costs		222
Total assets		10,611
Liabilities		
Amount due from members		(460)
Amounts retained to meet all known and unknown outstanding liabilities gross amount	5	6,185
Creditors		
Arising out of direct insurance operations:		1,373
Arising out of reinsurance operations		2,634
Other creditors		879
Total Liabilities		10,611

The underwriting year accounts, which comprise the profit and loss: technical account – long-term business, the profit and loss: non-technical account, balance sheet for the 2017 year of account, statement of changes in members' balances 2017 year of account and notes to the 2017 Run-off Year of account were approved by the board of Tokio Marine Kiln Syndicates Limited on 2 March 2021 and were signed on its behalf by

R Patel
Chief Financial Officer
Tokio Marine Kiln Syndicates Limited
4 March 2021

The notes to the 2017 run-off year of account form part of these run-off accounts.

Statement of changes in members' balances
2017 Year of Account
for the 48 months ended 31 December 2020

	2017 £'000
Members' balances brought forward at 1 January 2017	-
Loss for the 2017 run-off year of account	(10,378)
Members' agents' fee advances	(82)
Cash call made	10,000
Members' balances carried forward at 31 December 2020	(460)

The notes to the 2017 run-off year of account form part of these run-off accounts.

Notes to the 2017 Run-off Year of Account

1. Accounting policies

1.1 Statement of compliance

These run-off accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and Financial Reporting Standard 103, 'Insurance Contracts' (FRS 103), Financial Reporting Standard 103, 'Insurance Contracts' (FRS 103), and applicable law) as modified by the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005) (the 'applicable framework'), and have been prepared in accordance with the provisions of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) (the 'applicable legal requirements').

These run-off accounts are presented in pounds sterling, which is the functional currency of the Syndicate. All amounts have been rounded to the nearest thousand pounds, unless otherwise stated.

1.2 New standards and amendments

The Syndicate has applied FRS 102 and FRS 103, both as issued in March 2018, which reflects the amendments made as part of the Triennial Review 2017. There are no amendments to UK accounting standards impacting the run-off accounts.

1.3 Funds at Lloyd's

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

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

1.4 Going concern

Having assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the run-off accounts. The Syndicate has been placed into run-off but will continue in operation for the foreseeable future in accordance with a plan approved by the Directors of the managing agency.

1.5 Summary of accounting policies

The significant accounting policies adopted in the preparation of the run-off accounts are set out below. They have been applied consistently to all periods presented in these run-off accounts.

a. Product classification

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

b. Premiums written

Inwards premiums written comprise premiums on contracts incepting during the financial year as well as adjustments made in the year to premiums on contracts incepting in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums on a risk by risk basis, representing the difference between the written and signed premium, which is held on the balance sheet as an asset.

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

Periodic premium life contracts include those contracts under which premiums are payable at regular intervals during the policy year, including repeated or recurrent single premiums where the level of premiums is defined. For policies with recurrent single premiums and a policy term of greater than 12 months, premium is usually written on an annual basis at the anniversary of inception into the youngest year of account up to and including the 2017 year. As a result of the syndicate going into run-off from the 2018 calendar year, premium will continue to be written into the 2017 year of account on an annual basis until the policy expires.

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

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Premiums written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Estimates are made for pipeline premiums, representing premiums written but not reported to the Syndicate by the reporting date.

c. Earned premiums
For policies reserved under a long-term methodology, written premium is treated as fully earned from inception, or anniversary of inception, and no unearned premium reserve is held. Other policies not reserved in this manner have their earning patterns based on time apportionment.

d. Claims paid and incurred
Paid claims represent all claims paid during the year and include claims handling expenses.

Claims incurred comprise paid claims and changes in the long-term business provision.

e. Long-term business provision and related recoveries
The long-term business provision is determined annually by an actuarial valuation. Policies are reserved using a gross premium valuation methodology to calculate the provision required to meet future expected claims and expenses less future expected premiums (‘mathematical reserves’).

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

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

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

g. Net operating expenses and personal expenses
Net operating expenses comprise the cost of acquiring business including commission and profit commission as well as the staff costs and other expenses attributable to underwriting operations.

Commission and brokerage are charged to the year of account to which the relevant policy is allocated.

Personal expenses comprise managing agent’s fee, Lloyd’s central fund contributions and Lloyd’s subscriptions.

Net operating expenses and personal expenses are recognised on the accruals basis and represent the expenses incurred on underwriting operations and also the reinsurance commission income.

h. Finance costs
Finance costs comprise interest paid and bank charges together with facility fees on letters of credit and are recorded in the period in which they are incurred.

