Continuity is... at the heart of what we do

MS Amlin plc
2015 Annual Report

We are a leading independent insurer specialising in providing insurance cover to commercial enterprises and reinsurance protection to other insurance companies around the world.

Continuity has been, and always will be, at the heart of what we do.

2015 highlights[1]

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Gross written premium	**2,743.5**	2,564.0	2,467.4	2,405.6	2,304.1
Net written premium	**2,392.4**	2,278.9	2,107.4	2,058.6	2,013.2
Net earned premium	**2,172.8**	2,183.4	2,077.4	1,970.5	1,927.4
Result attributable to underwriting	**246.8**	246.0	283.1	207.1	(146.0)
Investment contribution	**107.4**	118.5	160.4	165.3	40.5
Other costs[2]	**(101.9)**	(105.8)	(117.8)	(108.2)	(88.3)
Result before tax	**252.3**	258.7	325.7	264.2	(193.8)
Return on equity	**13.2%**	14.1%	19.8%	17.4%	(8.6)%
Net assets[3]	**1,846.1**	1,782.8	1,678.6	1,497.7	1,420.4
Net tangible assets[3]	**1,581.7**	1,519.2	1,439.5	1,286.3	1,201.5
Per-share amounts (in pence)					
Earnings	**47.2**	47.4	60.0	50.1	(30.3)
Net assets[3]	**367.4**	356.8	336.7	302.5	287.2
Net tangible assets[3]	**314.8**	304.1	288.7	259.8	243.0
Ordinary dividend under IFRS[4]	**27.3**	26.3	24.3	23.3	23.0
Ordinary dividends declared for the calendar year[4]	**8.4**	27.0	26.0	24.0	23.0
Special dividend	**–**	15.0	–	–	–
Operating ratios[5]					
Claims ratio	**54%**	56%	52%	57%	78%
Expense ratio	**35%**	33%	34%	32%	30%
Combined ratio	**89%**	89%	86%	89%	108%

- Profit before tax of £252.3 million (2014: £258.7 million)
- Return on equity of 13.2% (2014: 14.1%); return on net tangible assets of 15.6% (2014: 16.4%)
- Combined ratio of 89% (2014: 89%)
- Investment return of £107.4 million, equivalent to 2.4% on average investments (2014: £118.5 million, 2.7%)
- No final ordinary dividend declared post acquisition by MSI
- Net tangible assets per share of 314.8 pence (2014: 304.1 pence per share)

Note:
1. The financial highlights are presented on the basis of management information provided to the MS Amlin Management Committee. The reconciliation between this information and the International Financial Reporting Standards (IFRSs) consolidated statement of profit or loss is included in note 3(c) to the consolidated financial statements.
2. Other costs comprise other non-underwriting expenses, finance costs, other operating income, share of profit or loss after tax of associates, gain on modification of defined benefit pension scheme in 2015 and the gain on revaluation of existing investment in 2014.
3. Following the increase in the Group's interest in Leadenhall Capital Partners to 75% in 2014, net assets, net tangible assets and related per share amounts from 2014 exclude non-controlling interests.
4. All per-share dividends are the actual dividends for each share in issue at the time.
5. Claims ratio is net claims incurred divided by net earned premium for the year. Expense ratio is underwriting expense incurred, including expenses for the acquisition of insurance contracts, divided by net earned premium for the year. The expense ratio does not include expenses that have not been attributed to underwriting, including employee incentive costs and finance costs. Combined ratio is the total of the claims and expense ratios.

Overview of our business

Our key strengths

A diverse and balanced portfolio with scope for long-term growth

Profit-focused cross-cycle underwriting, based on market-leading expertise

A strong franchise supported by first-class client service

Effective risk management which optimises returns for the risks we take

A dynamic approach to capital management

A global team with a wealth of industry experience

Key business hubs

1. London
Global reinsurance and specialty insurance lines, UK commercial insurance

2. Chelmsford
UK commercial insurance

3. Zurich
Reinsurance for European clients

4. Bermuda
Global reinsurance

5. Amstelveen
Property and casualty insurance

6. Paris
Marine, property and casualty insurance

7. Singapore
Reinsurance, marine, property and casualty insurance

8. Miami
Reinsurance for Latin American clients

9. New Jersey
Casualty reinsurance

10. Hamburg
Property and casualty insurance

11. Brussels
Property and casualty insurance

12. Antwerp
Marine insurance

13. Rotterdam
Marine insurance

14. Dubai
Marine reinsurance and insurance

15. Hong Kong
Marine insurance

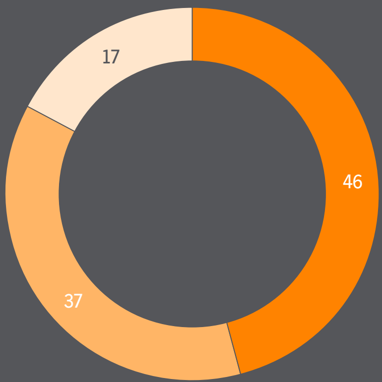
16. Shanghai
Reinsurance

£2,744m
Gross written premium

87%
Global renewal retention ratio

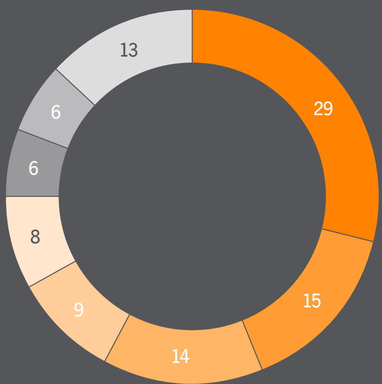
16
Key business hubs

We are organised through three global Strategic Business Units for Reinsurance, Marine & Aviation and Property & Casualty.



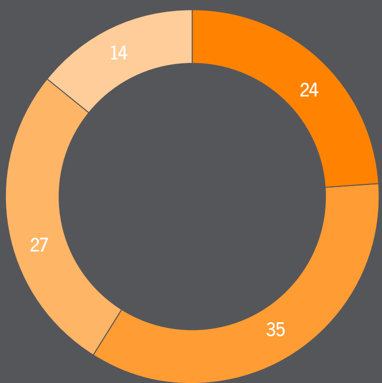
Gross written premium by Strategic Business Unit (%)

- Reinsurance
- Property & Casualty
- Marine & Aviaton



Gross written premium by class (%)

- Property catastrophe reinsurance
- Marine insurance
- Property insurance
- Motor insurance
- Casualty insurance
- Casualty reinsurance
- Special risks reinsurance
- Classes < 4%



Gross written premium by geography (%)

- UK
- North America
- Europe
- Other

We underwrite through three well-capitalised and strongly-rated entities

Syndicate 2001

Capital support at Lloyd's £676.6m
GWP: £1,653.9m

Ratings:

A.M. Best	A+ (Superior)
Moody's	A2 (Stable)
Standard & Poor's	Lloyd's Syndicate Assessment 4+ (Stable)

Amlin AG

Net assets £1,050.0m
GWP: £912.3m

Ratings:

A.M. Best	A (Excellent)
Moody's	A2 (Stable)
Standard & Poor's	A (Stable)
Fitch	A (Stable)

Amlin Insurance S.E.

Net assets £380.9m
GWP: £398.3m

Ratings:

Standard & Poor's	A (Stable)
Fitch	A (Stable)

Market overview

The (re)insurance sectors continue to experience significant change driven by the evolving risk landscape, increasing capital, demand from emerging markets, and changing regulation.

Key market trends

Evolving risks and uncertainty for our clients

The risk landscape continues to evolve.

The spread of wealth across the globe is changing rapidly and with it, new concentrations of risk are emerging.

The increased power of technology is assisting the industry, for example improving client and risk management, and potentially reducing costs, but it also presents challenges such as increasing cyber risk. There is also an increased risk of industrial disruption.

Underwriters continue to improve and broaden the scope of their risk modelling. However, the systemic risk arising from the use of common models remains across the industry.

The limitations of modelling, whether systemic or large-event linked such as changing weather patterns and war, continue to be apparent.

The rating environment is generally under continued pressure primarily as a result of oversupply of capital, low interest rates and limited catastrophe events.

The frequency of smaller events, such as the winter freeze in the US, fires in Australia and Europe and flooding in Japan, also appear to be increasing.

Demand variability: Emerging market growth continues to drive demand

Developed markets continue to show limited insurance premium growth as GDP growth in their economies remains low; 1.8% in 2015 and only 1.7% in 2014.

Also, the high degree of insurance penetration in developed markets gives less scope for growth than in emerging markets.

Emerging markets continued to show stronger non-life premium growth; 8.0% in 2015, up from 5.5% in 2014.

Regulation

Regulatory oversight continues to increase in the (re)insurance market and, whilst there are many benefits, the impact upon resource requirements and expenses for the industry is significant. The implementation of Solvency II has been a significant strain on the industry. Benefits from this regulation will come to those businesses which are client-centric.

Another area of increased regulatory focus is the Financial Conduct Authority's (FCA) Conduct Risk agenda with the aim of promoting conduct standards and enhancing consumer protection within the insurance industry. Beyond this, the effect of more sophisticated regulation in emerging markets may lead to the strengthening of overseas (re)insurers.

Reinsurance

The structure of the catastrophe reinsurance market continues to evolve, largely due to the influx of capital from pension funds and other investors seeking attractive yields in the Insurance Linked Securities (ILS) market. In the third quarter of 2015 alternative capital participating in non-life reinsurance was approximately $69bn, an increase of approximately 8% over nine months to 30 September 2015.

Appetite for reinsurance risk continues to be driven by the low interest rate environment and supported by the low correlation of catastrophe risk with other asset classes.

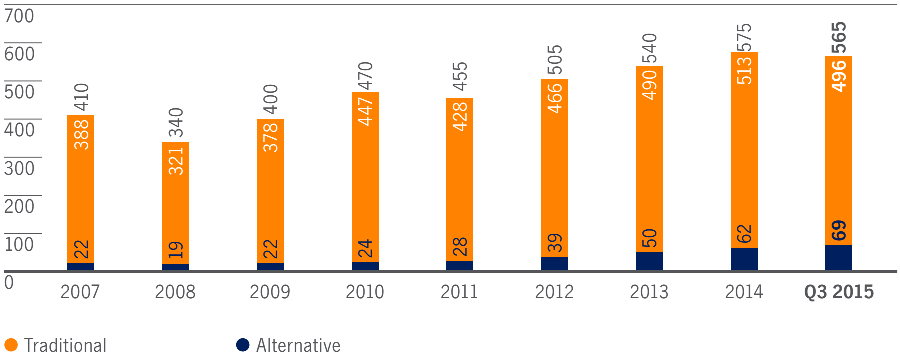
While the appetite of some investors may change as interest rates rise, or following an extreme catastrophic event, MS Amlin believes that ILS capital will remain a permanent and meaningful segment of the reinsurance market in the future. Amlin's investment in Leadenhall Capital Partners (LCP) in 2008 was in response to this market development and now with assets at $2.4bn (as at 31 December 2015) is an important part of MS Amlin's reinsurance proposition.

The reinsurance market has seen demand increase in the US through 2015, particularly for Florida and other coastal risk as some cedants take advantage of lower pricing to purchase additional cover. Demand for reinsurance in some developed markets, however, has weakened as large insurers benefit from relatively subdued claims occurrences, strong balance sheets and increased modelling capabilities, all of which increase their propensity to retain more risk.

A further trend in the reinsurance market is for major reinsurance buyers and their brokers to become more selective in their choice of reinsurer, focusing on a smaller number of larger reinsurers which can offer superior and more diverse financial strength, expertise and service. This reflects an increased focus on counterparty risk, as well as the desire of large insurers to form longer-term partnerships with their selected reinsurers. This has created a two-tier market in which those in the top tier, including MS Amlin, have greater access to business, in some cases through private placements and layers not available to the wider market.

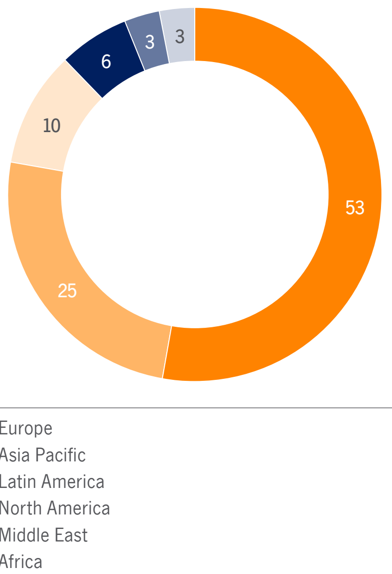
The demand for greater size and financial strength continued to be a driver of recent consolidation in the reinsurance market.

Global reinsurer capital (US$ bn)



Source: Aon Benfield, Reinsurance Market Outlook, January 2016

Global marine premium split (%)



Source: IUMI Global Marine Insurance Report 2015, September 2015

Marine and aviation

The London market remains an important hub for marine (re)insurance, with approximately 20% of global premium. Rotterdam also remains a significant market for both local and international marine risks.

As emerging market growth continues to outpace developed countries, in addition to the development of local capacity and expertise, there has been a further shift in some marine business from London to local hubs such as Singapore, Dubai, Miami and Hong Kong. Having the ability to access the marine business in these local hubs is becoming increasingly important.

The current over capacity in the global marine market suggests that, in the absence of capital depletion through major losses, the increasing demand can readily be absorbed without upward pressure on pricing.

Demand for offshore energy cover has reduced with the lower drilling activity resulting from the fall in oil prices.

Aviation premium levels have been relatively stable with some significant losses in the year such as the Malaysian Airlines and German Wings events. However, these have not affected market pricing significantly. Abundant capacity remains and competition is high.

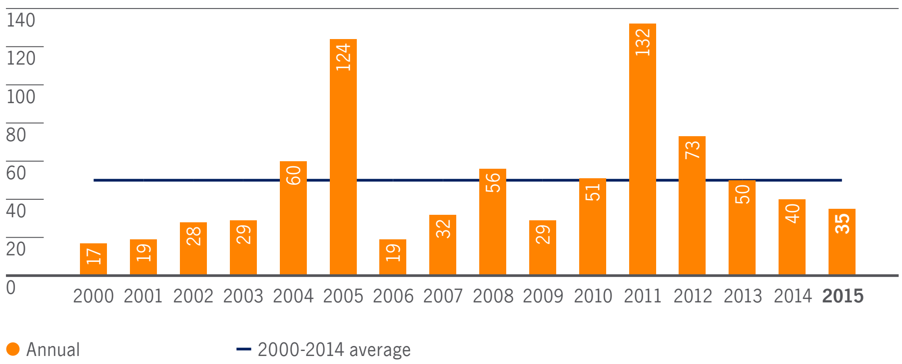
Property and casualty

The global property and casualty insurance market is generally over-capitalised and most developed markets are exhibiting downward pricing pressure with international and large commercial risk experiencing the greatest competition. However, this market has significant diversity in terms of carriers, risk and buyers compared to the specialist reinsurance, marine and aviation markets. Consequently there are segments which have more robust pricing, such as motor, where demand is driven by population growth and increasing wealth in both emerging markets and developed countries. Insurance for small- and medium-sized commercial risks present growth opportunities in both developed and emerging markets. However, challenges lie ahead as the impact of telematics and autonomous vehicles are more fully understood.

Client relationships are becoming increasingly important as competition increases and market participants continue to search for growth. The greater use of data and technology is enabling insurers and brokers to identify and bundle similar risks and streamline business to build on the client relationships where they have the greatest advantage.

Pressure on brokers revenues from a generally weak pricing environment, low interest rates and high cost structures has incentivised brokers to look for efficiency savings by simplifying supply chains or placing locally. Therefore binder arrangements and other schemes for small risks, a long-standing feature in the London market, are seeing some growth and larger property and casualty risks are now being bundled into schemes where underwriting participation is often more limited and costs are higher to access the business.

Global insured losses



Source: Aon Benfield 2015 Annual Global Climate and Catastrophe Report, January 2016

"2015 has been a year of considerable progress and we are continuing to deliver on our strategy.

We look forward to working with our new owners in taking advantage of the many opportunities that our combination brings."

Richard Davey
Chairman

Chairman's statement

Richard Davey
Chairman

We have had a year of considerable strategic progress, culminating in the Board recommending Mitsui Sumitomo Insurance's (MSI's) offer to acquire the Company. We are pleased that the transaction has now completed and we look forward to working with our new owners to augment their international business and harness the many opportunities and synergies which will be possible from our combination.

227%

total shareholder return (over five years)

The strategic context of MSI's offer

Since its creation in 1998, through the merger of Angerstein Underwriting Trust and the Murray Lawrence Group, Amlin has grown its business considerably and expanded internationally from its original Lloyd's base. It has also delivered an impressive return on equity track record, which has averaged 15.8%, and a total shareholder return of 1,245%, approximately eight times that of the FTSE All Share index.

An important driver of our strategy over this period has been the need to remain relevant to clients and we believe that this requires increasing scale to keep pace with industry competitors. Our combination with MSI provides MS Amlin with the backing of one of the largest non-life insurers in the world and, we believe, the ability to continue to compete successfully in the face of rapidly-changing markets.

Technology and the use of data will be a major influence on the non-life insurance industry; those with the scale to invest and with access to big data will have a competitive advantage. This would have been difficult for Amlin to achieve as a stand-alone company.

With this, and the expectation of a softer market environment for the next few years, we decided that the proposition presented by MSI, which involved the realisation of a full value for shareholders, enhanced career prospects for employees and a strong alignment of strategies and values, was compelling.

Integration with MSI

Following the announcement of our acquisition by MSI in September 2015, we have been working with senior executives from MSI to plan the integration of their Lloyd's and reinsurance businesses into MS Amlin which we are now starting to implement.

This involves the merger of MSI's Lloyd's managing agent and syndicate with Amlin's managing agent and syndicate which we expect to complete in 2016. It also involves the merger of MS Frontier, a Bermuda-based reinsurance operation, into Amlin AG which we hope to complete around the end of 2016. Additionally, we are exploring the opportunities for synergies between our respective European insurance businesses.

The combination with MSI's Lloyd's and reinsurance businesses also offers the opportunity to strengthen management in a number of key areas and I am pleased that a new combined management structure has already been agreed which will take effect at the time of our managing agency merger.

Performance and dividends

Amlin delivered a profit before tax of £252.3 million and a return on equity of 13.2% in 2015, in a year which witnessed a lower than average level of natural catastrophes but some meaningful risk losses including the notable Tianjin explosion. Whilst creditable, the result also reflected the effect of increased competition and reducing margins in many lines, particularly in catastrophe reinsurance, and the continuation of challenging investment markets.

The Company paid an interim dividend of 8.4 pence per share to shareholders in October 2015.

Amlin also continued to make good progress in delivering its strategic and operational objectives in 2015. We were pleased to receive the Prudential Regulation Authority's (PRA) approval to use our Internal Model for solvency purposes, one of only 19 companies granted such approval prior to Solvency II coming into force on 1 January 2016. We also received approval to merge Amlin Europe N.V. with Amlin Insurance UK plc to form Amlin Insurance S.E., which simplifies our corporate and regulatory structure. This took effect on 4 January 2016. Also, as described in the Chief Executive's strategic review, Amlin made good progress in embedding the new organisational structure which was put in place in September 2014 and in implementing a Customer Relationship Management (CRM) system as part of increasing client intimacy.

Governance and the Board

In 2015 an external review of the Board's performance delivered a broadly positive outcome, noting a number of improvements which had been achieved since the previous external review in 2012. The Board devoted a considerable amount of time to the Group's preparations for Solvency II and to our Internal Model, as well as to the proposals from MSI. We also implemented changes to executive remuneration as outlined in the 2014 Annual Report.

I would like to thank my Board colleagues for their dedication to Amlin in an extraordinarily busy year.

Sir Mark Wrightson retired from the Board, having completed nine years' service, at our AGM in May 2015. Marty Feinstein, our Senior Non-Executive Director, also retired on 1 February 2016, on completion of the MSI deal.

I would like to thank both Sir Mark and Marty for their valuable input in steering Amlin over many years and for their strong leadership of our Remuneration Committee and Risk & Solvency Committee respectively.

Sir Mark was succeeded by Julie Chakraverty as Chair of the Remuneration Committee and Oliver Peterken has taken on the role of chairing the Risk & Solvency Committee.

On 1 February 2016, we were pleased to welcome the following new members to the Board, each representing MSI:

- Kenichi Fukuhara as a Non-Executive Director
- Hironori Miromoto as a Non-Executive Director
- Robin Adam as a Non-Executive Director
- Kiyotaka Shuto as an Executive Director

James Illingworth, our Chief Risk Officer for the last nine years, was also elected to the Board as an Executive Director on 1 February 2016, and Shonaid Jemmett-Page became Deputy Chairman.

I believe that the new composition of the Board will enable continued strong governance and strategic leadership whilst ensuring that the Company is appropriately aligned with the strategy and governance requirements of MSI in Japan.

Employees

As well as being a busy year for the Board, 2015 required tireless effort from our employees. I am pleased with the manner in which they rose to the challenge, delivering on many strategic and operational objectives, overlaid by the work necessary to manage the MSI integration. Huge thanks are due to them for their efforts, not only in 2015, but for building MS Amlin impressively over recent years.

