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***Amlin***

Amlin Underwriting Limited Syndicate 6106  
Annual Report 2010

# Performance powered by experts



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## Financial highlights

Year ended 31 December	2010 £'000	2009 £'000
Syndicate allocated capacity	<b>49,825</b>	49,884
Gross written premium	<b>43,339</b>	44,410
Net written premium	<b>43,339</b>	44,410
Net earned premium	<b>43,290</b>	34,461
Net claims incurred	<b>(25,738)</b>	(12,267)
Expenses	<b>(4,551)</b>	(6,209)
Investment return	<b>143</b>	63
Profit for the financial year	<b>13,144</b>	16,048
Claims ratio	<b>59%</b>	36%
Expense ratio	<b>11%</b>	18%
Combined ratio	<b>70%</b>	54%

The Syndicate performance data shown in the table above is presented on an annual accounting basis and in accordance with Generally Accepted Accounting Principles in the United Kingdom (UK GAAP).

## Directors and administration

### Managing agent

Amlin Underwriting Limited

### Directors

S C W Beale

N J C Buchanan

Non-Executive

B D Carpenter

R G Dampier

M D Feinstein

Non-Executive

D J Harris

Managing Director

R A Hextall

Non-Executive

A W Holt

Non-Executive

J le T Illingworth

S R McMurray

Finance Director

C E L Philipps

Non-Executive

R J Taylor

Chairman

### Company Secretary

J M Mansell

### Managing agent's registered office

St Helen's

1 Undershaft

London EC3A 8ND

### Managing agent's registered number

2323018

## Report of the directors of the managing agent

The directors of the managing agent ("the Company") present their report for Syndicate 6106 for the year ended 31 December 2010.

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

### Principal activity and review of the business

The principal activity of Syndicate 6106 is the transaction of reinsurance business in the United Kingdom. The Syndicate was first established for the 2009 underwriting year to write a 15% proportional treaty reinsurance contract covering Syndicate 2001 and has written business on a consistent basis for the 2010 underwriting year. The contract covers the following excess of loss classes: marine, aviation, property catastrophe, property per risk and terrorism. The total premium income capacity for the 2010 year of account was £49.8 million (2009 year of account: £49.9 million).

### Review of calendar year result

The result for calendar year 2010 is a profit of £13.1 million (2009: £16.0 million).

Underwriting contributed a profit of £13.0 million (net of expenses) (2009: £16.0 million) with an overall combined ratio of 70% (2009: 54%). The claims ratio increased to 59% (2009: 36%) largely reflecting the impact of losses attributable to the Chilean earthquake (£8.2 million) which occurred in February 2010 and the New Zealand earthquake losses (£9.9 million) which occurred in September 2010.

Operating expenses of £4.6 million (2009: £6.2 million) are comprised of acquisition costs (overriding commission) of £2.2 million (2009: £1.7 million), profit commission of £2.8 million (2009: £3.6 million) and foreign exchange gains of £0.4 million (2009: losses of £0.9 million).

Investment income of £0.1 million has been accrued on the underlying net underwriting cashflow for the period (2009: £0.1 million). In accordance with the reinsurance contract, income is accrued at the rate returned on cash and cash equivalents for Syndicate 2001. In the period, the return on US dollar cash balances, in which the majority of the debtor balance resides, was 0.2% (2009: 0.3%).

Movement on underwriting years of account during the 2010 calendar year:

	YO 2009 £'000	YO 2010 £'000	Total £'000	2009 £'000
Gross written premium	(58)	43,397	<b>43,339</b>	44,410
Net earned premium	9,888	33,402	<b>43,290</b>	34,461
Net claims incurred	(2,654)	(23,084)	<b>(25,738)</b>	(12,267)
Operating expenses	(1,227)	(3,324)	<b>(4,551)</b>	(6,209)
Investment income	94	49	<b>143</b>	63
Annually accounted profit	6,101	7,043	<b>13,144</b>	16,048
As previously reported	16,048	–		
Cumulative pure year result	22,149	7,043		
Net annual accounting ratios				
Claims ratio			<b>59%</b>	36%
Expense ratio			<b>11%</b>	18%
Combined ratio			<b>70%</b>	54%

### Future developments

Syndicate 6106's expected underwriting capacity for 2011 is £43.0 million (2010: £49.8 million). The Syndicate will continue to write a 15% proportional treaty reinsurance of Syndicate 2001.