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

Deferred acquisition costs, representing the proportion of commission and other acquisition costs that relate to unearned premium on policies in force at the year-end, are charged over the period in which related premiums are earned. Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written off where they are no longer considered to be recoverable.

j. Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

Exchange rates used are as follows:

	2020	2019
Average rate		
US dollar	1.28	1.28
Year-end rate		
US dollar	1.37	1.32

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

k. Financial investments

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

Information relating to investments is reported to internal management on a fair value basis therefore all financial investments are designated at fair value through profit or loss at acquisition. These are initially recorded at cost, which equates fair value and subsequently carried at fair value through profit or loss.

All regular purchases and sales of financial investments are recognised on the trade date, being the date the Syndicate commits to purchase or sell the asset.

Fair value determinations for financial investments are based on either bid market prices at close of business on the year-end date for listed investments, broker or dealer price quotations, or by reference to current market values of another substantially similar instrument.

A financial asset is derecognised when the contractual right to receive cash flows expires or where they have been transferred and the Syndicate has also substantially transferred all risks and rewards of ownership. A financial liability is derecognised once the obligation under the liability is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Equity instruments that are not publicly traded and whose value cannot be measured reliably are subsequently measured at cost less impairment.

l. Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the profit and loss account. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

m. Debtors and creditors arising out of direct and reinsurance operations
Debtors and creditors arising out of direct and reinsurance operations are initially recognised at transaction price and are subsequently carried at the recoverable amount. The carrying value of is reviewed for impairment whenever events or circumstances indicate that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss. Debtors arising out of direct insurance and reinsurance operations are stated net of specific provisions against doubtful debts which are made on the basis of reviews conducted by management.

n. Other debtors and creditors
Any other debtors and creditors are recognised initially at transaction price and subsequently carried at the recoverable amount. The carrying value of other debtors is reviewed for impairment whenever events or circumstances indicate that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss account. All other debtors and creditors are due within one year, unless otherwise stated.

o. Cash at bank and in hand
Cash at bank and in hand include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 24 hours or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities. These are measured at cost less any allowance for impairment. Cash and cash equivalents consist of cash at bank and in hand only.

p. Overseas deposits
Overseas deposits are lodged as a condition of conducting underwriting business in certain countries. These are measured at cost less any allowance for impairment and classified as other assets.

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

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

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

Investment return that is not specific to a year of account is allocated based on the proportion of the assets generating that return held by each year of account.

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

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

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

t. Pension costs

TMKS operates a defined contribution scheme. A defined contribution plan is a pension plan under which a fixed contribution is paid into a separate entity. Once the contributions have been paid TMKS has no further payment obligations. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

TMKS also operates a defined benefit scheme through the R J Kiln & Co. Limited Pension and Assurance Scheme (closed to future benefit accruals from 1 May 2003). This fund is valued at the balance sheet date by the scheme actuary. TMKS allocates a charge to each syndicate during the year which represents that syndicate's yearly share of the obligated funding requirement of the scheme.

u. Profit commission

Profit commission is charged by the managing agent at a rate of 17.5% of profit subject to the operation of a two year deficit clause. Final settlement to the managing agent is made when the year of account closes; normally at 36 months. Profit commission is estimated on an ultimate basis for each year of account and accrued by the syndicate based on the interim annual accounting results of the year of account under UK GAAP to the extent it is probable (more likely than not) that the syndicate will be required to transfer economic benefits in settlement.

v. Provisions

A provision is recognised when the syndicate has a present legal or constructive obligation, as a result of a past event, that is expected to result in an outflow of resources. A provision is recognised when a reliable estimate of the amount of the obligation can be made.

w. Current and non-current disclosure

For each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than 12 months after the year-end date and (b) more than 12 months after the year-end date, the relevant note discloses the amount expected to be recovered or settled after more than 12 months.

x. Contingencies

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

y. Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

2. Use of critical accounting estimates and judgements in applying accounting policies

The preparation of the annual accounts requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Syndicate's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual accounts are those listed below.

Incurred but not reported claims (IBNR)

The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

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

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these, regard is given to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

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

Where possible, multiple techniques are adopted in order to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

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

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability. An estimate of the future cost of indirect claims handling is calculated as a percentage of the claims reserves held at the balance sheet date.