The combination with MSI will offer many good opportunities for employees to develop further their careers whilst benefitting from MSI's financial strength and international growth ambitions.

We look forward to welcoming MSI's Lloyd's and reinsurance employees into MS Amlin and I am confident that our combined talent will enhance the Group's client propositions, position us well for future growth and make MS Amlin a more formidable company.

Richard Davey
Chairman

"Amlin's acquisition by MSI in February 2016 has been supported by a strong financial result, continued development of our operating model and geographical expansion.

I am excited to be leading MS Amlin and look forward to our future together."

Charles Philipps
Chief Executive

Chief Executive's strategic review

Charles Philipps
Chief Executive

Whilst the highlight of 2015 was the announcement of our acquisition by MSI, we also achieved a strong financial result and continued to develop our operating model following our 2014 business reorganisation.

In 2015, notable achievements included approval from the Prudential Regulation Authority (PRA) of our Internal Model for Solvency II purposes, the first implementation of a Customer Relationship Management (CRM) system as part of our client intimacy strategy, the opening of offices in Dubai, Shanghai and Hong Kong, and obtaining all the approvals required to merge Amlin Europe N.V. with Amlin Insurance UK plc.

Results

Amlin delivered a strong result in 2015 with a return on equity of 13.2% against the backdrop of mixed market conditions.

Against this, most parts of the business performed well with the profit before tax slightly below 2014 due to a softening trend in reinsurance markets and a decreased investment return.

The combined ratio was flat relative to 2014 at 89% with no major catastrophe losses in 2015. The year was characterised by an increased number of small- to medium-sized catastrophe losses globally and a number of large risk events, notably in property and energy.

More detail on the financial results is provided in the Financial Review on pages 39 to 43.

MSI acquisition

MSI's acquisition of Amlin was completed on 1 February 2016 with all relevant regulators and competition authorities having approved the transaction. Immediately following completion, we changed the brand name to MS Amlin as we believe that our businesses will benefit from a close brand association with our new owners.

Our discussions with MSI's senior executives prior to the announcement resulted in MSI making a very compelling case for our combination which I believe will be extremely beneficial to MS Amlin over the medium and long term. MSI is financially very strong and has an A+ rating from Standard & Poor's. Our strategies and values are well aligned and we strengthen our capabilities and scale.

MSI intend to focus their ambitions for MS Amlin on advancing international expansion. We also believe that there will be meaningful revenue synergies in South-East Asia through leveraging MSI's distribution networks and well-established relationships by offering MS Amlin's specialty products.

As referred to in the Chairman's statement, we intend to merge MSI's Lloyd's and reinsurance businesses into MS Amlin during 2016 and to explore means of achieving scale benefits in continental Europe. We will also be exploring, with MSI, how we can expand its US client base.

MSI also has the scale to facilitate investment in technology and big data which we believe will be important to remain competitive in the medium term.

I am excited to be leading MS Amlin and look forward to taking advantage of the many opportunities that our combination will unlock.

Our global Strategic Business Units and operating model

Following the reorganisation in 2014, each of our newly-formed global Strategic Business Units (Reinsurance, Marine & Aviation, and Property & Casualty) formulated five-year strategies to enhance their market and competitive positions and achieve profitable growth, whilst recognising that in the short term, market conditions are unlikely to be conducive to material growth. These strategies involve continuing our client intimacy initiative; increasing our proximity to clients through investing in geographic diversification; further strengthening our leadership positions in reinsurance and specialty lines, and our penetration of property and casualty markets where MS Amlin is already established; and investing in digital technology which we believe will become increasingly relevant in property and casualty business for SMEs and for some specialty lines. Our combination with MSI is complementary to our strategic direction.

In 2015, we opened for business in Dubai in January and Hong Kong in August, both with a focus on marine lines, and joined the Lloyd's China platform in Shanghai as a means of identifying segments on which to concentrate in the medium term in China. Dubai made a better than expected start with a positive contribution in its first year and our 2014 start-ups in Miami and Hamburg also achieved better than planned growth. To help strengthen our positions in our core markets we were also active in hiring talent in the UK and European property and casualty and reinsurance markets, attracting a total of 14 new senior underwriters.

Two digital projects were initiated within the P&C Strategic Business Unit aimed at better servicing intermediaries for SME business in the UK and Netherlands. While it is too early to judge the success of these projects, we are hopeful that they will have relevance for other geographic markets.

For our recently consolidated non-underwriting support functions the focus in 2015 was on embedding our new structure to more effectively and efficiently service our Strategic Business Units whilst ensuring that the needs of our regulated legal entities were properly met.

Our functional Service Management Framework, designed to drive the delivery of high-quality, value-added services across the Group, was successfully embedded, highlighting a number of areas where service quality could be readily improved or the service delivered more efficiently. The Claims, Finance, IT and Operations functions redesigned their operating models and are now in the process of implementing the changes and improvements required to increase performance, efficiency and scalability.

Important to our efficiency and scalability is our Nexus programme which involves the creation of a consolidated data store; a single source of financial data to improve and speed up our analytical and reporting capabilities with the removal of many time-consuming processes. Our reinsurance businesses in Zurich and Bermuda successfully adopted the Nexus platform in November 2015, proving its functionality. Adoption for the rest of the Group will occur in 2016.

Find out more

Underwriting management
Pages 34 to 37

Financial review
Pages 39 to 43

Client intimacy

As outlined in our 2014 Annual Report, MS Amlin intends to differentiate itself from its competitors through client intimacy. Client intimacy is developing a deep understanding of clients' needs and working closely with them, be they brokers, Managing General Agents (MGAs) or insureds, to satisfy their needs by providing service levels which meet our Vision of becoming "the reference point for quality in our markets". The achievement of this aim is intended to increase our standing with clients.

To this end, in 2015 we deployed a CRM strategy, investing in a CRM system, initially supporting our global Reinsurance and UK P&C businesses in better understanding their client relationships and opportunities. In 2016 this will be rolled out to other parts of our business. We also conducted our first round of Net Promoter Score (NPS) surveys across all businesses, affording valuable insight on actions which are most likely to enhance our standing with clients. The overall results are significantly positive and emphasise the importance and strength of our client relationships, team expertise and understanding of client needs. These inaugural surveys also identified clear opportunities for driving client advocacy through product innovation and communication of our competitive advantage. Action plans have been formulated and are being implemented.

Selective hires were also made to enhance our marketing capability and extract full value from our investment in CRM and NPS surveys.

Additionally, in September 2015 we launched our Client Experience Programme to help improve the suitability of our products for our various client segments and provide an increased ability to measure the quality of client outcomes. As well as sharpening up a number of processes, this involves work on our culture so that all employees place clients at the heart of their endeavours.

Solvency II, other regulation and corporate restructuring

Solvency II came into effect on 1 January 2016. In preparation for this, Amlin sought and received approval to use its Internal Model at both Group level and at Lloyd's for solvency capital purposes. Not only is this a testament of the sophistication of our risk modelling capabilities, it will allow us to carry less capital for regulatory purposes than would be the case if we were forced to use the standard formula. Lloyd's itself has also received model approval from the PRA which is a significant achievement for the market.

We continued to enhance our Internal Model and associated risk management processes so that we could achieve model approval, but also to develop model use for business decisions. Internal Model use is now fully engrained in our business planning, reinsurance purchase and pricing analysis and forms a key element in setting, and reporting against, risk tolerances.

Solvency II has been years in the making and a vast cost to the insurance industry. While it has had a positive effect on risk management standards, it remains to be seen whether it will fulfil its objective of establishing a level playing field across the EU.

In 2015, the PRA announced that it would be introducing, with effect from 2016, a new Senior Insurance Managers Regime similar to that previously introduced for the banking industry. This seeks to increase the clarity of individual responsibilities within regulated firms. Our UK regulated subsidiaries have taken the necessary steps to comply.

The Financial Conduct Authority (FCA) is increasing its scrutiny of market practices with a view to ensuring that clients are treated fairly, focusing particularly on smaller and more vulnerable clients. This is placing increased emphasis on insurers being satisfied that intermediaries' practices are up to the required standards. While their goals are aligned with our aims for client intimacy, this could well mean that MS Amlin will have to decline business where we cannot satisfactorily attest to intermediaries' standards of client treatment.

The growth of MS Amlin internationally, combined with ever increasing regulatory requirements, means that we need to keep under review our legal and corporate structure to minimise duplication and avoid inefficiencies. In 2015 we therefore took steps to merge our European and UK insurance companies, Amlin Europe N.V. and Amlin UK Insurance plc, to form Amlin Insurance S.E. The merger took effect on 4 January 2016.

Domiciled in the UK, with branches in continental Europe, this merger results in a reduction in the number of our solvency regulators from three to two, while aligning more closely our regulated legal entities with our global Strategic Business Unit structure.

Talent management, culture and employees

Our growth ambitions, increasing global presence and vision require MS Amlin to have both the right talent and the right culture in place.

In 2015 we refreshed our Talent Management programmes aimed at building the capabilities of future potential leaders and senior managers, as described in the Resources and Relationships section of this report. We also launched a new underwriting capability development programme, to help advance the development of less-experienced underwriters, and launched a Claims Apprenticeship Programme.

Our combination with MSI will help us reinforce our talent pool and capabilities in a number of areas. I am looking forward to welcoming new employees to MS Amlin and to working with the senior MSI team as we integrate our businesses and build upon our combined strengths.

Work also commenced to review our existing corporate culture and values and to define those which we need to enhance the delivery of our strategy. Employees across the Group and within MSI are involved in developing these to ensure that we are aligned through our integration.

I am pleased that our new offices in London and Chelmsford have provided a more modern and flexible working environment for our employees. The moves have had a noticeable positive impact on morale, collaboration and teamwork and our new offices will help retain and attract talent whilst providing more advanced technology to make working lives more productive.

2015 placed a large burden on many of our employees as we strove to meet our significant objectives. They should be proud of what they have achieved and I am grateful to them for their huge effort.

Charles Philipps
Chief Executive

Strategy & performance

In this section

Our business model

MS Amlin's business model is designed to generate good returns from servicing clients professionally while using shareholder capital efficiently.

We underwrite a wide range of insurance risks, from catastrophe reinsurance, which protects other insurance companies from extreme natural perils, to liability insurance, which protects businesses from unintended liability to third parties.

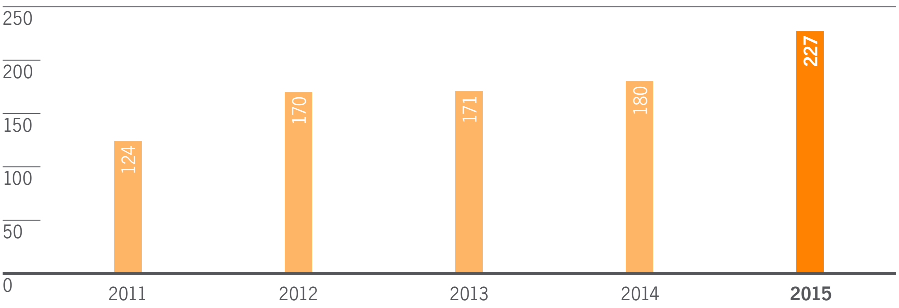
Our business model is adapting to reflect the rapidly-changing nature of the market. Important relationships are becoming more collaborative – fewer, closer and deeper. Data analysis is becoming ever more prevalent, being utilised more effectively in the broker distribution chain and by clients, as well as by underwriters. Scale is increasingly important because it enables us to help our client partners across the spectrum of their risk exposures and means that we can continue to lead business and set terms rather than follow other underwriters.

All of this is underpinned by a clear and consistently applied risk management framework and by performance metrics. Together these are intended to aid decision making, deliver our strategy and generate returns to shareholders, and to provide high-levels of service to clients.

We provide value to our shareholder through investing in the business to drive growth.

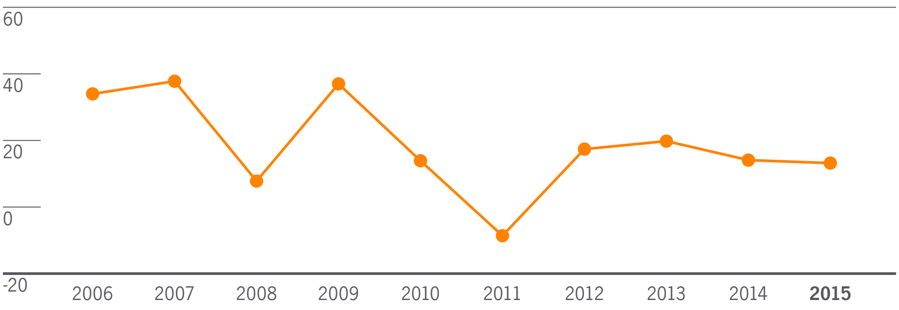
Enabling strong performance

Total shareholder return (% over five years)



Return on equity (%)

Ten year weighted average 16.4%



Proactive cycle management to deliver profitable cross-cycle underwriting, combined with effective risk management and active capital management to optimise return for risk taken

MS Amlin's business model is focused on delivering gross underwriting profit (excluding investment income) across the cycle. This is supported by profit-focused incentives for underwriters and a robust underwriting control framework.

Over the past five years Amlin has delivered an average combined ratio of 92% and an average claims ratio of 59%, which demonstrates quality and resilience.

The strength of MS Amlin's Enterprise Risk Management (ERM) framework is a competitive advantage. It enables us to manage risk within agreed tolerances and aids the effective allocation and use of capital. In 2015, Standard & Poor's upheld their rating of MS Amlin's ERM at "very strong".

Our approach to capital management aims to ensure that MS Amlin maintains sufficient capital for regulatory and rating agency purposes, can withstand major catastrophe claims, can attract good-quality business and be in a position to exploit opportunities for profitable growth.

A diverse portfolio which reduces volatility and enhances capital efficiency

MS Amlin's spread of underwriting risk balances high margin but volatile catastrophe exposure with lower margin and less volatile business.

MS Amlin underwrites more than 30 principal classes of business with geographical spread of exposure among classes.

This diversity helps reduce earnings volatility, enhance earnings quality and increase capital efficiency. In essence, the profitability from non-catastrophe exposed classes, where earnings are more predictable, helps offset the volatility of catastrophe risk. Also, within catastrophe risk, geographic diversity helps reduce volatility. This is because the probability of multiple major catastrophes in different geographic zones in the same period is remote.

Diversity also provides options for the allocation of capital and growth over the (re)insurance pricing cycle. Our diverse range of classes of business exhibit different pricing dynamics at different points in time, dependent on claims experience and the economic and competitive environments.

We seek to grow in well-priced classes and markets whilst retracting in underpriced classes and markets.

A focus on underwriting specialty (re)insurance, which requires specific expertise, has higher barriers to entry and carries higher margins

MS Amlin has a focus on specialty (re)insurance classes which require significant underwriting knowledge and experience to succeed. Maintaining and growing underwriting talent, so that we can properly assess the risk of each prospective policy, is important for MS Amlin's continued success and growth. It also confers competitive advantage.

In 2015, Amlin had 154 senior underwriters with an average industry experience of 23 years and we invest in developing talent in underwriting through our Underwriting Faculty and other initiatives.

Historic data and claims experience informs underwriting pricing and exposure management so companies with this data and the ability to use it effectively are better equipped than new entrants. We have underwriting data for most of our business classes going back many years. When and where MS Amlin enters new markets or classes of business, we take a cautious approach so that we understand the risk before seeking material growth.

The expertise conferred by good underwriting talent and historical data provides an ability to lead subscription market risks which is important for accessing and retaining good business, especially as brokers seek to concentrate the placement of risk amongst fewer carriers. In 2015, Amlin led, or was the sole underwriter, for 64% and 45% of our Lloyd's reinsurance and insurance business respectively.

Expertise in specialty classes is also relevant to the emerging economies as their insurance requirements grow. We have demonstrated the ability to use specialty expertise in emerging markets such as Singapore which has become a hub for Asian business.

Establishing deep and long-term client relationships based on the expertise and service we offer and the strength of our brand

MS Amlin has many long-term relationships with brokers and clients. We seek to build on these relationships and grow our business through a deep understanding of clients' business and risk management requirements and an ability to deliver tailored solutions based on our expertise. Our retention ratio, which has averaged 85% over the last five years, reflects the continuity of our relationships.

MS Amlin seeks to excel in client service, in particular so that clients have the confidence that claims will be dealt with quickly and fairly. We believe that many clients are served poorly by the insurance industry and that our client service will confer long-term advantage in building and maintaining strong client relationships.

The reorganisation of our business into three global Strategic Business Units is enhancing our ability to deepen client relationships and achieve growth through broadening our product offering to clients. Leadenhall Capital Partners also increases our offering in reinsurance.

Leveraging broker relationships contributes to our long-term growth. A focus on understanding their strategies, including increasing efficiency and reducing the number of markets with whom they place business, can increase our business flows if we adapt to meet their needs. They are also relevant to the emerging markets where we believe that our specialist knowledge will offer long-term growth opportunities and where we are increasing our coverage.

Increasing brand awareness associated with our values and expertise helps ensure that brokers and clients recognise MS Amlin's client proposition and support our business development plans, particularly in new and emerging markets where MS Amlin is less well known.

Our strategy

Our Vision, to be the global reference point for quality in our markets, provides a strategic focus and drives our operational performance. Our strategic priorities reflect the disciplines necessary to execute our strategy effectively.

Our objective is to deliver long-term value for our shareholder, with an average cross-cycle return on equity of at least 15%, and long-term growth in earnings and net assets.

13.2%

Return on equity

227%

Total shareholder return (over five years)

Our five strategic priorities

1. First-class client service, based on a thorough understanding of client needs

2. Profit-focused underwriting excellence

How we pursued these goals in 2015

We enhanced our ability to deliver market-leading client service by:

- Launching a Client Experience Programme to embed improved processes facilitating a quicker route to our strategic priority of client intimacy, as well as to satisfy increasing regulatory conduct requirements
- Improving the capabilities of our three global Strategic Business Units as we broadened our product offering and geographical reach through the opening of offices in Hong Kong, Shanghai and Dubai
- Deployment of our Customer Relationship Management (CRM) system for our Reinsurance and UK Property & Casualty businesses
- Conducting our first Net Promoter Score (NPS) surveys across all businesses
- Continuing to develop synergies between Leadenhall Capital Partners and Amlin's Reinsurance Strategic Business Unit to provide a greater depth of cover to clients
- Embedding our internal service management framework.

We took action to address weaknesses and invested in future capability by:

- Further enhancing our management of binding authorities
- Improving our management information by tailoring it to provide client service insight
- Launching the Amlin Underwriting Faculty for training and development of future underwriting leaders and increasing other client focused training
- Further investment in product oversight, catastrophe risk modelling and technical pricing tools.

Our strategic principles

We are committed to delivering exceptional service by being close to our clients and working in partnership with the brokers who serve them.

Our business is built on a strong underwriting culture and robust controls, with profitable cross-cycle underwriting at its heart. We seek to maintain a balance between catastrophe and non-catastrophe exposures, as well as a broad spread of risk by geography and class. The focus on underwriting profit, without reliance on investment returns, has underpinned Amlin's performance and is even more important in the current low-interest rate environment.

Find out more

Key performance indicators
Pages 18 to 19

87%

Retention ratio

89%

Combined ratio

3. Effective risk management which optimises return for the risks we take

We invested in and made improvements to our Internal Model by:
- Engaging external consultants to validate the model and its key assumptions
- Testing and improving the measurement of reserving risk in the model
- Testing and strengthening of correlations in the model.

We positioned Amlin for the future by:
- Successfully completing the application to use our Internal Model for solvency calculation purposes
- Strengthening our quarterly reserving processes and analysis of claims data.

The delivery of shareholder value comes from actively seeking and accepting risk while managing that risk within acceptable bounds. MS Amlin's Internal Model, strong risk-management framework, informed use of catastrophe risk models and culture of continuous improvement, all contribute to achieving this goal. Our Internal Model was approved by Lloyd's and the Prudential Regulation Authority (PRA) in 2015 so that it can be used for Solvency II purposes.

54%
Claims ratio

4. Measured expansion of our core businesses and geographic footprint

We built upon our strong franchises to access opportunities by:
- Increasing geographical diversity with offices opened in Dubai, Hong Kong and Shanghai.

We agreed to become part of MSI which:
- Through the integration of their Lloyd's and reinsurance business will increase the scale of our core businesses
- Provides scope for cooperation and synergies in Asia with MSI's well-developed businesses and networks.

We believe that we can add significant value, over the insurance cycle, through a combination of organic growth and carefully selected acquisitions. Our goal is to maintain a diverse and balanced portfolio, which reduces volatility and enhances capital efficiency. As new markets evolve, we need to be positioned to share in their growth. The reorganisation of our underwriting into global Strategic Business Units will improve our ability to identify and access profitable growth opportunities in both established and developing markets.