### Statement of disclosure of information to auditors

Each director at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

The current directors of the managing agent, who served throughout the year ended 31 December 2010, are shown on page 2.

The principal risks and uncertainties of the business are addressed within the notes to the accounts on pages 8 to 10.

After making enquiries, the directors have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the next Annual General Meeting.

By order of the Board

**J M Mansell**

Secretary  
24 February 2011

## Statement of managing agent's responsibilities

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

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

In preparing the Syndicate annual accounts, Amlin Underwriting Limited is required to:

- select suitable accounting policies which are applied consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so; and
- follow applicable UK accounting standards, subject to any material departures disclosed and explained in the annual report.

Amlin Underwriting Limited is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. It is also responsible for the system of internal control, for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

## Report of the independent auditors

to the members of Syndicate 6106

We have audited the Syndicate annual accounts for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of the managing agent and the auditors

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 4, the managing agent is responsible for the preparation of Syndicate annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the Syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Syndicate's members as a body in accordance with section 10 of 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.

### Scope of the audit of the Syndicate annual accounts

An audit involves obtaining evidence about the amounts and disclosures in the Syndicate annual accounts sufficient to give reasonable assurance that the Syndicate annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the Syndicate annual accounts.

### Opinion on Syndicate annual accounts

In our opinion the Syndicate annual accounts:

- give a true and fair view of the Syndicate's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

In our opinion the information given in the Managing Agent's Report for the financial year in which the Syndicate annual accounts are prepared is consistent with the Syndicate annual accounts.

### Matters on which we are required to report by exception

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

- the managing agent in respect of the Syndicate has not kept adequate accounting records; or
- the Syndicate annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

### Andrew Kail (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

24 February 2011

## Profit and loss account

For the year ended 31 December 2010

Technical account – general business	Notes	2010 £'000	2009 £'000
<b>Earned premium, net of reinsurance</b>			
Gross written premium	3	43,339	44,410
Change in the provision for unearned premium	11	(49)	(9,949)
<b>Gross earned premium</b>		<b>43,290</b>	34,461
Allocated investment return transferred from the non-technical account		143	63
<b>Total income</b>		<b>43,433</b>	34,524
Claims incurred		(25,738)	(12,267)
Net operating expenses	5	(4,551)	(6,209)
<b>Balance on the technical account for general business</b>		<b>13,144</b>	16,048

All operations of the Syndicate are continuing.

Non-technical account	Notes	2010 £'000	2009 £'000
<b>Balance on the general business technical account</b>		<b>13,144</b>	16,048
Investment income	8	143	63
Allocated investment return transferred to general business technical account		(143)	(63)
<b>Profit for the financial year</b>		<b>13,144</b>	16,048

There were no recognised gains or losses during the current or preceding year other than those included in the profit and loss account. Therefore no statement of total recognised gains and losses has been presented.

## Balance sheet

At 31 December 2010

	Notes	2010 £'000	2009 £'000
<b>Debtors</b>			
Debtors arising out of reinsurance operations	9	82,501	40,736
Other debtors		260	63
		<b>82,761</b>	40,799
<b>Prepayments and accrued income</b>			
Deferred acquisition costs		500	497
<b>Total assets</b>		<b>83,261</b>	41,296
<b>Capital and reserves</b>			
Members' balances	10	28,371	15,621
<b>Technical provisions</b>			
Provision for unearned premiums	11	9,998	9,949
Claims outstanding	11	37,746	11,718
		<b>47,744</b>	21,667
<b>Creditors</b>			
Other creditors	12	7,146	4,008
<b>Total liabilities</b>		<b>83,261</b>	41,296

This annual report was approved at a meeting of the Board of Directors of Amlin Underwriting Limited on 24 February 2011.

**S R McMurray**  
Finance Director

## Notes to the financial statements

For the year ended 31 December 2010

### 1. Basis of preparation

These financial statements have been prepared using the annual basis of accounting as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") and applicable Accounting Standards in the United Kingdom. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2006 by the Association of British Insurers have been adopted, except that exchange differences are dealt with in the technical account. In addition, as the Syndicate operates on a non-cash basis, no Statement of cash flows has been prepared.

#### Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the current year.

#### Insurance contracts premium

Gross written premium comprises premium on insurance contracts incepting during the financial year. The estimated premium income in respect of facility contracts is deemed to be written in full at the inception of the contract. Premium is disclosed before the deduction of overriding commission. Estimates are included for premium receivable after the period end but not yet notified.

Premium is earned over the underlying policy contract period. Where the incidence of risk is the same throughout the contract, the earned element is calculated separately for each contract on a 365ths basis.

The proportion of premium written, gross of commission payable, attributable to periods after the balance sheet date is deferred as a provision for unearned premium. The change in this provision is taken to the income statement in order that revenue is recognised over the period of the risk.

Acquisition costs comprise overriding commission incurred on insurance contracts written during the financial year. They are incurred on the same basis as the earned proportions of the premium they relate to. Deferred acquisition costs are amortised over the period in which the related revenues are earned. Deferred acquisition costs are reviewed at the end of each reporting period and are written off where they are no longer considered to be recoverable.

#### Insurance contracts liabilities: claims

Claims paid are defined as those claims transactions settled up to the balance sheet date including the internal and external claims settlement expenses allocated to those transactions.

Claims reserves are estimated on an undiscounted basis. Provisions are subject to a detailed quarterly review where forecast future cash flows and existing amounts provided are reviewed and reassessed. Any changes to the amounts held are adjusted through the income statement. Provisions are established above an actuarial best estimate so that there is a reasonable chance of release from one underwriting year to the next.

Claims reserves are made for known or anticipated liabilities under insurance contracts which have not been settled up to the balance sheet date.

Although the claims provision is considered to be reasonable, having regard to previous claims experience (including the use of certain statistically based projections) and case by case reviews of notified losses, on the basis of information available at the date of determining the provision, the ultimate liabilities will vary as a result of subsequent information and events. These adjustments are reflected in the financial statements for the period in which the related adjustments are made.

#### Investment return

The investment return is calculated based on the net underwriting cashflow of the reinsured business taking account of the timing of

cash received based on the experience recorded for the reinsured business in Syndicate 2001. The monthly investment return percentage received by Syndicate 2001 on the cash and cash equivalent funds is then applied to the cashflow to calculate an investment return for the Syndicate.

All of the investment return arising in the year is reported initially in the non-technical account. A transfer is then made from the non-technical account to the technical account.

#### Taxation

No provision has been made in respect of UK income tax on trading income. It is the responsibility of members to settle their tax liabilities.

Overseas taxation comprises US Federal Income tax and Canadian Federal Income tax. The amounts charged to members are collected centrally through Lloyd's Members' Services Unit as part of the members' distribution process. The ultimate tax liability is the responsibility of each individual underwriting member.

#### Foreign currencies

The Syndicate transacts business in four separate currencies, namely Sterling, US dollars, Euros and Canadian dollars.

Income and expenditure in US dollars, Euros and Canadian dollars is translated at monthly average rates of exchange. Transactions denominated in other foreign currencies are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities, expressed in US dollars, Euros and Canadian dollars are translated into Sterling at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at the monthly average rate prevailing in the period in which the asset or liability first arose.

Assets and liabilities expressed in other foreign currencies have been translated at the rates of exchange at the balance sheet date.

Differences arising on translation of foreign currency amounts in the Syndicate are included in net operating expenses.

#### Insurance debtors and creditors

Insurance debtors and creditors represent balances outstanding with Syndicate 2001.

#### Syndicate operating expenses

Syndicate operating expenses comprise of acquisition costs (being a 5% overriding commission on the gross net premium income due to Syndicate 2001), profit commission due to Syndicate 2001 under the terms of the contract and differences arising from translation of foreign currency amounts.

## 2. Principal risks and uncertainties

### Underwriting risk

The Syndicate writes a 15% proportional treaty reinsurance contract covering Syndicate 2001. The contract covers the following excess of loss classes: marine, aviation, property catastrophe, property per risk and terrorism. The Syndicate's underwriting risk is directly related to the underlying risk within the excess of loss reinsurance account of Syndicate 2001, except for the fact that no reinsurance protection is purchased.