Life

The long-term business provision is determined annually by an actuarial valuation and is calculated initially to comply with the reporting requirements of the PRA's Prudential Sourcebook for Insurers. These are the amounts shown in the balance sheet. This statutory solvency basis is then adjusted in respect of general contingency reserves and other reserves required for statutory solvency purposes. This adjusted basis is referred to as the modified statutory solvency basis. The long-term business provision includes a newly established additional expense reserve to cover the future costs associated with maintaining the long-term contracts. The level of expenses is based on a prudent assessment of the expected costs, necessary to maintain the in-force policies. Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

Long-term business provision	TMKS adopts a prudent reserving methodology in valuing the long-term business provision due to a number of material uncertainties. TMKS has a surplus compared to the external actuaries, who adopt the following methodologies: • For group life business or business written under a delegated authority where individual data is not available, claims IBNR is estimated using those statistical and past experience methodologies described in the accounting policy for claims provisions and related recoveries. • For individual business where individual data is available, a gross premium valuation method has been used as described in the accounting policy for earned premium. The principal assumptions for the gross premium valuation method for all components of the long-term business provision are: • The valuation interest rate and claims discount rate is the risk-free discount rate as at 31 December 2020 as published by EIOPA (2019: risk free discount rate as at 31 December 2019 as published by EIOPA); • Renewal expenses are 60.7% of regular premiums (2019: 28.4%); • Where policies have been underwritten, 105% of the TM/F08 select tables were used (2019: same). Where policies have not been underwritten, the ultimate tables were used (2019: same). Where smoker status is known, the smoker/non-smoker specific mortality sub-tables have been used (2019: same). Where smoker status is unknown, it is assumed that 90% of policyholders are non-smokers and 10% are smokers (2019: same).
Written premium Pipeline premium	Written premium is reported according to management estimation of when premium will be written. An estimate of premiums written during the year that have not yet been notified by the financial year-end 'pipeline premiums' is made on a risk by risk basis. The pipeline premium is booked as written and an assessment is made of the related unearned premium provision and an estimate of claims incurred but not reported in respect of the earned element. For periodic premium life contracts with recurrent single premiums and a policy term of greater than 12 months, premium is written on an annual basis, at anniversary of inception.
Earned premium	Earned premium is estimated based on assumptions of how each risk is earned according to its method of placement and class of business. Each risk falling within a class of business is earned according to the estimated pattern applying to that class of business, which takes into account the class characteristics including exposure to seasonal weather-related events. This approach is applied consistently year-on-year. The earning of premiums is based primarily on time apportionment, with an adjustment for the risk profile of certain classes of business particularly those exposed to seasonal weather related events. For life policies reserved under a long-term methodology, written premium is treated as fully earned from inception, or anniversary of inception, and no unearned premium reserve is held. Instead these policies are reserved using a gross premium valuation methodology to calculate the provision required to meet future expected claims and expenses less future expected premiums ('mathematical reserves'). Where mathematical reserves for an individual long-term life contract creates a deficit from inception on a best estimate basis, assets will be transferred from the year of account which originally underwrote the business to the year of account carrying the liability in order to maintain equity between capital providers. The assessment for this requirement is made on a 'managed together' basis.
Provision for unexpired risks	All reasonable steps are taken to ensure that the appropriate information regarding claims exposures is obtained. The calculation is based upon statistical analyses of historical experience, which assumes that the development pattern of premium and claims will be similar to past experience. However, given the uncertainty in establishing a provision for unexpired risks, it is likely that the final outcome will prove to be different from the original liability established.
Reinsurance recoverable	Reinsurance is deemed to be fully recoverable unless there is reason to doubt to its recoverability. In these circumstances specific provisions are made based on the expected proportional recovery and the credit risk profile of the counterparties.
Financial investments	Financial investments are carried in the balance sheet at fair values. Market valuations of funds are obtained from fund administrators. The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available is determined by using valuation techniques.

3. Segmental analysis

All business written by the Syndicate is life insurance. All business was concluded in the UK. There are no new business premiums.

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Result
	£'000	£'000	£'000	£'000	£'000	£'000
2017						
Direct insurance	37,203	36,678	(30,221)	(14,978)	(4,295)	(12,816)
Reinsurance Accepted	1,583	752	-	(554)	(102)	96
RITC	2,018	2,018	-	-	151	2,169
	40,804	39,448	(30,221)	(15,532)	(4,246)	(10,551)

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

	2017 £'000
Individual premiums	8,079
Premiums under group contracts	29,124
	37,203
Periodic premiums	19,527
Single premiums	17,676
	37,203

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

	2017 £'000s
UK	28,317
Other EU countries	3,110
US	3,422
Other	5,955
	40,804

4. Reinsurance to close premium received

	£'000
Gross reinsurance to close premium received	2,018
Reinsurance recoveries anticipated	151
	2,169