4.1%
Growth in net tangible assets

5. A culture and employment practices that make MS Amlin "the place to work" in our industry

We developed our resources to support and grow a global business by:
- Implementing a reformed suite of talent management programmes
- Introducing an Amlin Underwriters Programme designed to develop the skills of high-potential underwriters
- Moving to new offices in London and Chelmsford which both provide an enhanced working environment, increased collaboration and offer improved technology and connectivity.

Our ability to attract, develop and retain talent is vital to the long-term sustainability of the Group. The retention of senior underwriters underpins our culture and provides the foundation for the extension of our underwriting business model into new markets and acquisitions. We are investing more in talent management and developing our people because we recognise that to deliver unrivalled service requires exceptional skills across all areas of the business.

7.1%
Senior underwriter turnover

Key performance indicators

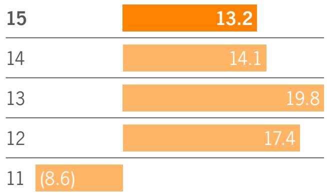
Our strategy is centred on delivering long-term value to our shareholder. We measure this against a set of key performance indicators.

We believe that high performance in a cyclical market requires a long-term perspective, discipline, and a commitment to providing the highest levels of service to our clients.

Shareholder returns

Return on equity (%)

13.2%

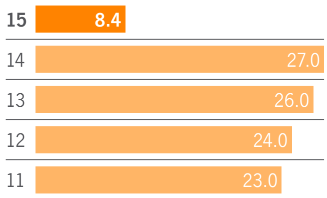


Why is it important?
We believe return on equity (ROE) is a key driver of value. We target a cross-cycle average return on equity of at least 15%. This target ensures that we remain focused on underwriting discipline, effective capital management and optimising return for the risks that we take.

How we performed
The lower ROE in 2015 reflects softening rates in certain business lines, higher frequency of small- and medium-sized events, lower reserve releases, a lower investment return, and increased capital. Amlin's ten-year weighted average ROE of 16.4% remains above our cross-cycle target and estimated historical cost of equity of 8%.

Dividend per share (p)

8.4p



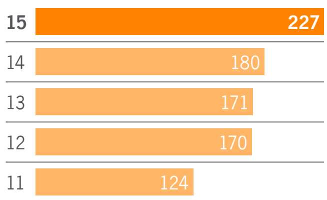
Why is it important?
A steadily growing dividend imposed a healthy discipline on management and was one of the most effective ways of delivering value to shareholders as a Listed insurance group. Dividends play a key role in capital management as a mechanism for enhancing returns on equity.

How we performed
In the year we paid an interim dividend of 8.4 pence per share.

We continued to retain a strong capital position.

Total shareholder return (%)
Five year

227%



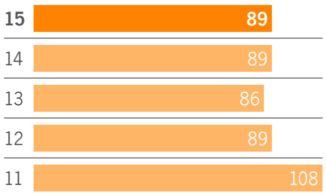
Why is it important?
Total shareholder return reflects the wealth we create for shareholders. Our purpose is to deliver good total shareholder return over the long term.

How we performed
Amlin's five-year total shareholder return remained strong at 227%. Over the past 10 years (2006 – 2015) Amlin has generated cumulative profit after tax of £2,247.3 million.

Business performance

Combined ratio (%)

89%

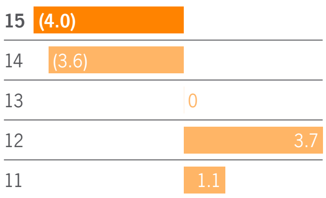


Why is it important?
The combined ratio is a key metric for underwriting performance. The overall combined ratio reflects the diversity of our global business mix.

How we performed
The flat combined ratio of 89% reflects investment in business growth, lower catastrophe losses, softening rates in certain business lines and slightly lower reserve releases.

Renewal rate movement (%)

(4.0)%



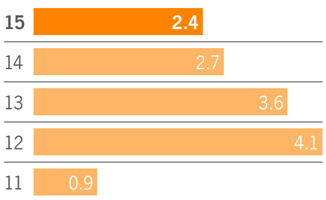
Why is it important?
Renewal rate movement is a leading indicator for the attritional claims ratio. The diversity of our portfolio provides exposure to different pricing cycles, enabling us to reduce exposures where pricing is inadequate and to take advantage of profitable growth opportunities elsewhere.

How we performed
The decline in pricing of Amlin's portfolio reflects weaker rates across many parts of the business.

This includes average renewal rate reductions of 6.7% in reinsurance lines, 4.9% for marine and aviation and a modest reduction for property and casualty.

Investment return (%)

2.4%



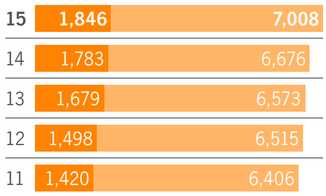
Why is it important?
Insurance companies' total assets are a multiple of shareholder equity, and investment return is an important contributor to net profit. Our investment management approach is driven by investment risk appetite and not target return.

How we performed
Our investment return was less than 2014's performance, as volatility in global bond and equity markets increased.

Sustainability and continuity

Gross and net assets (£m)

£7,008m
Gross
£1,846m
Net

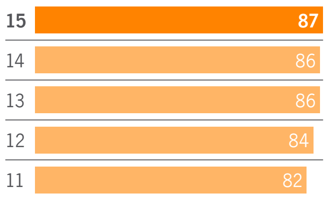


Why is it important?
Our strong capital position underpins our ability to attract and retain quality business, support organic growth and fund longer-term strategic development. Growth in net tangible assets per share adds value for our shareholder.

How we performed
Net tangible assets were boosted by solid business performance which comfortably covered the dividends paid in the year.

Retention ratio (%)

87%

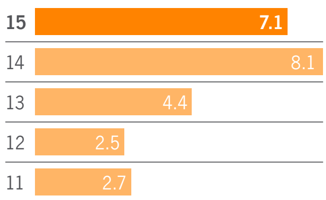


Why is it important?
Our consistently high retention ratio reflects the strength of our relationships with clients and the stability and quality of our core underwriting portfolios. These attributes make MS Amlin less vulnerable to competitive pressures in soft market conditions and support our cross-cycle combined ratio.

How we performed
The consistently high retention ratio illustrates our ability to retain desirable business in a more competitive trading environment.

Senior underwriter turnover (%)

7.1%



Why is it important?
The experience and expertise of our underwriters is crucial to our underwriting culture and business model, with its proven ability to deliver superior cross-cycle returns. Developing and retaining talent within the business is a strategic priority, reflected in our goal of making MS Amlin "the place to work" in our industry.

How we performed
The turnover was again very acceptable, ensuring continuity of expertise and client relationships.

Risk management

James Illingworth
Chief Risk Officer

In 2015 the Prudential Regulation Authority (PRA) approved our Internal Model for Solvency II purposes. We continued to deliver good risk management within our framework coupled with analysis in order to support our ability to select and manage risk as MS Amlin delivers its strategic priorities.

MS Amlin has a risk management framework to identify, assess and manage all of the key internal and external risks for achieving our plans and objectives. This framework has four key elements:

- Governance from Boards, risk committees and the accountability of management
- Risk policy and clarity of risk appetite and tolerances
- Risk identification and assessment
- Reporting processes to drive action and enhancement.

This framework is illustrated on page 21.

Risk governance

The Risk function is responsible for ensuring that the risk framework is operating to address the requirements of MS Amlin to manage all the threats to business performance. However the operation of effective risk management requires the active involvement of all staff and the responsibility for each risk has been clearly allocated. The Boards and insurer subsidiary risk committees receive reports from the risk function which are generated by the self-assessment process carried out by risk assessors. These Boards and risk committees also approve the Group's appetite and tolerance limits for risk.

MS Amlin operates risk management controls through the "three lines of defence" model. In the first line all staff are expected to be risk aware and exercise controls over their activities so that levels of risk are understood and managed appropriately. The second line of defence is MS Amlin's dedicated Risk function which is responsible for the design and coordination of risk framework activity. The Compliance function is responsible for a similar second-line role in relation to regulatory risk. The third line of defence is MS Amlin's Internal Audit function. This is responsible for the review of both the first and second lines of defence and specifically for the review and validation of the risk evaluation and effectiveness of controls set out in MS Amlin's risk register.

Risk assessment and register

MS Amlin uses a risk tool to store information on the key risks faced by the Group. This is set out by category as shown in the Principal Risks & Uncertainties on pages 22 to 25 and requires risk managers and users to evaluate risk levels and confirm compliance with the key required controls on a quarterly basis. In 2015 the Risk function commenced a thorough review of the content of this register to ensure that, following changes in the business and regulatory environment, it is a proper reflection of the key risks and their potential impact on the business. It is anticipated that, through a less regular but more complete interview-based process, the content of the register can be refreshed and enhanced so that better clarity and attestation of risk-based controls can be made available to management.

Risk reporting and Own Risk & Solvency Assessment (ORSA)

An important part of the risk framework is the processes involved in the production of ORSA reports.

The ORSA is a key business process required under Solvency II; creating a coordinated view of risk and solvency for management and the Board. Quarterly risk reports consolidate analytical data on risk exposures for each regulated entity and the Group as a whole. The status of each key risk is analysed relative to approved tolerances using both deterministic and stochastic modelling techniques.

The ORSA report contains information covering:

- Forward-looking solvency and modelled performance expectations, including earnings volatility
- Status of key risks for all categories against tolerances set by the Board
- Status of key controls used to manage risk
- Emerging risk which may impact the business over a longer period.

The MS Amlin Board and Risk & Solvency Committee, together with the regulated entity boards and their risk committees, all receive quarterly risk reports.

The information provided ensures that risk and capital implications are recognised in the decision-making process and that appropriate control plans are developed to support the successful delivery of business strategies and priorities.

Solvency II

Under Solvency II rules, insurers are required to select the most appropriate methodology for the calculation of regulatory solvency capital requirements. This can be through the use of an internal model or the adoption of a set of standard formula calculations. To use an internal model it is necessary to specifically

Selected realistic disaster scenarios

	1 January 2016			1 January 2015		
	Gross loss £m	**Net loss £m**	**Tolerance £m**	Gross loss £m	Net loss £m	Tolerance £m
Gulf of Mexico Windstorm	**915**	**254**	**300**	803	259	300
North-East US Windstorm	**804**	**234**	**300**	726	264	300
Florida Windstorm Tampa	**907**	**242**	**300**	698	209	300
California Earthquake San Francisco	**734**	**194**	**300**	650	271	300
California Earthquake Los Angeles	**641**	**170**	**300**	482	189	300
European Windstorm	**731**	**48**	**300**	844	139	300
Japan Earthquake	**413**	**142**	**300**	372	171	300
New Zealand Earthquake	**261**	**122**	**300**	262	158	300

apply for model approval by the supervisory regulator. This is a significant application process requiring detailed documentation and validation of the model, and includes the risk management policies and processes of the company. The MS Amlin plc Board has decided that an internal model is the most suitable methodology which best reflects the complex risk profile of the Group.

In December the Amlin plc Internal Model was approved by the PRA, and Lloyd's was also approved. Under the Solvency II requirements MS Amlin is required to maintain strong governance over the model and any changes have to be carefully documented and approved.

In 2016 it is also necessary to provide reporting under the Pillar III requirements.

Risk status summary

The principal risks are set out on pages 22 to 25 with a commentary on MS Amlin's attitude to the risk area, the current status and key mitigation strategies.

It is clear from the Internal Model simulated output, used for calculating our regulatory and economic capital requirements, that enterprise-level risk has increased over the 12 month period to 31 December 2015. This is due to three principal reasons:

- Increased reserving risk through growth in carried reserves
- Increased underwriting risk as a result of maintaining exposures
- Reducing insurance rates for some parts of the portfolio.

The sensitivity of our modelled results, and therefore capital requirements, from changes to market conditions and pricing is an important and welcome feature of using an internal model for solvency and management purposes.

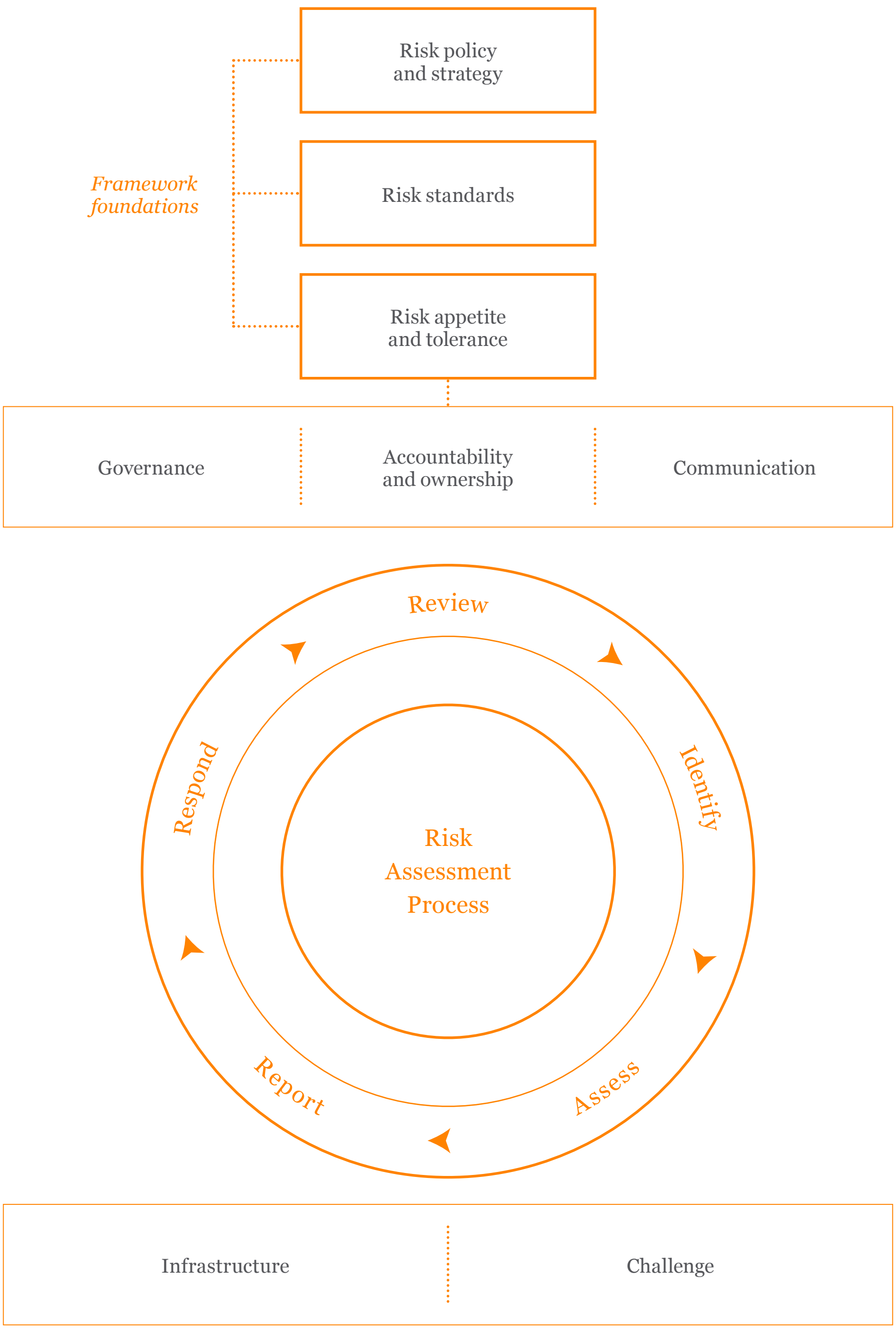
In 2015 we increased the level of internal and external validation of our Internal Model in preparation for our model approval application. This resulted in improvements made to the measurement of reserving risk and additional strengthening of correlations between risk types in the modelling methodology.

Catastrophe risk

MS Amlin's approach to catastrophe (re)insurance business, is that, providing pricing is sufficient, we have an appetite for offering risk transfer solutions to insurance companies, and commercial and private enterprises, against severe natural or man-made catastrophes.

The level of appetite for catastrophe business is subject to MS Amlin being able to buy effective reinsurance cover, write a balance of territorial exposures and achieve a sufficient level of profit for the insured risk. Therefore tolerances are set by reference to both formulaic measures (determined by the economic risk-taking ability of the Group) and the level of loss from a set of defined events. The maximum levels of risk are set with reference to the views of the Board and senior management but in reality, levels of risk exposure may be lower than the limits if underwriters do not have the appetite to fully utilise the risk budget. The table on page 20 sets out levels of risk for a set of defined realistic disaster events.

The risk management framework



Emerging risk

The MS Amlin Risk function, in conjunction with representatives of the business, conduct a regular review of emerging issues which may alter or add to the levels of risk to the Group.

Current emerging risks include the potential impact of a British exit from the European Union and cyber risk.

Principal Risks & Uncertainties

The principal risks and uncertainties facing the Group are the subject of the risk management framework and are regularly tracked through review of the Own Risk & Solvency Assessment (ORSA).

Principal risks and description	Attitude/appetite	MS Amlin's analysis of impact and exposure
Enterprise-level risk: Risks associated with one or more of a portfolio of principal risks occurring and providing an aggregated impact on the organisation as a whole. This includes the risk that there is insufficient capital to support business strategy.	**Attitude: Balanced** MS Amlin recognises that a balanced approach to underlying risk is important to manage the risk profile for the enterprise as a whole. The governance of risk seeks to ensure that profit targets can be achieved without unacceptable levels of potential loss which could ultimately impact the solvency of the Group.	MS Amlin is exposed to a domino-type event whereby, for example, a major natural catastrophe event not only affects MS Amlin's insurance underwriting portfolio but also impacts stock markets, causing significant market and currency movements and a material impact to investments. The combined effect of these risk events could trigger reinsurance counterparty default events and hence a secondary impact on liquidity.
Strategic risk: Risks associated with the appropriateness of business strategy or plans in the face of the external environment.	**Attitude: Positive** MS Amlin has a positive attitude to strategic risk as it actively pursues ways of developing the business. The Group also faces a number of external factors which may impact demand for or supply of our products. These risks are analysed and actions agreed to adapt the strategic approach to cater for them.	It is important that MS Amlin responds effectively to changes in the external environment and seeks to secure opportunities for growth through organic expansion and acquisition where market conditions allow. Once acquisition targets are secured, project teams need to successfully implement the corporate transaction and integration.
Underwriting – catastrophe risk: The risk of claims arising from inherent uncertainties in the occurrence of insurance losses associated with natural or man-made catastrophic events.	**Attitude: Positive** MS Amlin has a positive attitude to catastrophe risk, which remains a core product offering to our reinsurance and commercial clients. MS Amlin has invested in people and infrastructure to price, manage and model catastrophe exposures. Tolerance limits are applied to specific loss scenarios, and the Group and its subsidiary businesses operate to modelled annual loss limits. Appetite for these risks is also influenced by our ability to achieve an acceptable balance of exposures across territories.	MS Amlin has an extensive portfolio of property and marine insurance and reinsurance business that has significant exposure to weather and earthquake exposures as well as non-elemental perils such as industrial accidents. In a weaker pricing environment, catastrophe exposures have been reduced through non-renewal of business and improved reinsurance protection.
Underwriting – attritional risk: The risk of unexpected or unbudgeted increases in cost of small or large insurance claims.	**Attitude: Positive** MS Amlin has a positive attitude to underwriting risk and accepts that there will be claims arising from all areas of its (re)insurance risk profile. The appetite for attritional risk is governed by the amount of business that meets our pricing requirements but also by the capacity determined by our capital base and reinsurance arrangements. MS Amlin aims to achieve a diversified balance of exposures across lines of business and territories.	MS Amlin is exposed to attritional losses caused by inadequate pricing and/or unexpected claims frequency as well as systemic change in the nature of claims. The development of external competition for business impacts this risk. As the downward trend in the pricing cycle leads to lower margins, the risk increases, although underwriters are expected to take action to decline business if pricing is unacceptable. The nature of this risk can also develop due to underlying exposure changes such as the development of cyber risk.
Underwriting – reserving risk: The risk of an unexpected or unbudgeted increase in claims emanating from business written where profit has been declared.	**Attitude: Balanced** MS Amlin adopts a balanced approach to reserving risk, which is an unavoidable consequence of underwriting a portfolio of business where claims may develop after the policy period has elapsed. Our appetite is governed by a policy which ensures that reserves are carried above the actuarial best estimate of future outcomes. Classes of business with a higher level of uncertainty of potential development will naturally carry a higher level of reserve provision. MS Amlin does not discount reserves to take account of the investment return generated by premium or reserves held for future claims payments and takes consideration of likely cash flow requirements when investing carried reserves.	Due to the short-tail nature of many of its business lines, underwriting outcomes are determined relatively quickly after a loss is notified. Reserving risk has increased in 2015 due to growth in carried reserves and strengthening of modelled correlation. At 31 December 2015, Amlin's reserves were approximately £150.0 million in excess of our actuarial best estimate of claims liabilities.