In underwriting insurance policies, Syndicate 2001's underwriters use their skill, knowledge and data on past claims experience to evaluate the likely claims cost and therefore the premium that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and to produce an acceptable profit. However, due to the nature of insurance risk there is no guarantee that the premium charged will be sufficient to cover claims costs. This shortfall may originate either from insufficient premium being calculated and charged or result from an unexpected, or unprecedented, high level of claims.

A number of controls are deployed to limit the amount of insurance exposure underwritten. Each year a business plan is prepared and agreed which is used to monitor the amount of premium income,

and exposure, to be written in total and for each class of business. Progress against this plan is monitored during the year. Syndicate 2001 also operates under a line guide which determines the maximum liability per policy which can be written for each class and for each underwriter. These can be exceeded in exceptional circumstances but only with the approval of senior management. All policies have a per loss limit which caps the size of any individual claims.

The underlying insurance liabilities are written through individual treaty excess of loss risk acceptances, or potentially through facilities whereby Syndicate 2001 is bound by other underwriting entities. Facility arrangements delegate underwriting authority to other underwriters, or to agents acting as coverholders, that use their judgement to write risks on our behalf under clear authority levels.

The underlying insurance liabilities underwritten by Syndicate 2001 are reviewed on an individual risk, or contract, basis and through review of portfolio performance. All claims arising are reserved upon notification. Each quarter the entire portfolio of business is subject to a reserving process whereby levels of paid and outstanding (advised but not paid) claims are reviewed. Potential future claims are assessed with a provision for incurred but not reported (IBNR) claims being made. This provision is subject to review by senior executives and an independent internal actuarial assessment is carried out by the in-house actuarial team to determine the adequacy of the provision. Whilst a detailed and disciplined exercise is carried out to provide for claims notified, it is possible that known claims could develop and exceed the reserves carried. Furthermore, there is increased uncertainty in establishing an accurate provision for IBNR claims and there is a possibility that claims may arise which, in aggregate, exceed the reserve provision established. This is partly mitigated by the reserving policy adopted by the Syndicate which is to carry reserves with a margin in excess of the in-house actuarial best estimate.

The review of claims arising may result in Syndicate 2001's underwriters adjusting pricing levels to cater for an unexpectedly higher trend of claims advices or payments. However, this may not be possible in a competitive market and underwriters may respond either by accepting business with lower expected profit margins or declining to renew policies and thus reducing income. Also, there is a portfolio of risk already underwritten which cannot be re-priced until renewal at the end of the policy period.

#### **Catastrophe risk**

Syndicate 2001 has a defined event risk appetite which determines the maximum net loss that the Syndicate intends to limit its exposure for major catastrophe event scenarios. Currently there is a maximum of £44.6 million (2009: £40.5 million) for Syndicate 6106 within the Syndicate business forecast. At present, the Syndicate is not utilising the full extent of its risk appetite.

These scenarios are extraordinary events. However, there may be circumstances in which the event loss could be exceeded and a series of similar events could occur within a single 12 month period.

A detailed analysis of catastrophe exposures is carried out every quarter. The following assumptions and procedures are used in the process:

- The data used reflects the information supplied to Syndicate 2001 by insureds and ceding companies. This may prove to be inaccurate or could develop during the policy period.
- The exposures are modelled using a mixture of stochastic models and underwriter input to arrive at "damage factors" – these factors are then applied to the assumed aggregate exposure to produce gross loss estimates. The damage factors may prove to be inadequate.

There is no guarantee that the assumptions and techniques deployed in calculating these event loss estimate figures are accurate. Furthermore, there could also be an unmodelled loss which exceeds these figures. The likelihood of such a catastrophe is considered to be remote but the most severe scenarios modelled are simulated events and these simulations could prove to be unreliable.

#### **Claims reserves**

Claims reserves established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR. The impact on profit of a 1% variation in the total net claims reserves would be £0.4m (2009: 0.1m).

Large loss case reserves are determined through careful analysis of the individual claim, often with the advice of legal advisers.