5. Amount retained to meet all known and unknown outstanding liabilities

	£'000
Notified outstanding claims	
Gross amounts retained to meet all known and unknown outstanding liabilities	(1,135)
Reinsurance recoveries anticipated on gross amounts retained to meet all known and unknown outstanding liabilities	15
Provision for IBNR	
Gross amounts retained to meet all known and unknown outstanding liabilities	(2,274)
Reinsurance recoveries anticipated on gross amounts retained to meet all known and unknown outstanding liabilities	48
	(3,346)
Future Premium and unearned premium reserve	
Gross amounts	(2,776)
Reinsurance share	2,110
	(4,012)

6. Net operating expenses

	£'000
Acquisition costs	9,906
Change in deferred acquisition costs	(630)
Administrative expenses	5,750
Reinsurance commissions and profit participations	(8)
	15,018

Included within administrative expenses is auditors' remuneration:

	£'000
Fees payable to the syndicate's auditor for the audit of the syndicate accounts	79
Other services pursuant to legislation	80
	159

The charge incurred for other services pursuant to legislation is wholly and exclusively in relation to the audit and review of the syndicate's regulatory returns. A portion of the audit fee is borne by the managing agent which is not recharged.

7. Staff costs

The syndicate and its managing agent have no employees. Staff were employed by Tokio Marine Kiln Insurance Services Limited. The following amounts were recharged to the 2017 year of account in respect of salary costs and are included within administrative expenses:

	£'000
Wages, salaries and social security costs	3,103
Other pension costs	213
	3,316

8. Analysis of run-off year result

	2016 & prior years of account £'000	2017 pure year of account £'000	2017 run-off account £'000
Technical account balance excluding investment return and operating expenses	1,796	3,807	5,603
Brokerage and commission on gross premium	-	(9,906)	(9,906)
	1,796	(6,099)	(4,303)

All acquisition costs are attributable to business allocated to the 2017 pure year of account.

9. Other financial investments

	Fair value £'000	Purchase price £'000
Other financial investments	3,017	3,017
Deposits with credit institutions	2,921	2,921
	5,938	5,938

10. Off-balance sheet items

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

11. Risk management

Details of the syndicate's risk management framework and disclosures are given in the 'principal risks & uncertainties' section in the annual accounts.

12. Post balance sheet events

There are no post balance sheet events.

Seven-year summary (unaudited)

	2011 Closed	2012 Closed	2013 Closed	2014 Closed	2015 Closed	2016 Closed	2017 Run-off
Syndicate allocated capacity £'000	20,000	22,500	26,500	31,980	32,000	31,880	30,887
Number of underwriting members	84	96	108	136	136	136	128
Gross premiums £'000	19,098	20,878	22,155	21,261	21,824	28,949	28,880
– as a percentage of allocated capacity %	95	93	84	66	68	91	94
Result £'000	1,830	1,420	330	740	(2,010)	(3,030)	(10,378)
– as a percentage of allocated capacity %	9	6	1	2	(6)	(10)	(34)
Results for an illustrative share of £10,000							
Gross premiums £	9,549	9,279	8,360	6,648	6,820	9,081	9,350
Net premiums £	8,759	8,504	7,640	6,017	6,272	8,543	7,342
Reinsurance to close premium from an earlier year of account £	535	278	348	452	764	715	702
Net claims incurred £	(6,781)	(6,398)	(6,240)	(4,564)	(5,854)	(7,489)	(8,555)
Reinsurance to close the year of account/amount retained £	(313)	(409)	(545)	(764)	(712)	(1,607)	(1,083)
Administrative expense £	(945)	(1,112)	(851)	(775)	(935)	(990)	(1,658)
Underwriting result £	**1,255**	**863**	**352**	**366**	**(465)**	**(828)**	**(3,252)**
Profit/(loss) on exchange £	7	31	(53)	43	(25)	36	17
Investment return £	19	12	5	5	3	11	39
Illustrative personal expenses £	(364)	(276)	(181)	(185)	(140)	(170)	(164)
Result before members' agents fees £	**917**	**630**	**123**	**229**	**(627)**	**(951)**	**(3,360)**

The seven year summary has been prepared from the audited underwriting year accounts. Gross premiums are stated net of acquisition costs. Net premiums are stated after acquisition costs and reinsurance commissions receivable. Investment expenses for all years of account have been deducted from investment return and are not included in syndicate operating expenses. Personal expenses have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the syndicate irrespective of any minimum charge applicable. Corporate members may be charged at different rates. Foreign tax, which may be treated as a credit for personal tax purposes has been excluded. Where necessary, the results have been adjusted to comply with the current underwriting year accounting policies of the syndicate. The adjustments arising are not material and have not been separately disclosed.