Risk trend and measure	Mitigation strategies and key controls for each underlying risk exposure are outlined below	Executive responsibility	Link to strategic priorities
↔	• The risk management framework developed ensures that potential risk exposures are considered individually and in aggregation • The Risk function produces an aggregated Group risk profile providing an enterprise-wide view of risk exposures for the Group Executive and the Board • Stress testing of material risks is conducted to determine impact solvency capital • Reverse stress testing of the ultimate impact of combinations of material risks on business model viability and reputation is also conducted • The Internal Model produces 100,000 simulated results and combined scenarios which are then measured to ascertain the appropriate level of capital.	Chief Risk Officer responsible for framework-wide view of risk exposures	
↔	• Trends in the external environment are regularly monitored • Business plans are thoroughly considered and reviewed against the potential impact of external factors and developments • Long-term strategies are developed to diversify underwriting platforms • Due diligence and risk assessment processes are conducted for acquisitions • Risk event and near-miss reporting processes capture loss circumstances and actions to prevent recurrence • Emerging risks are identified and monitored.	Chief Executive	
↓	• Underlying strategy and diversity of exposure provide potential for profit even when there are catastrophe loss events • Modelling and pricing takes account of hazards so that premiums are adequate and exposures are contained within Group tolerances • Maximum line size and programme limits contain losses from one event • Aggregate exposure limits are used to control exposures in any one zone • Modelling of loss scenarios and stochastic modelling measure single and annual aggregate loss events so they can be compared against agreed tolerances • The reinsurance programme protects the Group against significant catastrophes.	Chief Underwriting Officer	
↑	• Underwriting authority limits per contract control single risk losses and peer review is carried out to monitor risk selection • Underwriting strategy is agreed to determine the approach to each line of business and this is regularly reviewed • Group business planning processes include challenge of potential levels of income and expected loss ratios • The technical pricing assessment provides underwriters with a risk-based comparative benchmark price • The reinsurance programme limits the cost of single claims • Underwriting monitoring and performance review is used to address poor-performing parts of the portfolio • Underwriting pricing is expected to cover cost of expected claims • Underlying policy is adapted to cater for emerging issues such as cyber risk.	Chief Underwriting Officer	
↑	• MS Amlin operates a consistent, actuarially driven process quarterly to assess that appropriate levels of reserves are carried, taking account of the characteristics and risks of each class of business, to arrive at a best estimate. The best estimates are subject to challenge and review by management and the Audit Committee on behalf of the MS Amlin Board • The reserving risk tolerance requires a minimum probability of carried reserves being in excess of liabilities of at least 65%. This is tracked as a key metric • The reinsurance programme responds to large loss developments from prior years • Consistent claims processes and accurate case reserve setting aims to ensure that adequate provision is established for advised claims.	Chief Underwriting Officer	

Principal Risks & Uncertainties *continued*

Principal risks and description	Attitude/appetite	MS Amlin's analysis of impact and exposure
Market risk – investment market volatility: The risk arising from fluctuations in values of investments.	**Attitude: Positive** MS Amlin has a positive attitude to market risk, constrained by a desire to limit the potential downside risk to the value of carried assets to within a maximum Value at Risk (VaR) tolerance. Premium and reserve investments are limited by the liquidity requirements of meeting claims as they become payable.	MS Amlin seeks to optimise its investment income whilst focusing on ensuring it maintains sufficient capital to meet solvency requirements and sufficient liquid funds are available to meet liabilities when they fall due. Exposure to market risk is therefore limited to the extent that investment strategies are balanced by these primary objectives. The modelled investment VaR as of the end of December 2015 was 5.1% vs. a tolerance of 9.5% at Group level.
Market risk – currency fluctuation: Impact on the value of balance sheet or earnings arising from the movement in value of sterling against key non-functional currencies.	**Attitude: Balanced** MS Amlin has a balanced attitude to currency risk, which is an unavoidable consequence of holding balance sheet assets, premiums and liabilities in currencies other than sterling. This risk is managed by hedging balance sheet exposure and by matching liabilities to the appropriate currency where possible.	MS Amlin has international operations with businesses operating in US dollar and euro currencies as well as significant underwriting activity conducted in US dollars and Japanese yen. Underlying changes in currency volatility will impact the level of measured risk.
Credit risk – reinsurance counterparty: The risk of loss if a counterparty fails to perform its obligations or fails to perform them in a timely fashion.	**Attitude: Balanced** MS Amlin has a balanced attitude to reinsurance counterparty credit risk, which emanates from use of reinsurance to increase MS Amlin's risk capacity and to protect the Company against severe catastrophe events. Counterparty exposure is controlled by maximum exposure limits applicable to each reinsurer, linked to their ability and willingness to pay claims.	MS Amlin has maintained similar levels of reinsurance protection. While 16% of first loss catastrophe coverage is fully collateralised for 2016, there remains a material level of counterparty credit risk. Reinsurance protection is a key aspect of how we manage underwriting risk exposures and the use of accredited reinsurers is an important control.
Credit risk – intermediary counterparty: The risk of loss if an insurance or treasury intermediary fails to meet credit obligations in a timely fashion.	**Attitude: Balanced** MS Amlin has a balanced attitude to intermediary credit risk. Brokers need to collect both premiums and claims as part of their service, and we set limits according to broker financial strength to control exposure for each counterparty.	MS Amlin has exposure to insurance and reinsurance brokers as well as treasury intermediaries.
Liquidity risk – (including asset/liability matching): The risk arising from insufficient financial resources being available to meet liabilities as they fall due.	**Attitude: Negative** MS Amlin seeks to avoid any situation where funds are not available to meet claims as required because this would have significant regulatory and reputational impact. Bank facilities are available to manage cash flow and ensure that liquidity constraints do not impact our claims service to policyholders.	The strength and liquidity of the balance sheet is fundamental to our proposition as an insurer of choice, providing us with the ability to respond quickly to claims, particularly relevant in the event of a large catastrophic loss such as a hurricane or earthquake.
Operational risk – systems and processes: Risks resulting from inadequate or failed internal processes, people and systems, or from external events, including regulatory control failures or cyber attacks.	**Attitude: Negative** MS Amlin does not wish to have any operational failures which may hinder trading or result in financial loss, or any regulatory sanction for inadequate compliance. It is recognised, however, that achieving complete certainty that such failures could not occur would entail an unacceptable cost.	MS Amlin operates a diverse business across a number of offices and jurisdictions and is expected to comply with legal, regulatory and best-practice standards. The potential exists for a failure of critical business processes, people or systems resulting in an interruption to normal operations. The failure of management to address performance issues may impact the level of, or potential for, operational risk issues. Dependency on sophisticated stochastic models may introduce operational risk. Additionally, natural or man-made disasters could impact MS Amlin's operating platform in one or more location. The significant increase in regulation imposed by the PRA, FCA and other regulators has increased the risk of regulatory action. Cyber risk is also an increasing phenomenon.
Operational risk – people: Loss of key staff or flight risk.	**Attitude: Negative** MS Amlin's ability to renew and service its business relies on the experience and expertise of its senior underwriters and claims personnel. Continuity of senior management is also important for the development and execution of Group strategy and relationships with key stakeholders.	The experience and expertise of MS Amlin's underwriters is an important aspect of MS Amlin's business model and contributes to the strength of our market franchise and our ability to underwrite profitably. Staff turnover levels have remained acceptable at 14.4% in 2015.

Risk trend and measure	Mitigation strategies and key controls for each underlying risk exposure are outlined below	Executive responsibility	Link to strategic priorities
↔	• Investment policy and strategic asset allocation aims to maximise long-term investment returns in relation to an agreed risk budget • Tactical asset allocation responds to expectations for short-term market prospects or volatility • A diversified portfolio limits exposure to any one security or asset class • The investment team conducts modelling and monitoring of investment risk against agreed tolerance using an economic scenario generator model.	Chief Finance & Operations Officer	
↔	• We aim to match assets and liabilities by major currency, which includes actively selling underwriting profits earned in non-base currencies as they crystallise • Foreign currency forward contracts are used to reduce Group balance sheet foreign exchange volatility arising from non-sterling net assets and these have been extended in 2015 to cater for increased volatility.	Chief Finance & Operations Officer	
↑	• The reinsurance security team conduct accreditation selection and rating of all reinsurers • There are limits over exposure placed with any one reinsurer • Reinsurance debt credit control is carried out to limit outstanding balances owed by reinsurers • Credit risk is reduced through the purchase of collateralised reinsurance.	Chief Finance & Operations Officer	
↔	• The finance team credit control procedures limit exposure to brokers • Active broker debt credit control is carried out to limit levels of unpaid premium held by intermediaries.	Chief Finance & Operations Officer	
↔	• Stress testing of liquidity needs, relative to major catastrophe events, ensures that liquidity requirements are fully understood • The investment team maintains sufficient liquidity in the investment portfolio to address claims needs so that claims are paid as they fall due.	Chief Finance & Operations Officer	
↑	• The implementation of the risk management framework for the identification, evaluation and control of operational risks ensures that operational risks are understood and managed • Procedural controls, including workflow management, help maintain discipline over the control of key processes • Monitoring of compliance with established procedures and processes is carried out to identify shortcomings • Performance management processes exist to review and monitor staff performance • Employee manual and Human Resource policies ensure that staff are aware of key policy requirements • Risk events and near misses are reported to raise awareness and identify areas for improvement • Data quality controls aim to ensure that data is captured and processed accurately • Business continuity management planning ensures that key operations will be restored in an acceptable time frame should there be disruption • MS Amlin systems have protections in place to counter cyber attacks.	Chief Finance & Operations Officer	
↔	• Senior employee contracts have notice periods to ensure that people resigning can be replaced by successors in an orderly way • Succession planning and talent management ensures there is a depth of talent • Remuneration policies aim towards staff retention as well as incentivisation.	Chief Executive	

"Strategic and effective management of our resources and relationships is vital in ensuring the sustainability of our business.

Our integration with MSI provides an opportunity to further strengthen these foundations across the globe."

Mark Farrow
Global HR Director

Resources and relationships

We believe that the best way to achieve a sustainable business is to act in the long-term interests of our stakeholders – our shareholder, our clients, our people and our business partners, in addition to making a positive contribution to the markets and communities in which we operate.

Resources

People

Our employees are a key asset and our ability to attract, develop and retain talent is important in maintaining the long-term sustainability of the Group. This is reflected in our strategic priority to become "the place to work" in our markets. The high level of retention of our senior underwriters, in particular, underpins our unique underwriting culture, providing a foundation for the extension of our underwriting business model into new markets, geographies and through the integration of acquisitions.

Our aim is to:

- Ensure exceptional skills to deliver our strategy and unrivalled service
- Secure strong leadership and performance management
- Enable employees to move to different locations and business areas
- Engage and communicate effectively
- Support our performance, brand and strategy through a fair reward system.

We also recognise the importance of ensuring that our culture is sustained and built upon through our recruitment and training. This is reflected by our focus and investment in talent management.

During 2015, following on from the reorganisation of the Group into three global Strategic Business Units (SBU) in 2014, we have invested in our people to support our growth. Our integration of MSI's Lloyd's and reinsurance businesses into MS Amlin in 2016 provides an excellent opportunity to further grow our talent and capabilities.

Also in 2015, the impact of the reorganisation continued for the support and back office operations. Turnover in the client-facing side of the organisation remained stable, but was higher than the previous year in the Operational and Claims and Operations Support areas of the business. As part of a review of the Target Operating Model in Operations, we reviewed the capability of our Business Change function, resulting in improvements to more closely align the function with the Group's strategy. The effect of this, other operating model reviews, and the impact of office closures, was to increase turnover in Operations and Operational support to above 20% and 15% respectively.

Employee engagement

The restructuring of the business in 2014 represented a major organisational change, as well as a considerable cultural shift for Amlin and its employees. In 2015 we have adjusted well to change, focusing more on the client.

We have continued to work on improving internal communications and engagement to embed our new organisational structure.

Following a thorough review of the latest models and practices in the field of employee engagement, we have developed and piloted a state of the art model and survey method, tailor made to our Company and culture. This will be introduced in 2016 to give us a clear and comprehensive view of how engaged people are at MS Amlin, and will pinpoint the areas where improvements need to be made in order to deliver our strategic priority of being "the place to work" in our industry.

Talent management

In 2015 we implemented a refreshed suite of talent management programmes. The restructuring of the business into global SBUs and functions provided new opportunities for employees and created new requirements to support MS Amlin's future development.

We now operate the following key programmes to build the capabilities of our people so that we can ensure continuity as well as our ability to address the changes in our industry:

- The MS Amlin Executive Leader Programme – which is designed to address senior leadership development and succession
- The MS Amlin Global Leader Programme – which is designed to facilitate the lateral development of managers across a broader international business
- The MS Amlin Emerging Leader Programme – taking individuals who are high-performing managers and helping them to become effective leaders
- The International Community Action Learning (iCAL) Programme – which provides an intensive personal development opportunity for rising talent within a CSR context
- The MS Amlin Underwriter Programme – which is designed to develop the core technical skills of our high-potential underwriters and provide them with a better understanding of MS Amlin's strategy and means of driving competitive advantage.

In addition to these, we operate both a Graduate and an Apprenticeship programme and, through the MS Amlin Academy, we continue to provide a range of technical and management training and support for professional qualifications. We have also enhanced our performance management, succession planning and talent review processes.

Employee turnover and experience

	Employee turnover and experience at 31 December 2015					Employee turnover and experience at 31 December 2014				
	Headcount	Turnover	Voluntary turnover	Mean age of employees (years)	Mean service of employees (years)	Headcount	Turnover	Voluntary turnover	Mean age of employees (years)	Mean service of employees (years)
Senior underwriters	154	7.1%	5.8%	45.7	9.8	136	8.1%	8.1%	45.6	9.6
Other underwriters	206	7.8%	5.8%	39.2	7.0	278	7.9%	6.5%	38.8	8.0
Underwriting support	461	12.6%	6.7%	38.3	7.9	390	13.3%	9.0%	37.7	7.3
Claims staff	144	4.2%	4.2%	43.8	9.9	107	6.5%	2.8%	46.4	11.0
Claims support	223	17.5%	5.8%	39.0	8.6	263	12.9%	8.0%	38.0	7.5
Operational	395	21.5%	11.7%	41.3	5.7	333	12.6%	6.9%	42.2	6.4
Operational support	305	18.4%	12.1%	35.4	4.9	366	25.7%	12.6%	37.9	6.1
Total	**1888**	**14.4%**	**8.0%**	**39.6**	**7.2**	1,873	14.0%	8.4%	39.8	7.4

Amlin Employees by location as at 31 December

Country	2015	2014	Senior Underwriters 2015	Senior Underwriters 2014
UK	1,099	1,132	91	83
Netherlands	366	363	15	16
Belgium	133	134	5	4
France	93	85	12	5
Bermuda	58	59	8	8
Switzerland	57	49	14	15
Singapore	45	33	4	2
Germany	22	12	–	–
USA	8	6	4	3
Dubai	5	–	–	–
Hong Kong	2	–	1	–
China[1]	1	–	–	–
Total[2]	**1,888**	1,873	**154**	136

Notes:
1. Contractor for MS Amlin via Lloyd's China
2. This excludes contractors

Amlin employees by global Strategic Business Unit and Function as at 31 December

SBU	2015	2014	Senior Underwriters 2015	Senior Underwriters 2014
Reinsurance	126	114	45	44
Marine & Aviation	219	199	37	32
Property & Casualty	476	483	72	60
Claims	367	367	–	–
Functions	700	710	–	–
Total	**1,888**	1,873	**154**	136

Amlin employees by entity as at 31 December

Entity	2015	2014	Senior Underwriters 2015	Senior Underwriters 2014
Amlin Corporate Services Limited	703	719	0	0
Amlin Underwriting Limited	436	435	100	88
Amlin Europe N.V.	634	611	32	25
Amlin AG	115	108	22	23
Total	**1,888**	1,873	**154**	136

Employee diversity by gender

	Male 2015	Female 2015	Total 2015	% Male 2015	% Female 2015	% Male 2014	% Female 2014
MS Amlin plc Board	6	2	8	75%	25%	78%	22%
MS Amlin Management Committee[1]	13	1	14	93%	7%	90%	10%
Senior Management	98	16	114	86%	14%	83%	17%
All Employees	1017	871	1,888	54%	46%	53%	47%

Note:
1. MS AMC figures exclude plc Directors

Aligning remuneration with our strategy

The changes to employee remuneration which were outlined in last year's Annual Report, to more closely align incentives with our strategic aims, were implemented for 2015.

In preparation for Solvency II we conducted a review of remuneration policies and agreed a number of changes which will be implemented during 2016.

Diversity

Our people are instrumental to our success and we respect and value the individuality and diversity that every employee brings to the business. As at 31 December 2015 we employed 1,888 people in eleven locations and 22 offices across the globe. The table below shows the gender split at different levels within the organisation. The diversity statistics reflect the legacy of the insurance industry, being historically male dominated.

We are committed to encouraging and supporting gender and other forms of diversity. As at 31 December 2015, 46% of our workforce across the Group was female and, at a senior leadership level, 25% of the Amlin plc Board were women. At executive committee level and senior management level the female proportions are lower, 7% and 14% respectively.

MS Amlin has a long-standing policy of equal opportunities in employment and this applies to the appointment and development of all staff. The Group is committed to employing people solely on their ability to do the job and we do not operate a policy of positive discrimination. Therefore, while the profile of newly recruited staff is more diverse at a junior level, the Group has very low turnover in its senior management population and the diversity mix at this level will take longer to change. Nevertheless, our focus on developing talent at all levels in the organisation is enabling us to improve on the current situation. For example, in 2015 a number of senior positions – including the combined role of Senior Underwriter and Principal Officer in Hong Kong, Chief Underwriting Officer of ARMi, our New Jersey based reinsurance business, and the Global Head of Business Change were filled by women. In addition, we internally promoted a female employee to the Head of Investment Operations.

The importance of diversity, equality and non-discrimination is highlighted in our Equal Opportunities Policy and underpinned by our core values which provide clear guidelines on how we behave towards each other.

Human Rights

The Group supports and operates its business in accordance with the Universal Declaration of Human Rights (UDHR) and takes account of other internationally recognised and accepted human rights standards, including but not limited to, the International Covenant on Civil and Political Rights (ICCPR), the International Covenant on Economic, Social and Cultural Rights (ICESCR) and the International Labour Organisation (ILO) Core Conventions.

This support is expressed through our Human Rights Policy as well as a number of Group policies, including our Health & Safety Policy, Equal Opportunities Policy, Non-Employed Workers Policy and Harassment Policy.

Capital

In addition to our people, capital is also a key resource. The strength and liquidity of the balance sheet underpins our client proposition, allowing us to respond quickly to claims especially in the event of a large catastrophe event. We aim to manage our capital proactively with a focus on maintaining sufficient capital strength, while delivering our objective of an average cross-cycle return on equity of at least 15%. Now as part of MSI, we have the support of one of the world's ten largest non-life insurers. For further discussion of capital, see note 2 to the financial statements.

Our brand

In order to grow the business and achieve our strategic priorities, we adopted a single global brand in 2014 and have put in place a team capable of managing and promoting that brand worldwide. To build awareness in our growth markets our strategy is to secure high-quality and relevant media coverage.

Following our acquisition we have combined the MSI and Amlin brands; MS Amlin. We are now investing in and developing the combined brand as we deliver a world-leading insurance and financial services Group.

A core component of building a stronger global brand is our flagship sponsorship of the Amlin Andretti Formula E racing team.

We are now in the second year of our Formula E team sponsorship; the Andretti team has a tremendous racing pedigree.

This high-profile, global motor racing series involves single-seat cars racing at speeds of up to 150mph on street circuits in landmark cities from Buenos Aires to Beijing.

Designed to drive innovation in transport solutions that are more environmentally positive and relevant to future transport needs, the series attracts coverage from sports, news and business media.

Throughout the first season Amlin dominated the global social media landscape for Formula E, peaking at over 50% of the global voice. $21.5m of television exposure in advertising was recorded in the first nine months of the sponsorship.

A second pillar of our brand development activity is the targeted use of thought leadership assets.

Our research collaboration with Oxford University is on-going. The research has improved both theoretical understanding and empirical evidence about the potential systemic risk as a consequence of increased use of models in insurance and risk management.

A series of white papers have been published, supported by industry events in Europe and the USA which has delivered publicity in a range of top tier and industry media on both sides of the Atlantic.

The next phase of our research partnership will further explore the potential impact of regulatory change on systemic risk in the insurance industry.

Technology and data analysis

We continue to make substantial investment in risk analysis and modelling technology, in order to support the optimisation of our risk-return profile. In particular, we have launched the second generation of our Pricing and Portfolio Management (PPM) platform in August 2015.

PPM is our real-time "point of sale" platform for Property Treaty, Property Direct and Marine Cargo/Specie, which also feeds our Exposure Management, Internal Model and Own Risk and Solvency Assessment reporting. We have developed it internally, in response to our need for a differentiating solution in the market for these segments which are very important for our business.

PPM enables our underwriters to structure and quote at speed across all global locations, which has made a huge difference to:

- Our relationships with brokers/clients, who enjoy the increased responsiveness and flexibility
- Our ability to empower underwriters to trade globally, whilst increasing our clients understanding and control over exposures.