Property catastrophe claims, such as earthquake or hurricane losses, can take several months, or years, to develop, as adjusters visit damaged property and agree claim valuations. Until all the claims are settled it requires an analysis of the area damaged, contracts exposed and the use of models to simulate the loss against the portfolio of exposure in order to arrive at an estimate of ultimate loss to the Syndicate. There is uncertainty over the adequacy of information and modelling of major losses for a period of several months after a catastrophe loss. Account should also be taken of factors which may influence the size of claims such as increased inflation or a change in law.

#### **Syndicate closure**

Under the terms of the reinsurance contract, Syndicate 6106's 2009 year of account was to be commuted by way of reinsurance to close into Syndicate 2001 at either 24 or 36 months of development. During the year Syndicate 2001 exercised its right under the reinsurance contract and elected to defer the closure until 36 months. From the 2010 underwriting year onwards, the reinsurance contract expects closure by way of reinsurance into Syndicate 2001 at the 36th month of development. However, in exceptional circumstances it might not be possible to accurately evaluate claims liabilities and therefore it would be necessary to leave the account(s) open for a further period of time.

#### **Foreign exchange risk**

Underlying assets and liabilities are held in the base currencies of Sterling, Euros, US dollars and Canadian dollars, which represent the majority of the Syndicate's business by currency. This limits the underlying foreign exchange risk. Residual foreign exchange risk remains to the extent that total claims for a particular currency may exceed the assets held in that currency.

Foreign exchange exposure also arises when business is written in non-base currencies. These transactions are converted into Sterling at the prevailing spot rate once the premium is received. Consequently there is exposure to currency movements between the exposure being written and the premium being converted. Payments in non-base currencies are converted back into the underlying currency at the time a claim is to be settled; therefore the Syndicate is exposed to exchange rate risk between the claim being made and the settlement being paid.

#### **Regulatory risk**

Regulatory risk is the risk that the Syndicate fails to meet the regulatory requirements of the Financial Services Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. Amlin Underwriting Limited, the managing agency, has a Compliance Officer who monitors regulatory developments and assesses the impact on agency policy. He is supported by Amlin's Compliance department.

## Notes to the financial statements continued

For the year ended 31 December 2010

### Operational risk

Operational risk is the risk that failure of people, systems or processes leads to losses to the Syndicate. The Syndicate manages these risks through internal compliance monitoring and the use of detailed procedure manuals. In addition, the Amlin Group has both a Risk Assessment and Monitoring department and an Internal Audit department which assist Amlin Underwriting Limited to meet the strategic and operational objectives of the Syndicate through the provision of independent appraisal of the adequacy and effectiveness of internal controls in operation and to provide reasonable assurance as to the adequacy of systems and procedures to enable compliance with all relevant regulatory and legal requirements.

### 3. Segmental analysis

An analysis of the underwriting result before investment return and net technical provisions is set out below:

2010	Gross written premium £'000	Gross earned premium £'000	Gross claims incurred £'000	Net operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Reinsurance	43,339	43,290	(25,738)	(4,551)	–	13,001	47,744
<b>Total</b>	<b>43,339</b>	<b>43,290</b>	<b>(25,738)</b>	<b>(4,551)</b>	<b>–</b>	<b>13,001</b>	<b>47,744</b>

2009	Gross written premium £'000	Gross earned premium £'000	Gross claims incurred £'000	Net operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Reinsurance	44,410	34,461	(12,267)	(6,209)	–	15,985	21,667
<b>Total</b>	<b>44,410</b>	<b>34,461</b>	<b>(12,267)</b>	<b>(6,209)</b>	<b>–</b>	<b>15,985</b>	<b>21,667</b>

Overriding commissions paid on gross premiums earned during 2010 were £2,165,000 (2009: £1,724,000).

All premium is written in the UK.

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

	2010 £'000	2009 £'000
UK	4,215	4,049
Other EU countries	3,069	3,102
USA	24,174	26,035
Other	11,881	11,224
<b>Total</b>	<b>43,339</b>	<b>44,410</b>

### 4. Prior periods' claims outstanding

The movement in the net provision for claims includes a release of £6,489,000 (2009: Enil) in respect of claims outstanding at the previous year end.