We regard investment management as a core competence which can enhance shareholder returns.

We have invested in an investment risk model, which is used by MS Amlin's investment management team for setting strategic asset allocations and daily management and monitoring of tactical asset allocation, as well as running an Economic Scenario Generator for use within MS Amlin's Internal Capital Model. This investment risk tool uses principal component factor analysis to quantify key risk measures such as volatility and Value-at-Risk, risk attribution, scenario analysis and pre- and post-trade simulation. The tool is fully embedded into MS Amlin's investment process and portfolio management tools, enabling our investment team to make timely and proactive investment decisions.

Creating an environment for sustainable performance

In 2015, Amlin's employees moved into new offices in Brussels, Hamburg, Chelmsford and London.

The Chelmsford building was built specifically for Amlin, while in London, Amlin was one of the lead tenants in The Leadenhall Building, a major new development close to Lloyd's. HRH Prince William, Duke of Cambridge and HRH Prince Henry of Wales opened the building on the 19 October 2015.

The move into these new buildings gives MS Amlin the opportunity to create an environment that reflects the changes to our structure and our strategic goals, as well as reinforcing our global brand and values. Our vision for our new offices is to encourage greater collaboration and knowledge sharing within teams and across the organisation. In line with our goal of being recognised as "the place to work", we are creating a space that energises, engages and inspires existing and potential employees.

The new office space was designed to provide a dynamic and creative environment for brokers and clients too, supporting our ability to work closely with them and provide first-class client services while reflecting our brand. The layout of the office space in conjunction with efficient use of our information technology has helped us to improve collaboration and mobility for the Group.

Resources and relationships *continued*

Talent management in action

Philippe Houtakkers
Graduate Programme

"The insurance industry's dynamic nature requires MS Amlin to continually adapt our product offerings to anticipate and meet the needs of the market. Flexibility and an ability to understand our client needs is at the centre of MS Amlin's DNA, and even as a graduate, I am constantly challenged to learn and deliver in different ways. This creates a stimulating environment to work in where career opportunities are there to be grasped."

Philippe joined the Graduate Programme in September 2014 after having graduated from the Solvay Brussels School of Economics and Management in Brussels with a bachelor in Economics and a master in Management Science. Philippe has in the course of his rotation scheme worked in Amstelveen, Brussels, Antwerp, Rotterdam and London and was exposed to the different parts of the business. Philippe deviated slightly from the planned placement scheme to work on the MSI and Amlin integration as part of the Programme Management Office.

"I have had the great opportunity to actively participate in the integration of MSI and Amlin to create MS Amlin. It has been an invaluable experience and shows just how dynamic and flexible the graduate scheme is."

Abigail Dent-Jones
Class Underwriter – Commercial Property UK

"The highlight to date has been the opportunity to be involved in the iCAL 2015 programme. This involved 14 employees from varying roles, levels and countries coming together as a team to complete a project, in an environment far outside of our comfort zones in Namibia. The result is a more competent, confident and self-aware group of people who will maintain a lasting network across the business."

Abigail joined the Group in 2010 from an underwriting agency in the City with an open market commercial underwriting background. Her first position within the company was as an Underwriter on the IRS Insolvency scheme. In October 2013 Abigail was promoted to Class Underwriter within the Property & Casualty department in Chelmsford, taking on a team of seven direct reports dealing with open market and binder business.

"In the past 12 months I have been involved in numerous projects outside of my core duties which have given me a greater insight into the wider MS Amlin community. Employees wishing to develop at MS Amlin need only take charge of their own advancement and the support they will find is excellent. MS Amlin has shown its support by investing in me and this is greatly valued."

Lewis DeBruin
Claims Apprentice

"The MS Amlin Apprenticeship Programme is the ideal way to learn about the insurance business from a practical perspective and I feel incredibly lucky to have been selected. When I speak to my friends who are in other apprenticeship schemes, I realise that the support I'm getting from MS Amlin goes way above and beyond what's usually expected. This is a fantastic way to start my career."

Lewis joined the Apprenticeship Programme in September 2015 having completed A Levels at The Campion School in Hornchurch. He is currently gaining experience in various departments within Motor Claims and is also working towards completing his Chartered Insurance Institute Certificate and NVQ Level 3 in Providing Financial Services.

"MS Amlin is a great company to work for and I'm getting some excellent on-the-job training. I've learnt so much in such a short space of time; building my professional skills and increasing my confidence significantly."

Madeline Bailey
Head of Service Management

"My experiences and relationships forged in the MS Amlin Global Leader Programme help to contribute to not only my personal development but also in delivering a strong and vibrant future for MS Amlin."

Madeline is responsible for embedding the service management framework for MS Amlin, which is integral to MS Amlin's organisational structure.

She joined the Company in 2012 as deputy Group General Counsel before taking up her current role as Head of Service Management. Madeline holds a degree of Bachelor of Social Science, majoring in law and organisational psychology, and a post graduate degree in law. She is qualified as a solicitor in England and Wales, and as an attorney of the High Court of South Africa. With over 15 years' experience in the insurance sector, having also worked at Gen Re as an in-house lawyer, and also at international law firm Norton Rose Fulbright, in London, where she specialised in complex (re)insurance coverage disputes and commercial work.

Madeline was given the opportunity to shape and develop the service management role, as part of Amlin's strategic people objective to challenge employees to broaden their skills base through delivering in different business areas therefore developing into future leaders of the Group.

"By investing in talent in MS Amlin, we are investing in our future leadership who will help build and deliver MS Amlin's vision for the future. By working together, with shared values and a commitment to succeed, we will be part of building something that is greater than ourselves."

Vipul Gupta
Underwriter – War & Terrorism

"There is a strong focus at MS Amlin on solid underwriting principles with a commercial angle in mind. In my opinion MS Amlin encourages its underwriters to grow as individual professionals as well as effective team players."

Vipul joined the Company in February 2015 from a major broking house where he was responsible for MENA and Indian Sub-Continent for War & Terrorism business. With his extensive knowledge and relationships in the region, he was asked to work in the recently-opened Dubai office.

"Being part of one of the most experienced War & Terrorism teams in the market benefitted me significantly. Having the right level of authority coupled with the support from the team ensured we had a good start for our product in Dubai."

Relationships

Clients and brokers

Our relationships with our clients, many of which have been long term, are fundamental to our business model.

Detailed knowledge of our clients and their risks enables us to structure and price cover which generates an appropriate return while meeting their needs. The importance of these relationships is also reflected in our strategic priority of first-class client service, which underpins our consistently high renewal retentions, helping us to maintain profitable underwriting portfolios across the cycle. We are further strengthening these relationships through a focus on client intimacy and even closer alignment of our products and services with client needs.

The majority of MS Amlin's business is distributed via brokers, and we have a long-standing focus on maintaining productive relationships with a wide range of intermediaries, in line with our strategy of diversity in distribution as well as underwriting. Our relationships with the four largest brokers are becoming ever more important, given the changing market dynamics, and we are determined to be proactive in developing mutually beneficial responses to these changes. MS Amlin is also working with these brokers and other market participants to develop a market-wide solution to the cost disadvantages imposed on the London market by outdated processing and administration practices. MS Amlin is a major participant in the subscription markets of Lloyd's of London and the Dutch Beurs.

Syndicate 2001 is one of the largest by premium in the Lloyd's market and MS Amlin underwriters and executives have a long history of contributing to the governance of the market. For example, Simon Beale, Chief Underwriting Officer, is currently serving on the Council of Lloyd's, its ruling body, as Deputy Chairman. Andrew McKee, who will be the Chief Executive of the combined Amlin and MSI managing agencies, joined the London Market Target Operating Model (TOM) Board on 8 February 2016, to help steer Lloyd's' modernisation.

MS Amlin underwriters play an important role in the London market through their leadership of subscription business, quoting prices and terms for others to follow. MS Amlin underwriters and senior managers also make an important contribution to the Dutch Beurs, where MS Amlin is one of the longest serving members of the market with broker and client relationships which go back many years.

MS Amlin also supports local insurance markets in Bermuda, Hong Kong, Dubai, Miami, Shanghai and Singapore through investment in training individual employees and providing work experience for insurance students.

We see our strategic focus on client intimacy as aligning MS Amlin's resources to the needs of our clients, while building mutually profitable relationships. It means orienting the business even more closely to the needs of customers rather than to internal drivers. In particular, we are focused on the expectations and requirements of current and potential clients, including the need for greater responsiveness, more commercial flexibility and tailored solutions.

During 2015, our Client Experience Programme provided significant focus on improving the delivery of a consistently high level of client service across the Group, aligned to increasing regulatory requirements and best practice for the different market segments in which we operate.

Relationship with shareholders

We have strived to be open, transparent and accessible in our communications with investors and analysts so that they could make informed judgements about the company. We have valued the support from a high-quality register of long-term institutional investors as well as private investors, many of whom are current and former employees.

Following the announcement of the acquisition by MSI we have engaged actively with its Chairman, CEO and senior executives to help ensure that we understand their goals and are appropriately aligned for future strategic development.

Community

We believe that there is benefit in supporting the communities in which we do business, the education and development of young people, and charities which are relevant for employees.

In the UK, charitable giving is co-ordinated through a Community & Charities Panel chaired by a senior underwriter. In addition to supporting a number of UK charity partners, including Macmillan Cancer Support and The Outward Bound Trust, MS Amlin also encourages individual employees to raise funds for charity and in many cases, MS Amlin supports these efforts with a further donation to the charity concerned. In 2015, Amlin supported more than 40 UK charities with a total budget of £150,000.

We also entered a team which raised £100,000 in The City Three Peaks Challenge, a charity abseil down three iconic buildings in London – The Leadenhall Building, 20 Fenchurch Street and 30 St. Mary Axe, to raise money for The Outward Bound Trust.

MS Amlin also contributes to the communities in which it operates outside the UK, where community and charities budgets are managed under the direction of local boards. For example, our business in Bermuda supports local youth, education and sport-based organisations and offers grants through the Association of Bermuda International Companies Education Awards. Our business in Singapore supports the General Insurance Association's Global Internship Programme, providing speakers for their Talent Outreach Project.

Environment

MS Amlin is directly engaged with environmental issues, particularly climate change, through our catastrophe underwriting, which includes protecting clients against weather-related events. Since 2007, Amlin has been a signatory to the ClimateWise principles, a joint initiative of the Association of British Insurers, HRH The Prince of Wales' Business & the Environment Programme and other insurance market participants.

In 2015, Amlin's UK employees moved into new offices in Chelmsford and London. Both office buildings carry high rating under the Building Research Establishment's Environmental Assessment Method (BREEAM)[1], which is the world's foremost environmental assessment method and rating system for buildings, setting the standard for best practice in sustainable building design, construction and operation.

Our Carbon Footprint 2015

Amlin measures its annual carbon footprint and we engage Deloitte LLP to carry out limited assurance in accordance with the International Standard on Assurance Engagements 3000 Revised (ISAE 3000) on the compilation of our carbon footprint data as provided below. An assurance statement of our in-scope operations and methodology is available on our website www.amlin.com.

Between 2014 and 2015, Amlin's carbon emissions have increased by 11% from 11,149 to 12,430 tonnes of CO_2e.

This increase is largely attributed to an increase in air travel linked to both in-country and overseas conferences, meetings and the setting-up of some new offices e.g. Dubai.

Summary of calculation:

GHG Protocol Scope	Emissions source	**Total CO_2e (Tonnes) 2015****	Total CO_2e (Tonnes) 2014
1	Gas*	**705.97**	848.74
1	Direct Fleet Emissions	**65.90**	75.15
2	Electricity	**2537.49**	2552.94
3	Water	**10.43**	9.17
3	Waste	**113.87**	23.15
3	Business Travel Air	**5,664.08**	4,106.21
3	Business Travel Other	**283.65**	256.36
3	Employee Commuting	**2,997.68**	2,487.13
	Subtotal carbon footprint	**12,379**	10,359
	Additional 2015 offices***	**51.37**	790.27
	Total carbon footprint	**12,430**	11,149
	Employees (as of 31st December)	**1936**	1933
	CO_2e per employee	**6.42**	5.73
	* Total CO_2e per employee excluding commuting, waste and water (these are generally included in the majority of FTSE company environmental audits but not in CO_2 footprint.)	**4.80**	4.32

Notes:

* Due to the large difference in gas data at the Amstelveen property between 2014 and 2015, the CIBSE gas benchmark and floor area have been used to calculate the kWh usage. This figure is being used for both 2014 and 2015 reporting. Data for gas has therefore been restated for 2014.

** Data have been independently assured by Deloitte LLP.

*** No data could be provided for Malaysia office and New Jersey office. Data has been estimated for these based on our average CO_2e per employee.

1. BREEAM has become one of the most comprehensive and widely recognised measures of a building's environmental performance. Since its launch, 200,000 buildings have been assessed and over a million registered for assessment. A BREEAM assessment uses recognised measures of performance, which are set against established benchmarks, to evaluate a building's specification, design, construction and use. The BREEAM addresses wide-ranging environmental and sustainability issues and enables developers, designers and building managers to demonstrate the environmental credentials of their building.

Underwriting management

Simon Beale
Chief Underwriting Officer

Our focus on exceptional service and providing clients with continuity has created long-standing relationships with brokers and clients which has led to MS Amlin being a highly-ranked market (re)insurer.

Progressing our franchise

Our business is built on a strong culture, diversified product offering, robust controls and a focus on profitable, cross-cycle underwriting. This model is based on the development of MS Amlin's original Lloyd's businesses and underpins the integration of and investment in the newer businesses.

The expertise of our senior underwriters has allowed MS Amlin to build quality portfolios in line with our strategy of broadening our product offering and expanding into new geographies. We empower our underwriters to develop strategically their accounts and be opportunistic where market conditions are favourable. In addition, our strong controls and monitoring, combined with our profit-focused remuneration policy ensures discipline.

Our focus on exceptional service and providing clients with continuity has created long-standing relationships with brokers and clients which has led to MS Amlin being a highly-ranked market (re)insurer. Our strong reputation and brand, high retention rates and ability to attract quality new business is a function of our highly-skilled people who understand the needs of our clients and provide them with the requisite products and services.

As the Company has expanded, we have aimed to establish and improve, where appropriate, our underwriting culture and controls, as well as our service levels by way of investment in new or acquired businesses. This is reflected in the quality of MS Amlin's credit ratings and high standing of our relationships with clients served by our businesses in the UK, Continental Europe, Bermuda, Dubai, Singapore, Hong Kong, Miami, New Jersey and Shanghai.

During 2015 the global Strategic Business Units (SBU) focused on developing MS Amlin's client proposition further. We implemented initiatives to improve understanding of the client's needs through the Net Promoter Score (NPS) methodology and improved Customer Relationship Management (CRM) capabilities.

We are also broadening our distribution reach through development of an e-trading platform and being closer to our clients through small regional offices. In addition, over the last two years we expanded our distribution through the opening of new offices in Dubai, Germany, Miami and Hong Kong. We also invested in our technical pricing models to improve both our product offering and to further develop our systems to price products more effectively. The aim of these investments is to deliver profitable growth by being more client-centric.

In conjunction with investing in our underwriting capability we are working with our key brokers to make the optimum use of their data in order to identify and capture the best fit between their portfolios of risk and MS Amlin's underwriting strategy. Our improved systems and relationships will enable us to approach the market with a strong global brand and facilitate the delivery of our objective to provide a first-class client service based on a thorough understanding of our client needs, as well as operating with greater efficiency.

Embedding exceptional standards

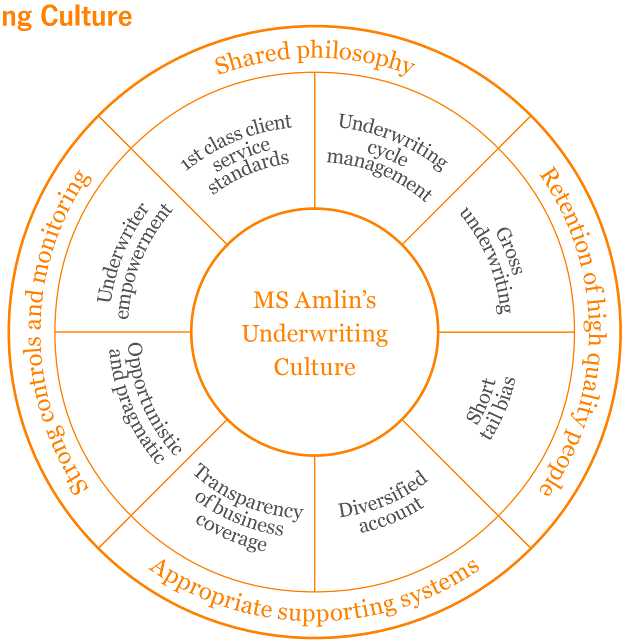
The SBU management teams coordinate underwriting and provide review and oversight of underwriting strategy and performance across common classes of business each aligned to MS Amlin's policy and standards. This involves:

- Agreeing underwriting direction in the context of long-term trends and underwriting strategy, such as classes targeted for growth or retraction
- Coordinating consistent underwriting management
- Facilitating a common underwriting approach through sharing technical expertise and best practice
- Encouraging effective communication and teamwork, including identifying opportunities for cross-selling.

The global Strategic Business Units work alongside a central underwriting performance team, reviewing underwriting competence and business performance, and assisting in the management of areas performing below standard. Reporting to the Chief Underwriting Officer, the oversight provided by this team helps ensure that our underwriting standards are observed consistently across MS Amlin. These standards set guidelines for monitoring underwriting in such areas as the calculation of rate movements, pricing, exception reports and exposure management. The standards also include risk and performance reviews, conducted by MS Amlin underwriters and managers as well as by independent reviewers.

In the period we continued to make substantial investment in risk analysis and modelling technology in order to support the optimisation of our risk-return profile.

Underwriting Culture



Reinsurance

Our market position

We write reinsurance business from platforms across the globe including London, Bermuda, Zurich, New Jersey, Miami, Singapore and Shanghai; combined with our strong connections with Leadenhall Capital Partners (LCP). This enables us to offer the combined expertise of the SBU in close proximity to our clients. We offer cedants a market-leading reinsurance franchise, supported by strong financial strength ratings and capitalisation; underwriting expertise built on local market knowledge; risk transfer utilising both conventional reinsurance and Insurance Linked Securities (ILS) capacity and exceptional service.

Our global (re)insurance portfolio is split by class of business and geography. MS Amlin has long been a recognised market leader in catastrophe reinsurance, with US excess of loss catastrophe reinsurance a particular area of strength, accounting for the largest proportion of premium by geography. However, our overall catastrophe portfolio is global, of which 62% is US business. Also, growth in proportional property reinsurance and non-property lines of business including casualty, motor, marine, aviation, engineering, credit, surety and terrorism is providing increased balance to our catastrophe risk.

Over the past decade we have expanded from our traditionally strong position in London, adding offices in Bermuda, Zurich, Singapore, Miami, New Jersey and Shanghai. This allows us to match the changing needs of our clients, many of whom increasingly value a cross-class approach and local presence, as well as diversifying our own spread of risk.

Strategic initiatives and developments

Throughout the year the principal focus was the delivery of our strategic pillars for the global reinsurance business.

Key aspects of this strategy include:

- Investing in our infrastructure to improve the understanding of our clients' needs
- Increasing our relevance to the client through capacity, geographical scale, product offering and quality of underwriting and analytical expertise
- Leading the industry in world-class service and long-term broker and client loyalty.

We continue to strengthen our links with LCP enabling MS Amlin to offer clients access to non-traditional risk transfer through insurance linked securities. This enhances MS Amlin's competitive position as an upper-tier reinsurer with the ability to offer significant combined capacity and a broader product offering. Collaborating with MS Amlin's underwriting expertise in providing innovative solutions to clients, in turn, enables LCP to offer much greater portfolio diversity, thus enhancing returns and its ability to attract funds.

In 2015 we expanded our geographical reach by commencing underwriting in Shanghai on the Lloyd's platform, further increasing the expertise in our Singapore office and building on the foundations in our Miami office which is a hub for Latin American reinsurance business.

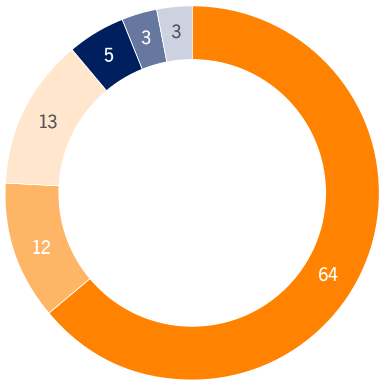
We also hired James Few to lead our Reinsurance SBU as Global Managing Director. His expertise, having built Aspen Re's business since 2001, has already proven valuable as we implement our longer term strategic objectives to enhance our offering.

In 2016 we plan to integrate MS Frontier's reinsurance business, which in 2014 had a gross written premium of $172 million, into our Reinsurance Strategic Business Unit.

78%

Combined ratio

Gross written premium by class (%)



- Property catastrophe
- Special risks
- Casualty
- Motor
- Marine & aviation
- Engineering

Renewal ratings indices

Rating indices in key Group classes	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
US catastrophe reinsurance	100	115	146	150	143	144	185	188	167	185	175	176	**190**	182	160	147
International catastrophe reinsurance	100	120	157	**161**	145	131	138	131	119	124	123	131	149	147	133	120
Risk XL	100	122	189	**191**	170	146	170	144	126	127	115	109	110	104	99	93

Note:
Bold figures represent peak ratings.

Marine & Aviation

Our market position

MS Amlin underwrites one of the largest and most diverse, global marine and aviation portfolios. We specialise in complex, challenging risks that often require bespoke solutions. As well as cargo, hull, liability and aviation books with their many sub sectors, our portfolio also includes specie and fine art, upstream energy, yacht and war, terrorism and political risks.

MS Amlin is a major insurer in the marine and aviation market, with combined gross written premium of £449.4m in 2015.

We write a diverse marine portfolio in London, Rotterdam, Antwerp, Paris, Singapore, Hong Kong and Dubai. The London marine team specialises in leading large, complex and capacity-driven risks. Our overseas offices offer local knowledge and expertise to brokers in their markets, as well as access to underwriting knowledge and specialist products from other parts of MS Amlin.

MS Amlin is a leading hull insurer in London and the Benelux market, with a portfolio balanced between larger "bluewater" accounts and specialist risks, including dredging, lifting, salvage and inland craft. In addition, we insure yachts ranging from small pleasure craft to super yachts over 30 metres long and up to $300 million in value.

We have a strong position as a global underwriter of shipbuilders' risk business. We also write substantial global cargo and energy portfolios and provide war and political risk insurance for marine, non-marine and aviation assets.

Our marine liability account includes a wide range of risks including ship owners, shipyards, port and terminal owners and offshore energy liability. The liability portfolio also includes RaetsMarine, acquired in 2013, a top-two provider of fixed premium marine liability protection and indemnity cover to a global client base.

In addition, MS Amlin is a well-respected aviation underwriter, offering expertise across the aviation and aerospace sectors.

Strategic initiatives and development

In 2015 the Marine & Aviation SBU embarked on a strategy to deliver on the vision it set in 2014. This involved improving our client proposition, broadening our product offering across the global client base and increasing our geographical representation.

Amlin Dubai was opened in January 2015, which has seen good traction in the year with an initial focus on hull for which there is limited competition in the region. In the latter part of the year we also opened a new office in Hong Kong to cover its large shipping and aviation markets.

Marsh awarded Amlin Marine their Best Marine Carrier for 2015, up from second place in 2014 reflecting the positive impact of our client intimacy strategy.

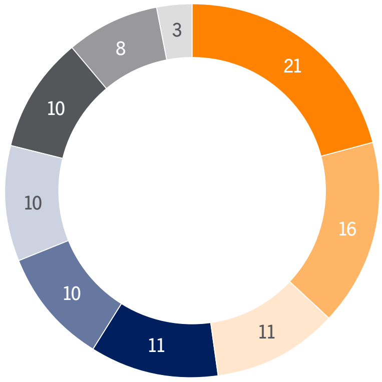
The Marine & Aviation Claims team in the Netherlands have been awarded five out of five for each of the past four years in the Willis Quality Index.

These developments are despite difficult market conditions and a deteriorating rating environment, especially in the upstream energy market, offset by few large losses across the business.

In 2016, it is intended that the marine and aviation business of MSI's Lloyd's syndicate 3210, which in 2014 had a gross written premium of £120 million, will be integrated into the Marine & Aviation Strategic Business Unit.

94%
Combined ratio

Gross written premium by class (%)



Renewal ratings indices

Rating indices in key Group classes	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
Marine hull	100	115	148	171	183	189	191	192	192	205	208	209	209	**209**	201	188
Cargo	100	108	127	**136**	135	133	131	124	118	119	116	112	112	111	109	106
Amlin Europe marine										100	104	104	**104**	**103**	102	100
Offshore energy	100	140	172	189	170	175	262	243	209	256	247	**262**	**262**	254	229	192
War	100	250	**288**	244	220	206	191	175	160	156	153	153	149	146	140	134
Airline hull and liabilities	100	**301**	283	235	216	201	158	122	127	141	132	124	107	96	92	87

Note:
Bold figures represent peak ratings.

Property & Casualty

Our market position

The Property & Casualty SBU includes a wide range of business lines including commercial property and liability insurance.

In addition, we underwrite motor, accident and health and bloodstock. These coverages span a wide spectrum from domestic and SME property to large industrial installations.

MS Amlin offers property and casualty products in two major sectors, through local underwriting in Europe (including the UK) and the international specialist business underwritten in Lloyd's.

In Europe we provide commercial property, motor and liability insurance to local domestic clients in our offices in the UK, France, Germany, the Netherlands and Belgium.

The Lloyd's business underwrites property and casualty insurance lines through Syndicate 2001, focusing on five main areas: property, casualty, accident and health, motor and bloodstock. US risks account for approximately 50 per cent of this portfolio, although we write business all over the world, including through our Singapore office, with the objective of achieving territorial diversification.

Our London property account comprises a wide range of risks, from small- to very-large commercial property and industrial plants, including power generation, utilities, mining and petrochemical facilities.

Casualty lines include medical malpractice, errors and omissions, workmen's compensation, automobile liability and directors' and officers' liability. In professional lines, MS Amlin provides cover for mid-size to large law firms, architects and engineers, consultants and other professions.

Our personal accident account comprises direct business written on a facultative and a delegated authority basis.

In the international auto class, MS Amlin offers a wide range of specialist products including automobile physical damage, dealers open lot, motor truck cargo, logging/forestry, construction and comprehensive cover.

Our bloodstock team offers thoroughbred racing and breeding insurance and is a specialist in high-value sport horse insurance. Separately we also provide specialist and individually tailored insurance solutions to meet the livestock industry's diverse needs, focusing particularly on animal welfare.

Strategic initiatives and development

In 2015 the Property & Casualty SBU began to embed and deliver on its strategy to achieve its vision. This involved the improvement of our client proposition through strengthening our existing teams, broadening of our product offering and increasing our geographical reach for our global client base. The delivery of this strategy will continue throughout 2016. Key elements of this strategy are:

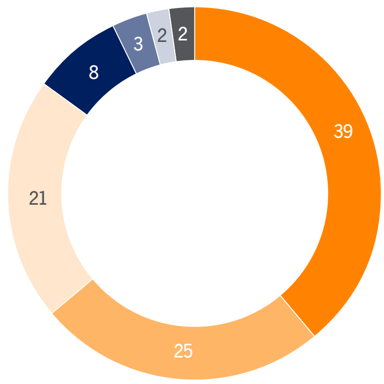
- Broadening and deepening our distribution by tailoring our proposition to our different client segments
- Investing in our infrastructure, underwriting and claims expertise to support our client proposition and relevance to the client.

During 2015 the SBU focused on developing Amlin's client proposition further through the NPS methodology and improved CRM capabilities. It took steps to broaden its reach and increase its appeal to MGA's through the development of an e-trading platform which is currently in the pilot stage. It also invested further in Technical Pricing models to improve its product offering and price products more effectively.

97%

Combined ratio

Gross written premium by class (%)



- Property
- Motor
- Casualty
- FI and prof lines
- Accident & health
- Captives
- Bloodstock

In light of challenging market conditions, notably in large international property, the business has performed well. Rates in the SME and company markets are relatively stable and some improvement has been seen in motor insurance.

In 2016, it is intended that the property and casualty business of MSI's Lloyd's syndicate 3210, which in 2014 had a gross written premium of £235 million, will be integrated into the Property & Casualty Strategic Business Unit.

Renewal ratings indices

Rating indices in key Group classes	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	**2015**
Property insurance (Lloyd's business)	100	125	**171**	163	143	136	165	143	133	142	141	144	153	156	151	142
US casualty	100	123	172	217	234	**239**	237	223	203	199	197	197	201	201	198	197
UK fleet motor	100	121	136	143	141	137	135	134	137	144	148	159	175	192	202	**208**
UK employers' liability	100	115	144	158	**159**	144	135	123	115	114	115	114	119	126	131	132
UK professional indemnity	100	110	149	178	**181**	165	154	140	129	128	127	127	128	130	131	131
UK property and commercial combined	100	100	100	**127**	126	126	117	110	109	107	106	112	113	114	115	116
Europe property										**100**	97	95	95	95	95	95
Europe liability										**100**	95	95	95	95	95	96
Europe fleet motor										**100**	99	99	99	99	99	99

Note:
Bold figures represent peak ratings.

"In 2015 we have delivered a strong result in challenging market conditions.

Our return on equity figure is testament to the hard work of our teams in support of our strategy."

Richard Hextall
Chief Finance & Operations Officer

Financial review

Richard Hextall
Chief Finance & Operations Officer

Amlin delivered a return on equity of 13.2% for 2015 compared to an estimated historical cost of equity of 8%. Ten year weighted return on equity stands at 16.4%, ahead of our cross-cycle target of 15%.

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Gross written premium	**2,743.5**	2,564.0	2,467.4	2,405.6	2,304.1
Net written premium	**2,392.4**	2,278.9	2,107.4	2,058.6	2,013.2
Net earned premium	**2,172.8**	2,183.4	2,077.4	1,970.5	1,927.4
Result attributable to underwriting	**246.8**	246.0	283.1	207.1	(146.0)
Investment return	**107.4**	118.5	160.4	165.3	40.5
Other income	**21.9**	8.0	4.3	5.6	8.8
Other costs	**(123.8)**	(113.8)	(122.1)	(113.8)	(97.1)
Profit/(loss) before tax	**252.3**	258.7	325.7	264.2	(193.8)
Return on equity	**13.2%**	14.1%	19.8%	17.4%	(8.6)%
Claims ratio	**54%**	56%	52%	57%	78%
Expense ratio	**35%**	33%	34%	32%	30%
Combined ratio	**89%**	89%	86%	89%	108%

Overview

Underwriting returns were solid at £246.8 million (2014: £246.0 million). Gross written premium growth of 7.0% was achieved despite challenging market conditions. While the result benefits from the absence of large catastrophe losses, we continued to see increased large loss activity across a number of our business lines. Reserve releases, at £80.0 million, were £9.6 million lower than 2014 but remained healthy. The combined ratio was 89% (2014: 89%) with strong performance from the Reinsurance global Strategic Business Unit (SBU) reflecting a benign year for catastrophe losses, albeit in a challenging rating environment.

A creditable investment return of 2.4% (2014: 2.7%) was achieved against a backdrop of low interest rates and global market volatility.

Profit before tax was £252.3 million (2014: £258.7 million), with strong profits in the Bermudian business reducing the effective tax rate to 6.3%, with profit after tax at £236.3 million (2014: £236.4 million).

Underwriting performance

Gross written premium rose by 7.0% in 2015 to £2,743.5 million. The softening trend in reinsurance markets continued to lead clients to seek multi-year policies, typically with two or three year policy periods, that are fully recognised on inception of the contract. Gross written premium therefore included £88.0 million (2014: £86.3 million) in respect of multi-year contracts written in London and Bermuda, with a further £10.1 million (2014: £nil) written in Zurich.

Underlying premium growth, when measured at constant exchange rates and after removing the effect of multi-year contracts, was 4.8%.

Significant growth has been achieved through new business developments, notably within the Reinsurance SBU in the casualty and special risks classes, further diversifying the business mix away from catastrophe reinsurance. The growth has also been supported by contributions from our new offices in Hamburg, Dubai and Miami.

Also, with the growing synergies between Leadenhall Capital Partners (LCP) and our Reinsurance business, the amount of premium written on behalf of investment funds managed by LCP increased to £34.9 million (2014: £21.7 million).

Renewal rates reduced by 4.0% on average with pressure across many parts of the business. Average renewal rate reductions of 6.7% were experienced for reinsurance lines, and of 4.9% for marine and aviation classes. Property and casualty business recorded a modest rate reduction helped by continued rate increases within the UK domestic business. However, with rating adequacy lower but still satisfactory for most classes of business, our retention ratio remained high at 87% (2014: 86%).

Growth in net written premium was 5.0% (2014: 8.1% growth), coming from growth in gross written premium explained above. However, this was partially offset by the £52.7 million cost of our catastrophe bond, Tramline II, which provides cover over a four year period from 1 January 2015, and has been fully recognised as reinsurance written premium this year. In addition, the premium written for LCP also increased reinsurance expenditure. Underlying these arrangements, expenditure on our principal reinsurance programmes remained at 9.8% of gross written premium (2014: 9.8%). However, falling retrocessional pricing and the restructuring of key programmes have enabled more efficient cover to be purchased.

The Group claims ratio was 54% (2014: 56%). The largest event impacting Amlin was the Port of Tianjin explosion in August 2015 which is estimated to cost £18.1 million, impacting both the Reinsurance and Marine & Aviation SBUs. Within the Property & Casualty SBU, the UK commercial business was impacted by UK floods in December, with estimated losses amounting to £7.5 million. During 2015, there were no large catastrophe losses (defined as an aggregated gross loss exceeding £20 million) impacting the Group (2014: £60.9 million) but there was, however, a notable increase in the incidence of smaller catastrophes and large risk losses and these totalled £149.2 million (2014: £91.6 million).

Claims development continued to be healthy, with releases from reserves of £80.0 million (2014: £89.6 million). Given the nature of MS Amlin's business, which includes large commercial insurance and reinsurance, claims development can be volatile creating some uncertainty over the required level of claims reserves. Given this uncertainty, we adopt a prudent approach to assessment of liabilities, trying to deliver a consistent level of relative reserving strength. We estimate that the Group, as a whole, holds reserves on an accident year basis of approximately £150 million in excess of an actuarial best estimate (2014: approximately £150 million). This risk margin provides consistent reserving strength when measured as a percentile of distribution of modelled outcomes.

The underlying claims ratio, excluding large catastrophe losses and reserve releases, increased modestly to 58% (2014: 57%).

Segmental highlights

Reinsurance

	2015 £m	2014 £m
Gross written premium	**1,301.9**	1,136.2
Net written premium	**1,071.4**	965.7
Net earned premium	**925.1**	919.2
Reserve release	**18.8**	0.4
Result attributed to underwriting	**202.0**	178.7
Renewal rate movement	**(6.7)%**	(7.0)%
Retention rate	**89%**	86%
Claims ratio	**47%**	55%
Expense ratio	**31%**	26%
Combined ratio	**78%**	81%

Note:
SBUs exclude certain intra-group and corporate items.

Gross written premium increased by 14.6% in the year to £1,301.9 million (2014: £1,136.2 million). This includes income written in the form of multi-year contracts. These amounted to £98.1 million (2014: £86.3 million).

Significant growth has been achieved in casualty, particularly through MS Amlin Reinsurance Managers Inc. writing premium of £41.3 million (2014: £4.7 million), and special risks classes, including a mortgage reinsurance contract in Bermuda, further diversifying the business mix away from catastrophe reinsurance. Non-catastrophe business as a proportion of reinsurance gross written premium, has increased to 68% (2014: 56%), helping to reduce overall volatility of earnings.

Our Miami business, launched in October 2014 to access Latin American business, has had a successful start, writing income of £8.5 million.

Competition within reinsurance lines remains challenging. MS Amlin has continued to be selective, focusing on areas where pricing meets acceptable rates of return and reducing lines where we believe prices to be marginal or inadequate. Renewal rates fell by 6.7% on average but retention was strong at 89% (2014: 7.0% reduction and 86%). Price competition for catastrophe lines continued to be intensive. US and international catastrophe reinsurance rates fell by 8.3% and 9.4% respectively.

The largest loss event for the year impacting the SBU was the Tianjin explosion in August, amounting to £14.1 million. Other small catastrophe and large risk loss events amounted to £45.9 million. This compared with large catastrophe losses of £54.1 million and small catastrophe and large risk losses of £59.3 million in 2014.

Reserve releases were higher at £18.8 million (2014: £0.4 million), driven by favourable development in our Zurich business and across catastrophe and special risks lines in London.

Marine & Aviation

	2015 £m	2014 £m
Gross written premium	**449.4**	455.0
Net written premium	**411.2**	397.0
Net earned premium	**380.4**	399.3
Reserve release	**41.7**	36.1
Result attributed to underwriting	**23.3**	29.4
Renewal rate movement	**(4.9)%**	(3.3)%
Retention rate	**81%**	82%
Claims ratio	**54%**	50%
Expense ratio	**40%**	42%
Combined ratio	**94%**	92%

Note:
SBUs exclude certain intra-group and corporate items.

Gross written premium was down slightly at £449.4 million (2014: £455.0 million). The reduction reflects the impact of the weak euro on our continental European business and a decrease in energy premiums.

Renewal rates reduced by 4.9% (2014: 3.3% decrease). The most significant reductions were in the energy, liability and aviation classes, with rate decreases of 16.1%, 6.4% and 6.0% respectively. Energy lines were impacted by both falling oil prices, which reduced construction and drilling activity, and excess capacity. Other lines were under less pressure, notably within the European business where average renewal rate reductions were 1.2% (2014: 0.3% reduction). The retention ratio for the total SBU was 81% (2014: 82%).

Reinsurance written premium reduced to £38.2 million or 8.5% of gross written premium (2014: £58.0 million or 12.9%).

Net earned premium decreased to £380.4 million (2014: £399.3 million). The reduction in net earned premium reflects the slower earning of premium in the London business, together with the impact of the strength of sterling relative to the euro for our European-based business.

The combined ratio increased to 94% (2014: 92%). The claims ratio of 54% (2014: 50%) reflected increased large loss activity, particularly within the energy class, which significantly impacted our London business.

Prior period reserve releases were broadly similar at £41.7 million (2014: £36.1 million), driven by favourable development on London marine liability and aviation business, together with European builder's risk and general cargo business, notably on older years.

Expense ratios were distorted by foreign exchange. Excluding this, the expense ratio was 42% (2014: 40%), reflecting increased broker fees, premises costs and the launch of the Dubai office. Acquisition costs represented 24% (2014: 24%) of net earned premium.

Property & Casualty

	2015 £m	2014 £m
Gross written premium	**1,023.2**	1,019.2
Net written premium	**912.0**	910.7
Net earned premium	**874.9**	864.4
Reserve release	**19.5**	53.1
Result attributed to underwriting	**30.3**	29.8
Renewal rate movement	**(0.3)%**	0.4%
Retention rate	**87%**	87%
Claims ratio	**60%**	60%
Expense ratio	**37%**	37%
Combined ratio	**97%**	97%

Note:
SBUs exclude certain intra-group and corporate items.

Gross written premium was £1,023.2 million (2014: £1,019.2 million). Renewal rates were materially unchanged during the year and the retention ratio remained at 87% (2014: 87%). New business of £169.5 million was added across the Property & Casualty SBU.

In euro terms, the continental European business has seen income increase by €41.4 million to €369.9 million or £278.0 million. However, the continuing weak euro has reduced the impact of strong underlying growth to only £9.3 million. Income in the UK domestic business reduced by £1.3 million to £324.2 million, with efforts made during the year to re-underwrite, or curtail, poorly performing accounts reflected by a retention rate of 82%. New business was £47.4 million (2014: £68.2 million). Fleet motor rates in the UK continued to rise, with an average increase of 2.9%. The London business saw a modest reduction in income in the face of increased rating pressure.

Net earned premium was £874.9 million (2014: £864.4 million).

Property & Casualty generated an underwriting profit of £30.3 million (2014: £29.8 million), with a combined ratio of 97% (2014: 97%). The claims ratio remained 60% (2014: 60%). The business was impacted by an increased occurrence of large risk and small catastrophe losses, totalling £53.5 million (2014: £18.0 million), including an estimated loss of £7.5 million in respect of the December UK floods.

Prior period reserve releases reduced to £19.5 million (2014: £53.1 million). The releases are driven by favourable development in the UK package business, together with the London Direct and Facultative property and professional indemnity business. The underlying claims ratio, excluding large catastrophe losses and reserve releases, improved to 62% (2014: 65%).

The expense ratio has remained flat at 37% (2014: 37%) with acquisition costs representing 23% (2014: 23%) of net earned premium.

Investment management and performance

The Group's investment management approach is led by investment risk appetite. This appetite takes into account perceived risk and returns of the asset classes which can be invested in, the underwriting trading environment and strength of the financial position of the Group. Importantly an absolute investment return is not targeted; rather, return is maximised for a level of risk that is accepted. Once the risk appetite is decided on:

- Strategic asset allocations are set using quantitative and qualitative analysis
- Short-term tactical positions are taken if short-term opportunities are identified
- Skilled external managers are used to manage the underlying assets.

As with all insurance companies there is a distinction between policyholders' funds, or premiums held before claims are settled, and capital assets. For policyholders' funds risk appetite is low with assets held in government bonds and funds which hold a mix of bonds, bond derivatives and currencies. Duration of liabilities is referenced for consideration of the duration of assets, but if yields are expected to rise duration is likely to be shortened – which is the case at the moment.

Capital assets have a longer-term time horizon which allows investment in more volatile assets such as equities or property.