### 5. Net operating expenses

	2010 £'000	2009 £'000
Acquisition costs	2,167	2,221
Change in deferred acquisition costs	(2)	(497)
Profit commission due to Syndicate 2001	2,744	3,581
Foreign exchange (gains)/losses	(358)	904
	<b>4,551</b>	<b>6,209</b>

Acquisition costs are overriding commissions paid to Syndicate 2001 for the administrative services provided by Syndicate 2001 to the Syndicate.

Audit fees of £5,000 (2009: £5,000) have been borne by Syndicate 2001.

### 6. Staff numbers and costs

All staff are employed by Amlin Corporate Services Limited, a wholly owned subsidiary of Amlin plc and the immediate parent company of the managing agency. The cost of these staff is borne by Syndicate 2001.

### 7. Directors' emoluments

The Syndicate was not recharged any expenses during the year relating to the remuneration of the directors of Amlin Underwriting Limited.

## 8. Investment return

	2010 £'000	2009 £'000
Interest on balances due from Syndicate 2001	143	63
<b>Calendar year investment yield</b>		
	2010 £'000	2009 £'000
Average Syndicate funds available for investment during the year		
Sterling	9,328	3,003
Euro	3,842	1,409
US dollars	51,666	15,088
Canadian dollars	3,745	1,397
Combined	48,148	14,448
Aggregate gross investment return for the year	143	63
Gross calendar year investment yield:		
Sterling	0.6%	0.8%
Euro	0.5%	0.6%
US dollars	0.2%	0.3%
Canadian dollars	0.2%	0.2%
Combined	0.3%	0.4%

The average amount of Syndicate funds available for investment has been calculated based on the net underwriting cashflow of the reinsured business, taking account of the timing of cash received based on the experience recorded for the reinsured business in Syndicate 2001. The yield percentages are those realised on a monthly basis by Syndicate 2001 on its cash and cash equivalent funds.

## 9. Debtors arising out of reinsurance operations

	2010 £'000	2009 £'000
Due from Syndicate 2001	82,501	40,736

## 10. Members' balances

	2010 £'000	2009 £'000
At 1 January	15,621	–
Profit for the financial year	13,144	16,048
Members' agent fees advances	(394)	(427)
At 31 December	28,371	15,621

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.

## 11. Technical provisions

	Provisions for unearned premiums £'000	Claims outstanding £'000	Total £'000
At 1 January 2010	9,949	11,718	21,667
Exchange adjustments	–	242	242
Movement in provision	49	25,786	25,835
<b>At 31 December 2010</b>	<b>9,998</b>	<b>37,746</b>	<b>47,744</b>

## Notes to the financial statements continued

For the year ended 31 December 2010

### 12. Other creditors

	2010 £'000	2009 £'000
Profit commission due to Syndicate 2001	6,325	3,581
Members' agent fees advances funded by Syndicate 2001	821	427
	<b>7,146</b>	4,008

### 13. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and 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 Financial Services Authority 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 the business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

### 14. Related parties

#### Amlin Underwriting Limited

There have been no transactions entered into or carried out during the year by the managing agency on behalf of the Syndicate in which it or any of its executives had directly or indirectly a material interest other than by way of their shareholding in Amlin plc, or in the case of Brian Carpenter, a director of Amlin Underwriting Limited, a 0.07% participation as a Name on Syndicate 6106 for the 2009 year of account (2010 year of account: nil%).

#### Syndicate 2001

Amlin Underwriting Limited also acts as the managing agent of Syndicate 2001, the entity which the Syndicate reinsures. Transactions between the Syndicate and Syndicate 2001 are disclosed where applicable within these financial statements.

### 15. Subsequent events

The start of 2011 was marked by heavy flooding and tropical cyclone Yasi in Queensland, Australia, and the earthquake in Christchurch, New Zealand. The Syndicate is still in the process of estimating the impact of these events. Initial estimates indicate that the losses in Australia are within the Syndicate's expected claims levels for 2011. However, it is too early to be able to make a definitive statement concerning the event in New Zealand, given the timing and uncertainty of the losses arising. These are non-adjusting events and therefore are not reflected in the financial statements for the year ended 31 December 2010.

## Advisers

### Syndicate auditor


PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Hay's Galleria  
1 Hay's Lane  
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### Corporate solicitors

Linklaters  
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3 More London Riverside  
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