The year end asset allocation is shown in the table below:

	at 31 December 2015				at 31 December 2014	
Asset Allocation at 31 December 2015	**Underwriting assets £m**	**Capital assets £m**	**Total assets £m**	**%**	Total assets £m	%
Type of asset[1]						
Bonds	**2,135.9**	**704.1**	**2,840.0**	**62.4**	2,758.1	61.7
Other liquid investments	**619.6**	**138.1**	**757.7**	**16.7**	793.4	17.8
Equities	**5.8**	**597.0**	**602.8**	**13.2**	658.7	14.8
Property	**–**	**351.8**	**351.8**	**7.7**	255.5	5.7
Total	**2,761.3**	**1,791.0**	**4,552.3**	**100.0**	4,465.7	100.0
Assets by region[2]						
United Kingdom	**134.5**	**160.6**	**295.1**	**11.0**	432.6	16.6
US and Canada	**781.1**	**549.8**	**1,330.9**	**49.8**	869.4	33.5
Europe (ex UK)	**570.1**	**233.8**	**803.9**	**30.1**	969.4	37.4
Far East	**73.2**	**139.5**	**212.7**	**8.0**	295.1	11.4
Emerging markets	**3.4**	**26.9**	**30.3**	**1.1**	27.8	1.1
Grand Total	**1,562.3**	**1,110.6**	**2,672.9**	**100.0**	2,594.3	100.0

Notes:
1. Total assets are shown net of financial liabilities and include items not classified as financial assets in the consolidated statement of financial position. A reconciliation of these positions is provided in note 12 (g) to the financial statements.
2. The regional table excludes pooled vehicles.

During 2015 we added to our long-term track record of good risk-adjusted returns. The Group investment return for the year was 2.4%, and with average funds under management of £4.4 billion, investments contributed £107.4 million to the 2015 result (2014: 2.7%, £4.4 billion and £118.5 million respectively). However, the Group result was improved by significant weakening of the euro as subsidiary currency hedges not required at Group level are removed. This is due to the requirement to consolidate the Solo Absolute Bonds and Currency Fund as a euro denominated subsidiary under IFRS. The core investment return on underlying invested assets at subsidiary level was 1.7%.

The returns by asset class and average asset allocations for the year are shown in the table below:

Investment performance	2015 Average Asset Allocation £m	2015 Average Asset Allocation %	2015 Return %	2014 Average Asset Allocation £m	2014 Average Asset Allocation %	2014 Return %
Bonds	**3,140**	**71.6**	**1.0**	3,258	73.9	1.8
Other liquid investments	**250**	**5.7**	**0.5**	320	7.3	0.5
Equities	**697**	**15.9**	**2.2**	604	13.7	4.7
Property	**300**	**6.8**	**9.4**	224	5.1	8.4
Total	**4,387**	**100.0**	**2.4**	4,406	100.0	2.7

For much of the developed world, 2015 was characterised by a low-growth environment alongside below-target inflation, where falling oil prices and the absence of wage growth constrained price pressures. The US economy exhibited the most robust macroeconomic trends, with historically low unemployment levels encouraging policy makers to raise interest rates off of emergency levels before the end of the year. This stands in sharp contrast to much of the remaining developed world whose economies remain supported by central banks. Indeed, Europe and Japan have both witnessed additional stimulative interventions over the year.

This divergent monetary policy has led to a strengthening in the US dollar and this has proven a headwind for both US manufacturers and emerging markets in particular. Here, actions by Chinese policy makers to weaken their currency whilst moving towards a consumer-led economy, have been met with increasing uncertainty.

In terms of performance, all asset classes contributed positively to the Group return in 2015 with notable gains from our global property portfolios. Our property assets are held within the solvency portfolios and liquidity requirements are considered in determining the appropriate level of exposure. Elsewhere, our equity allocations were positive despite the bouts of high volatility witnessed and our defensive interest rate stance benefitted from a backdrop of rising government bond yields. In terms of activity, we have continued to favour our income orientated property allocation throughout the year which offers lower return volatility whilst our hedging program reduced our exposure to global equities largely in the second half of the year during periods of uncertainty.

Looking ahead, the macroeconomic landscape suggests further outperformance for risk asset allocations, led by property returns, although bouts of volatility are likely to become more frequent. This should create a greater opportunity set for our bond managers to add value.

Group entities continue to invest in the Insurance Linked Securities portfolio, included within bonds, which is managed by Leadenhall Capital Partners in the form of two standalone investment funds. The return on £67.8 million of average funds under management was £2.2 million or 3.2% (2014: £63.1 million, £3.9 million and 6.2%).

Other income

Other operating income of £21.9 million (2014: £8.0 million) includes £16.5 million (2014: £2.4 million) of investment fee income arising from the consolidation of Leadenhall Capital Partners into the Group accounts for the full year. This income, and the related expenses, is attributable to the Reinsurance SBU.

During the year, a project to reduce volatility in the Netherlands pension scheme concluded. An amended average pay scheme and pension contract has been set up from 1 January 2016 which qualifies as a defined contribution Scheme under IAS 19 ‘Employee Benefits’. Closure of the old defined benefit scheme resulted in a one-off past service costs adjustment gain of £11.6 million being recorded in the statement of profit or loss as ‘gain on modification of defined benefit pension fund’.

Expenses

Total expenses increased to £897.8 million (2014: £843.1 million).

	2015 £m	2014 £m
Acquisition costs	**500.6**	473.0
Underwriting expenses	**261.1**	241.2
Non underwriting expenses	**112.9**	101.9
Finance costs	**23.2**	27.0
Total Expenses	**897.8**	843.1

Acquisition expenses were 20.2% of gross earned premium (2014: 19.1%). The increase in the ratio is driven by the change in mix of business, notably within the Reinsurance SBU, with growth in proportional treaty, special risks and casualty classes incurring higher levels of commission when compared with catastrophe international and catastrophe North America.

Expenses are uplifted by project costs associated with the alignment of Group-wide systems and processes, Solvency II readiness and new business ventures such as our Hamburg, Miami and Dubai offices. Expenditure on marketing initiatives and investment relating to our new UK premises has also impacted 2015, together with the consolidation of Leadenhall Capital Partners, within non-underwriting expenses, as part of the Group for the full year.

Finance costs have reduced, following the repayment of the two US$50.0 million tranches of subordinated debt.

Taxation

The effective rate of tax for the period is 6.3% (2014: 8.6%). It is below the UK rate of corporation tax primarily due to Amlin AG’s Bermudian branch which operates with no local corporation tax. Profits arising on operations in Switzerland are taxed at a combined federal and cantonal rate of 21.2% (2014: 21.2%). We continue to believe that Amlin AG is exempt from the UK Controlled Foreign Company regime.

The table below illustrates the source of Group profits with associated effective tax rate.

Profit source	2015 Profit/(loss) before tax £m	2015 Effective tax rate %	2014 Profit/(loss) before tax £m	2014 Effective tax rate %
UK & other	**56.2**	**18.1**	19.5	26.1
Bermuda	**149.7**	**0.7**	131.0	0.4
Continental Europe	**46.4**	**10.0**	108.2	15.4
Group	**252.3**	**6.3**	258.7	8.6

Note:
UK & other includes MS Amlin Reinsurance Managers Inc., Amlin Labuan Limited, Amlin Asia Pacific Pte Limited and Leadenhall Capital Partners LLP.

Capital position

The Group's net assets increased by 3.5% to £1,846.1 million (2014: £1,782.8 million). In addition to profit after tax through the statement of profit or loss, net assets were adjusted by items including:

- Dividends totalling £211.9 million (2014: £131.2 million)
- £25.2 million of currency gains (2014: £3.4 million of currency gains) from net translation of foreign operations, translation of intangibles arising from investments in foreign operations and instruments that hedge investments in foreign operations. Gains reflect dollar strength in 2015 against sterling, partially offset by the weakening euro
- A decrease in net pension liability of £1.3 million (2014: £7.4 million increase).

Net tangible assets increased to £1,581.7 million at 31 December 2015 (2014: £1,519.2 million).

Long-term, regulatory-compliant subordinated debt is also deployed in the Group's capital structure. It is unsecured and contains no financial covenants. At 31 December 2015, subordinated debt amounted to £229.7 million (2014: £261.5 million). During March, the outstanding $50.0 million subordinated debt tranche was repaid. The remaining tranche of subordinated debt is intended to be repaid in full at the reset date in December 2016, although such repayment is subject to regulatory approval.

Additionally, a £300 million unsecured revolving credit facility is available, and at the end of the year, £143.4 million was drawn down (2014: £nil).

Solvency II

Solvency II, the new regulatory regime for (re)insurers in the European Economic Area, was implemented on 1 January 2016 and introduces a new basis for assessing capital. This assessment includes a market-consistent economic balance sheet and a Solvency Capital Requirement, using either an internal model or the standard formula.

On 5 December 2015, the Group was notified by the Prudential Regulation Authority (PRA) that its application to use an Internal Model from 1 January 2016 for its solvency calculation had been approved. The Group has provided all requirements to the regulator under the preparatory phase which expired on 31 December 2015. We believe that our available capital is sufficient to satisfy Solvency II capital requirements. At a solo level, Amlin Insurance S.E. will also be captured under the new regime.

Governance

In this section

Leadership

Directors	Number of Board meetings attended (attended/maximum)
Richard Davey (Chairman)	11/11
Simon Beale[1]	10/11
Julie Chakraverty	11/11
Marty Feinstein[2]	10/11
Richard Hextall[1]	10/11
Shonaid Jemmett-Page	11/11
Oliver Peterken	11/11
Charles Philipps[1]	10/11
Former members	
Sir Mark Wrightson[3]	1/2

Notes:
1. One meeting was held with no Executive Management present.
2. Marty Feinstein retired from the Board on 1 February 2016.
3. Sir Mark Wrightson retired from the Board on 21 May 2015.
4. Kenichi Fukahara, Hironori Morimoto, Robin Adam, Kiyotaka Shuto and James Illingworth were appointed to the Board on 1 February 2016.

Functions of the Board
The Board has a number of key objectives and responsibilities in respect of its stewardship of the Group:
- Setting and overseeing the implementation of the Group's strategy to ensure it delivers value to shareholders, clients and employees
- Ensuring high standards of corporate governance are maintained across the Group
- Ensuring an effective control framework is in place to assess and manage risks, including monitoring executive management in this area
- Providing constructive challenge to the executive management in order to ensure the Group's success
- Managing succession planning for the Board and the Group's executive management.

Meetings of the Board
The Board meets at least four times a year and met eleven times during 2015. At each quarterly meeting it receives a written report from the Chief Executive, a separate report on investor relations and an update on strategic initiatives. Other key areas of focus include Group financial performance, underwriting performance, investments, risk, employee and organisational matters and a regular update on the external business environment.

Reserved and delegated decisions
The Board has a formal Schedule of Matters Reserved which is reviewed annually and is available in the governance section at www.amlin.com. It was last reviewed in May 2015. Key decisions and matters reserved to the Board include those relating to the Group's strategy and business plan, approval of major acquisitions, disposals, capital expenditure, financial results and the agreement and monitoring of the Group's systems of internal control and risk management.

The Board has delegated certain responsibilities to the following Committees:
- Audit Committee
- Nomination Committee
- Risk & Solvency Committee
- Remuneration Committee.

Executive Committees
MS Amlin has five key executive committees which are responsible for the day-to-day management of the organisation.

The MS Amlin Management Committee develops strategy and provides oversight of the Group's performance and capabilities with a view to the Group achieving its strategic objectives.

The MS Amlin Talent Committee is responsible for the oversight and development of talent within MS Amlin from graduate employees through to senior management. It is also responsible for developing succession planning for senior management up to but not including Board level.

The Investment Management Executive Committee sets the strategic asset allocation and tactical asset allocation ranges for MS Amlin's investment portfolios. It also monitors investment performance and levels of investment risk.

The Executive Underwriting & Risk Committee provides a comprehensive review of the Group's aggregated risk profile and the applicability of the risk management framework, paying particular consideration to underwriting areas of concern, and internal control adequacy ensuring that appropriate mitigating action is taken.

The MS Amlin Finance & Operations Committee oversees the effectiveness of both the Finance and IT & Operations functions and promotes joined-up business support and value-enhancing improvements.

Relations with shareholders
The Chief Executive and the Chief Finance & Operations Officer, were responsible for maintaining regular communications with shareholders. The Board received regular reports which included an overview of the sector and peer group news, share price performance and market commentary, the composition of the shareholder register, investor relations activity and feedback from investors and analysts.

The Annual Report, investor presentations, AGM documentation, key financial information, regulatory news, financial calendar and share and dividend information are all available through the investors section of www.amlin.com.

At an Extraordinary General Meeting of the Company held on 3 November 2015 shareholders approved the recommended cash offer by MSI by way of a Scheme of Arrangement (Scheme). On 1 February 2016 the Scheme became effective and MSI became the sole shareholder in the Company.

Strategy
The Board is responsible for setting and overseeing the implementation of MS Amlin's strategy.

In addition to the regular update on strategic initiatives which is presented at every quarterly meeting, the Board held two strategy days, in April and October. These sessions were used to review important trends which affect MS Amlin, to review our long-term strategy and aspirations and to consider any new actions or activity which may be required to ensure that MS Amlin could deliver its strategy.

Culture and tone from the top
The Board is responsible for setting the "tone from the top" in respect of the Group's governance, culture and values. It holds management to account for reinforcing MS Amlin's values throughout the Group.

Further information detailing our focus on client intimacy can be found in the clients and brokers section of Resources and relationships.

Effectiveness

Independent Non-Executive Directors
As at the date of this report the Board is made up of a Non-Executive Chairman, three independent Non-Executive Directors, three other Non-Executive Directors and one Executive Director who represent the shareholder and four Executive Directors. The Chairman was independent on his appointment as a Non-Executive Director in 2005. However, following his appointment as Chairman on 17 May 2012 he is no longer classed as independent. The Board considers that the skills and experience of its members, particularly in the areas of insurance, reinsurance, finance and risk are fundamental to the pursuit of MS Amlin's strategic objectives. The Board has authorised a number of potential conflicts of interest relating to the Directors' independence in accordance with the Companies Act 2006 and the Articles of Association (Articles).

The Chairman leads the Board and ensures its effectiveness. The Chairman sets the agenda, ensures the Directors receive accurate, timely and clear information, and sets the tone for Board discussions.

Changes in commitments of Chairman
The Chairman's commitments have not changed during 2015. As well as leading the Board and setting the "tone from the top" he is a member of the Risk & Solvency Committee and the Chairman of the Nomination Committee. He is also an attendee at the Audit Committee and the Remuneration Committee.

Performance Evaluation
The performance of the Board and its Committees is evaluated each year. An external evaluation was carried out by Independent Board Evaluation during the year and the results were presented to the Board in November 2015.

The Board concluded that it and its' Committees were effective and had an appropriate balance of skills and experience to discharge their responsibilities appropriately. Furthermore, the Board concluded that there was an appropriate level of challenge and discussion to enable the Board and its Committees to work effectively as a unit.

Succession Planning
Executive succession planning is reviewed annually by the Board. During the year the Board also reviewed MS Amlin's Talent Management Programme.

Board appointments
Following the completion of the Scheme of Arrangement with MSI, Mr Kenichi Fukahara, Mr Hironori Morimoto, Mr Robin Adam, Mr Kiyotaka Shuto and Mr James Illingworth were appointed Directors of the Company with effect from 1 February 2016. Following Mr Feinstein's retirement, Mr Oliver Peterken was appointed as Chairman of the Risk & Solvency Committee and Mrs Shonaid Jemmett-Page was appointed as Deputy Chairman also with effect from 1 February 2016.

Accountability

Overview

Subsidiary management (including main subsidiary Boards) and our control framework

The Group's organisational and governance arrangements are aligned to three Strategic Business Units (SBUs): Reinsurance, Marine & Aviation, and Property & Casualty, with claims and support functions becoming centrally managed. These business units operate in a governance framework which ensures that the Boards and their respective CEOs of regulated entities can demonstrably exercise control over the affairs of their company by exercising control over the business written on their behalf by the SBUs and the services provided to them by centrally managed functions.

In addition, each regulated subsidiary continues to have its own executive management and has clear delegation of authority, with Group executives sitting alongside the relevant business's executive management on the Boards of each legal entity.

We have established a framework of Group policies and standards, and key internal controls and expect each SBU and centrally managed function to comply with them.

Accountability for management oversight of each SBU and function has been clearly assigned between relevant executives. The risk and compliance functions operate as second lines of defence to ensure that the SBUs and functions comply with MS Amlin's risk management framework and legal and compliance requirements. The various executive governance bodies referred to earlier in this statement are key elements of the overall control environment. These bodies receive oral and written reports from MS Amlin's businesses and support departments.

Board review of effectiveness of risk management and internal control systems

Board internal control statement

The Board is responsible for MS Amlin's risk management and internal control systems. A continuous process was established for identifying, evaluating and managing the significant risks facing the Group. This process has been in place from the start of 2015 to the approval date of this report and includes risks arising from social, environmental and ethical matters, in accordance with the FRC Risk Guidance (September 2014), which has now superseded the Turnbull Report.

Directors are aware that any internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. They know that the systems can only provide reasonable and not absolute assurance against material misstatement or financial loss. In the Strategic Report on strategy and principal risks on pages 16 and 17 and 22 to 25, is further information on how the Company has maintained a sound system of internal controls to safeguard shareholders' investment and the Company's assets.

The Risk & Solvency Committee regularly reviews the effectiveness of the Group's risk management system on the Board's behalf while the Audit Committee considers the Group's financial reports, financial reporting process, regulatory and compliance matters. If significant control failings or weaknesses are identified, they are reported by management, the risk or compliance functions or by internal audit to the relevant Committee. The relevant Committee also receives regular reports on remediation work and discussions with other interested parties, such as regulators.

Risk management

Led by the Chief Risk Officer (CRO), our centrally managed risk function oversees the management of risk, ensuring each operating entity manages its risk in accordance with Group policies and allocated risk tolerances. The MS Amlin Executive Underwriting & Risk Committee reviews reports from the risk function and considers appropriate executive actions. Additionally, each regulated subsidiary's board is responsible for overseeing its risk, supported by Risk Committees for each principal subsidiary.

Risk assessment

MS Amlin's risk assessment process includes using an enterprise risk management system called ARM. The ARM system reports on every significant identified risk to achieving Group objectives, the nature and effectiveness of controls and other management processes to manage these risks. The processes associated with this assessment of risk and controls is being amended and enhanced in 2016 following a review of effectiveness in 2015. Risk tolerances or limits are set for key risk categories, for example, catastrophe, reserving, investment and operational risk.

The risk management framework encompasses self-assessment of controls by risk owners throughout the business, and the risk function independently challenges their assertions. The internal audit function regularly reviews the risks identified by risk owners and the effectiveness of their controls and operation, whilst preserving an independent view of risk across the organisation.

The Own Risk & Solvency Assessment (ORSA) brings together key metrics on MS Amlin's risk and solvency position. MS Amlin operates an Internal Model that captures the key economic and risk factors that could impact MS Amlin's performance and this is a key source of data for the ORSA. The ORSA is produced quarterly and used to escalate significant risks, their potential impact on the Group's financial position, any variations from the agreed risk appetites, and the actions to manage those risks. The Executive Underwriting & Risk Committee and the Risk & Solvency Committee review the ORSA. ORSAs are also produced for each regulated subsidiary Risk Committee, specifically relating to the key risk metrics for that entity.

Compliance

The Group Head of Compliance reports directly to the CRO. The Group Head of Compliance provides regular updates to the Audit Committee on compliance issues, including, but not limited to, significant exceptions arising from the compliance monitoring programme, routine and non-routine interactions with the Group's regulators, changes in the regulatory environment, and regulatory responses to corporate developments. The compliance monitoring programme is approved by the Audit Committee as part of the annual compliance plan.

In addition, the Audit Committees and/or Boards of the Group's major regulated subsidiaries receive more locally-focused compliance reports which are specific to those companies.

Internal audit
MS Amlin's internal audit team provides our independent assurance over the control environment of the Group on a global basis. The Chief Internal Auditor reports directly to the Audit Committee Chairman, aligning with the guidance issued in the Chartered Institute of Internal Auditors Code (July 2013), and also reports to the Chief Executive. Internal audit has established a risk-based rolling audit programme for reviewing and evaluating the effectiveness of the internal controls and procedures in place to manage risk.

The Audit Committee considers the results of the audits undertaken by the internal audit function and the adequacy of management's response to the matters raised, including the issues identified, management's resolution plans and the time taken to resolve any such matters. Management is challenged where the Committee believes sufficient progress has not been made. The Audit Committee conducted an evaluation of the effectiveness of the Group's internal audit function, including internal audit resources, plans and performance, as well as how the function interacts with management.

Assessing our processes
The Board receives regular reports from the Audit Committee and the Risk & Solvency Committee. The reports review MS Amlin's main processes, including matters that are the regulatory responsibility of the regulated subsidiary Boards. Both Committees performed a specific assessment for this Annual Report. This assessment considers all significant aspects of internal control arising during the period covered by the report, including the work of internal audit. The findings are used to help the Board discharge its review responsibilities.

The Audit Committee continues to review the Group whistleblowing process and endorses any changes and enhancements which encourage the Group's wider grievance process to continue working effectively. Further work on the Group's whistleblowing process took place in 2015 to ensure it remains fit for purpose and effective and an enhanced 'Speak-Up' process will be rolled out globally in early 2016.

Financial reporting process
Business planning
MS Amlin has developed a formal structured business planning process for all SBUs and legal entities. Proposed plans are presented to and agreed by the MS Amlin Management Committee and relevant subsidiary Boards, consolidated and then considered and approved by the Board. Board and SBU reporting of performance against plan operates on a quarterly basis, with monthly monitoring at management level.

Reserving for insurance liabilities
Responsibility for reserving rests with the Boards of regulated subsidiaries and, at Group consolidated level, the Board. The Board recognises that it is important that the processes executive management deploy in reaching their reserving decisions are objective and robust. The process involves quarterly reserving meetings attended by senior executives from the SBUs, Group Risk, Finance and Actuarial departments, which review and propose required reserving levels for each SBU, subsidiary and for MS Amlin as a whole. Subsequently, there is a Group Executive meeting to consider the overall position. The reserving process is led by the actuaries across the Group. Reserving is agreed at subsidiary Board level each quarter and reviewed twice yearly as a whole by the Audit Committee.

Investments
The setting and execution of MS Amlin's investment strategy has its own hierarchy of responsibilities. The relevant Boards are responsible for setting their investment frameworks that control the practices and procedures governing the management of their investments. Within this framework, the Board sets an overall investment risk appetite and the subsidiary Boards agree their allocation of this risk appetite. The Investment Management Executive Committee approves the strategic asset allocations and tactical ranges with day-to-day management responsibility delegated to MS Amlin Investments or the subsidiary Designated Officers. The aim is to optimise the returns for the risk being taken by adopting a multi-asset, multi-manager approach.

Consolidated accounting process
MS Amlin has mature internal processes in place with regards to producing its consolidated accounts. In addition to scheduled internal reviews of the draft financial statements, a formal process is in place to ensure the Group Executive reviews the Report and Accounts and confirms that it believes them to be fair, balanced and understandable. This process has been discussed and approved by the Audit Committee which then advises the Board on its robustness.

Relationship with external auditors
During 2015 the Audit Committee approved PricewaterhouseCoopers LLP's (PwC's) audit plan and terms of engagement. The Audit Committee reviewed the scope of PwC's audit and how PwC was working with the internal audit and risk functions to optimise the coverage provided to the Audit Committee.

Amlin conducted a review of the effectiveness of the external audit process with members of the Audit Committee, Executive Directors and senior management. The review assessed the performance, independence, resources and effectiveness of the audit process. The results concluded that the external auditor remained independent and effective.

Non-audit services
The Audit Committee continues to monitor the use of the external auditors for non-audit services to ensure compliance with MS Amlin's policy and to safeguard further PwC's independence. The policy details the circumstances in which the auditors may be permitted to undertake non-audit work for the Group and is reviewed annually by the Audit Committee.

Services prohibited by the policy include: preparing statutory accounts, selecting accounting policies, designing and implementing internal controls or processes and financial information systems, valuation services, and tax planning and advice. In addition to MS Amlin's policy, PwC completes its own independence procedures before commencing each piece of work.

A detailed breakdown of fees paid to the auditor for non-audit work is in note 7(g) to the accounts. In 2015, £799,600 was spent on non-audit and other assurance services. (2014: £53,600).

Annual Statement on Remuneration 2015

Basis of calculation

In this report remuneration is stated on an earned rather than paid basis. Where remuneration earned for a particular year is unknown until after the date of this report, then an estimate has been used and will be restated as appropriate in future years. This methodology is applicable for the Profit Commission (PC) plan.

Directors' remuneration received for 2014 and 2015

The table below sets out the key elements of pay relating to the Directors' annual remuneration for 2014 and 2015 for those Directors who served during 2015.

Name		Salary & fees £'000	Taxable benefits £'000	Annual bonus[1/6] £'000	LTIs vesting in year[2] £'000	Pension £'000	Other[3] £'000	Total remuneration £'000
C E L Philipps	**2015**	**631.3**	**16.4**	**841.7**	**1,258.6**	**116.5**	**3.0**	**2,867.5**
	2014	615.0	16.4	779.4	395.8	113.5	3.0	1,923.1
R A Hextall	**2015**	**524.0**	**16.4**	**632.0**	**961.7**	**71.3**	**3.0**	**2,208.4**
	2014	511.3	16.4	647.4	286.4	69.4	4.0	1,534.9
S C W Beale	**2015**	**417.0**	**16.4**	**503.7**	**622.6**	**127.2**	**3.0**	**1,689.9**
	2014	404.8	16.4	1,815.3	80.3	114.4	3.0	2,434.2
J Chakraverty	**2015**	**82.3**	**–**	**–**	**–**	**–**	**–**	**82.3**
	2014	75.9	–	–	–	–	–	75.9
R H Davey	**2015**	**240.0**	**–**	**–**	**–**	**–**	**–**	**240.0**
	2014	240.0	–	–	–	–	–	240.0
M D Feinstein[4]	**2015**	**95.0**	**–**	**–**	**–**	**–**	**–**	**95.0**
	2014	93.0	–	–	–	–	–	93.0
S Jemmett-Page	**2015**	**87.0**	**–**	**–**	**–**	**–**	**–**	**87.0**
	2014	86.0	–	–	–	–	–	86.0
O L E Peterken	**2015**	**73.7**	**–**	**–**	**–**	**–**	**–**	**73.7**
	2014	22.3	–	–	–	–	–	22.3
Sir Mark Wrightson Bt[5]	**2015**	**27.8**	**–**	**–**	**–**	**–**	**–**	**27.8**
	2014	70.0	–	–	–	–	–	70.0

Notes:

1. Amounts include deferred elements, see page 51 for description of payments under the Profit Commission scheme.
2. The Long Term Incentive (LTI) value for S C W Beale is the amount accrued under the Capital Builder plan for the five years 2010-2014 and 2011-2015 for 2014 and 2015 respectively. The 2012 Long Term Incentive Plan (LTIP) award lapsed; the 2013 LTIP award met its performance condition and vested at 65.7% of the maximum. The share price at vesting was 669.5p. The 2010 Performance Share Plan (PSP) award vested at 68.9% of the maximum. The share price at vesting was 506p. The 2011 PSP award vested at 71.6% of the maximum. The share price at vesting was 669.5p.
3. Value of free shares awarded under the Share Incentive Plan (SIP) that vested in the relevant financial year and, where applicable, long-term service awards as per the Remuneration Policy in place at the time (2014: R A Hextall £1,000).
4. M D Feinstein retired from the Board on 1 February 2016
5. Sir Mark Wrightson retired from the Board on 21 May 2015.
6. The 2014 PC figures have been restated from estimated amounts to actual paid amounts.

Details of variable pay earned in the year

Annual Bonus Plan

For those Executive Directors and other employees who are not directly involved in underwriting activities, the Group's shorter-term performance incentive was a cash bonus scheme. The Group Annual Bonus Plan rewarded and incentivised the achievement of annual financial targets and the delivery of annual personal objectives aimed at continuously improving the capability of the Group and its businesses in line with the Group's strategy.

Performance targets were set and reviewed annually with any bonus paid to an Executive Director in excess of a predetermined percentage of salary to be deferred into shares or cash or a mixture of both for three years. The business performance was measured by reference to the Group's Return on Equity (ROE) compared with target returns set by the Committee at the beginning of each year. The individual's performance was measured against agreed stretching personal objectives. Bonus targets are weighted so that at Executive Director level 70% of the maximum bonus opportunity of the potential target reward is set for Group business performance, and 30% of the maximum opportunity for individual performance.

For 2015, the participating Executive Directors' scale was 120% for 'on-target' performance, rising to a potential maximum of 165% of base salary if the Group business and personal performance elements reached their maxima. For participating Directors any amount of annual bonus above the base salary maximum percentage for the relevant management level (for example, 120% for Executive Directors) is deferred for up to three years from the usual date of payment.

Total or partial claw-back of such deferred cash bonus also applies in the event of either the Committee finding that a participant has not complied with internal standards or controls; or has caused reputational damage to the Company; or if any results or accounts on which the bonus was based prove to be incorrect or are required to be re-stated. Provisions also apply whereby a leaver during the three-year deferral period forfeits the deferred bonus, unless they leave for one of a number of specified "good leaver" reasons, including circumstances the Committee agrees to be exceptional.

The business performance targets are felt by the Committee to be commercially sensitive so are not disclosed.

Profit Commission

The PC was a shorter-term incentive for underwriters. It consists of a cash profit share in respect of each underwriting year. PC is paid on an underwriting-year basis, usually partly related to the business unit in which the relevant participant works and partly to wider Syndicate 2001 and Amlin Bermuda underwriting performance. The last PC award was made in December 2013 and will vest in March 2017. Mr Beale participates in the Annual Bonus Plan and did not receive a payment under Group Profit Commission (GPC) for 2015.

Current underwriting Directors' PC and bonus reported for 2015

	B D Carpenter 2015 £'000	B D Carpenter 2014[1] £'000	**S C W Beale accounted for in 2015 £'000**	S C W Beale 2014[1] £'000
2013 year of account PC	**100.0**	–	–	–
2012 year of account PC	**–**	100.0	–	638.8
Personal Performance	**–**	103.6	**503.5**	197.9
2014 GPC	–	–	–	978.6
Total	**100.0**	203.5	**503.5**	1,815.3

Note:
1. The 2014 PC figures have been restated from estimated amounts to actual paid amounts.

Capital Builder Plan

The Amlin Capital Builder Plan 2006 was designed to reward senior underwriters if they exceed long-term target underwriting returns over rolling five-year performance periods.

	Class/ division	**Total amount accrued and paid in 2014 £'000**	2009 Award balance paid 2015 £'000	5 years of 2010 Award paid in 2015 £'000	5 years of 2010 Award accrued in 2015 £'000	**Total amount accrued and paid in 2015 £'000**	5 years of 2011-2015 award £'000	4 years of 2012-2016 Award £'000	3 years of 2013-2017 £'000	2 years of 2014-2018 £'000	**Total for all awards since 2011 £'000**
S C W Beale	Class	**260.9**	63.9	91.7	39.8	**195.4**	193.6	181.0	–	–	**374.6**
	Syndicate	**90.0**	31.8	–	–	**31.8**	31.0	81.8	–	–	**112.8**
	Total	**350.9**	95.7	91.7	39.8	**227.2**	224.6	262.8	–	–	**487.4**
B D Carpenter	Class	**(173.5)**	–	–	(106.6)	**(106.6)**	(47.7)	3.7	23.4	–	**(20.6)**
	Syndicate	**17.0**	–	–	18.1	**18.1**	15.5	40.9	35.2	–	**91.6**
	Total	**(156.5)**	–	–	(88.5)	**(88.5)**	(32.2)	44.6	58.6	–	**71.0**
A W Holt	Class	**(1.0)**									
	Syndicate	**4.1**									
	Total	**3.1**									

Note:
Where numbers are stated as negative no payment is made. These figures represent the performance of the Plan.

Executive Directors' Performance Share Plan, Long Term Incentive Plan and share option participations
As at 31 December 2015, the options held under these plans by Executive Directors, all of whom were Directors throughout the year and any changes during the year, are set out in the following table.

	Scheme	Shares under option on 1 Jan 2015	**Awards made during the year**	Awards lapsed during the year	Exercised during the year	Shares under option on 31 December 2015[1]	Exercise price per share	Years options exercisable (if performance conditions met)
S C W Beale	LTIP	69,642	–	69,642	–	0	Nominal	2015-2017
		90,481	–	–	–	90,481	Nominal	2016-2018
		85,627	–	–	–	85,627	Nominal	2017-2019
	Total LTIP	245,750	0	69,642	0	176,108		
	PSP	90,481	–	–	–	90,481	Nominal	2018-2021
		85,627	–	–	–	85,627	Nominal	2019-2022
		–	164,682	–	–	164,682	Nominal	2020-2022
	Total PSP	176,108	164,682	0	0	340,790		
	Sharesave	6,163	–	–	–	6,163	247.00p	2016-2017
		4,267	–	–	–	4,267	355.00p	2019-2020
	Total options	10,430	0	0	0	10,430		
	Totals all	**432,288**	**164,682**	**69,642**	**0**	**527,328**		
R A Hextall	LTIP	125,000	–	125,000	–	0	Nominal	2015-2017
		109,283	–	–	–	109,283	Nominal	2016-2018
		108,389	–	–	–	108,389	Nominal	2017-2019
	Total LTIP	342,672	0	125,000	0	217,672		
	PSP	93,085	–	28,950	64,135	0	Nominal	2015-2017
		100,351	–	–	–	100,351	Nominal	2016-2018
		125,000	–	–	–	125,000	Nominal	2017-2019
		109,283	–	–	–	109,283	Nominal	2018-2020
		108,389	–	–	–	108,389	Nominal	2019-2021
		–	207,870	–	–	207,870	Nominal	2020-2022
	Total PSP	536,108	207,870	28,950	64,135	650,893		
	Sharesave	2,884	–	–	–	2,884	312.00p	2016-2017
		2,535	–	–	–	2,535	355.00p	2017-2018
	Total options	5,419	0	0	0	5,419		
	Totals all	**884,199**	**207,870**	**153,950**	**64,135**	**873,984**		
C E L Philipps	LTIP	168,154	–	168,154	–	0	Nominal	2015-2017
		136,310	–	–	–	136,310	Nominal	2016-2018
		130,067	–	–	–	130,067	Nominal	2017-2019
	Total LTIP	434,531	0	168,154	0	266,377		
	PSP	128,627	–	40,003	88,624	0	Nominal	2015-2017
		137,481	–	–	–	137,481	Nominal	2016-2018
		168,154	–	–	–	168,154	Nominal	2017-2019
		136,310	–	–	–	136,310	Nominal	2018-2020
		130,067	–	–	–	130,067	Nominal	2019-2021
		–	250,252	–	–	250,252	Nominal	2020-2022
	Totals PSP	700,639	250,252	40,003	88,624	822,264		
	Exec options	92,150	–	–	92,150	0	293.00p	2009-2016
	Sharesave	6,163	–	–	–	6,163	247.00p	2016-2017
		2,535	–	–	–	2,535	355.00p	2017-2018
	Total options	100,848	0	0	92,150	8,698		
	Totals all	**1,236,018**	**250,252**	**208,157**	**180,774**	**1,097,339**		

Notes:
1. All the awards under option vested subject to the application of performance conditions and time pro-rating upon the Court Sanction of the Scheme of Arrangement on 28 January 2016.
2. The share price on the day prior to the grant of the Directors' PSP on 4 March 2015 was 495.5p.
3. The performance measures and targets are felt by the Committee to be commercially sensitive so are not disclosed.

Deferred share awards

In 2015 Mr Philipps and Mr Hextall received the deferred element of their 2014 bonus as shares. These shares are not included in the table on the previous page. These shares are held by a nominee on behalf of Mr Philipps and Mr Hextall and are eligible to be released in March 2018, subject to the same restrictions as if they had received cash under the 2014 Group Bonus Scheme, including a clawback provision. The awards are set out in the table below. None of the deferred element of their 2015 bonus will be deferred to shares.

Participant	Deferred element of 2014 Bonus (£)	Number of shares[1]
R A Hextall	29,407	5,837
C E L Philipps	35,402	7,027

Note:

1. The shares were obtained through a market purchase via the EBT on 31 March 2015.
2. In 2014 Mr Philipps and Mr Hextall elected to receive the deferred element of their 2013 bonus as shares. Mr Philipps received 38,234 shares; Mr Hextall received 39,117 shares. These shares are not included on the table on the previous page.

Executive Directors' pensions

Pension details, as applicable for each Executive Director who served as a Director during the year (Non-Executive Directors not being eligible), are shown in the table below. The total Defined Contributions (DC) employer contributions for the Directors were £68,685 (2014: £65,250). The increase in accrued pension during the year in respect of Defined Benefit (DB) schemes is before the effects of inflation. The changes in total transfer values during the year are shown before the effects of inflation and after deducting the individual's DB contributions during the year. The inflation measure used for the purposes of this disclosure is the change in the Retail Price Index (RPI).

Transfer values are calculated in accordance with regulations 7 to 7E of the Occupational Pension Schemes (Transfer Values) Regulations 1996, as amended. Only base salary is pensionable.

The table below sets out disclosures of relevant pension amounts in line with the relevant regulations.

				31 December 2015 disclosure			31 December 2014 disclosure				
	DB or DC	Payments in lieu of pension contributions 2015 £'000	DC employer contributions 31 December 2015 £'000	**Accrued pension entitlement at 31 December 2014 £'000**	**Accrued pension entitlement at 31 December 2015 £'000**	**Pension input amount for 2015 £'000**	Payments in lieu of pension contributions 2014 £'000	DC employer contributions 31 December 2014 £'000	Accrued pension entitlement at 31 December 2013 £'000	Accrued pension entitlement at 31 December 2014 £'000	Pension input amount for 2014 £'000
S C W Beale	DB & DC	–	50.1	**71.3**	**76.4**	**77.1**	–	47.5	65.8	71.3	66.9
R A Hextall	DC	52.7	18.6	**–**	**–**	**–**	52.7	16.7	–	–	–
C E L Philipps	DC	116.5	–	**–**	**–**	**–**	113.5	–	–	–	–

Notes:

1. The normal retirement age for S C W Beale and C E L Philipps is 60 and for R A Hextall is 65.

Directors reaching lifetime or annual pension limits received cash payments in lieu of pension. These payments are included in the table above.

External appointments

To broaden the experience of Executive Directors, they can accept one external appointment as a Non-Executive Director of a public company, provided they seek advance permission from the Board. Any external appointment must not conflict with the Director's duties and commitments to the Company. Richard Hextall received and retained a Non-Executive Director's fee of £30,600 from the City of London Investment Trust PLC (2014: £30,000) and Simon Beale received a fee of £37,500 from the Council of Lloyd's (2014: £37,500), which was paid over to the Company. Charles Philipps is a Non-Executive Director of Great Portland Estates plc and received a fee of £56,400 (2014: £39,425).

Annual Statement on Remuneration 2015 continued

Non-Executive Director fees

The regular annual review of Non-Executive Director fees took place during 2015. The review involves considering a number of key factors, including market movements, time commitment and competition for high-quality Non-Executive Directors. As a result of this review no increases were agreed to Non-Executive Directors fees during 2015.

	Annual fee at 31 December 2014 £	**Annual fee at 31 December 2015 £**
J Chakraverty[1]	75,000	**87,000**
R H Davey	240,000	**240,000**
M D Feinstein	95,000	**95,000**
S Jemmett-Page[2]	87,000	**87,000**
O L E Peterken[3,4]	67,000	**75,000**

Notes:
1. J Chakraverty was appointed as Chair of the Remuneration Committee on 21 May 2015 and received an additional fee of £12,000.
2. With effect from 1 February 2016 the annual fees for S Jemmett-Page increased by £12,000 from £87,000 to £99,000.
3. O L E Peterken was appointed to the Remuneration Committee on 1 March 2015.
4. With effect from 1 February 2016 the annual fees for O L E Peterken increased by £12,000 from £75,000 to £87,000.

The annual NED fees are calculated: base fee £51,000, with £8,000 per Committee, excluding Nomination, and £12,000 per Chairman position.

Payments to former Directors during 2015

Payments to past Directors	**Fees and salaries £'000**	**Annual bonuses and/or profit commission and Capital Builder[1] £'000**	**Benefits in kind/ allowances[2] £'000**	**Total year to 31 December 2015 £'000**	Fees and salaries £'000	Annual bonuses and/ or profit commission and Capital Builder[1] £'000	Benefits in kind/ allowances[2] £'000	Total year to 31 December 2014 £'000
B D Carpenter	–	**100.0**	–	**100.0**	275.4	203.5	33.8	512.7
A W Holt	–	–	–	–	–	3.1	–	3.1
Sir Alan Collins	–	–	–	–	27.9	–	–	27.9
Sir Mark Wrightson	**27.8**	–	–	**27.8**	70.0	–	–	70.0

Notes:
1. The 2014 PC figures have been restated from estimated amounts to actual paid amounts.
2. This includes employer pension contribution and taxable benefits. SIP awards have been excluded.

Chief Executive's remuneration

Percentage change in Chief Executive remuneration

The table below shows the percentage change in Chief Executive's salary, benefits and annual bonus compared with the average for all full-time employees in the UK, and the ratio between Chief Executive and the average for all employees for 2015 relative to 2014.

	% change from 2014 to 2015		
	Salary	Benefits	Annual bonus
Chief Executive	0.0	2.4	8.0
Average for all UK employees	3.0	6.2	3.6

Ratio of CEO pay to average employee	2015	2014
CEO: Employee	14.1	15:1

Note:
CEO to employee pay is calculated using the employment costs and numbers disclosed in note 7.

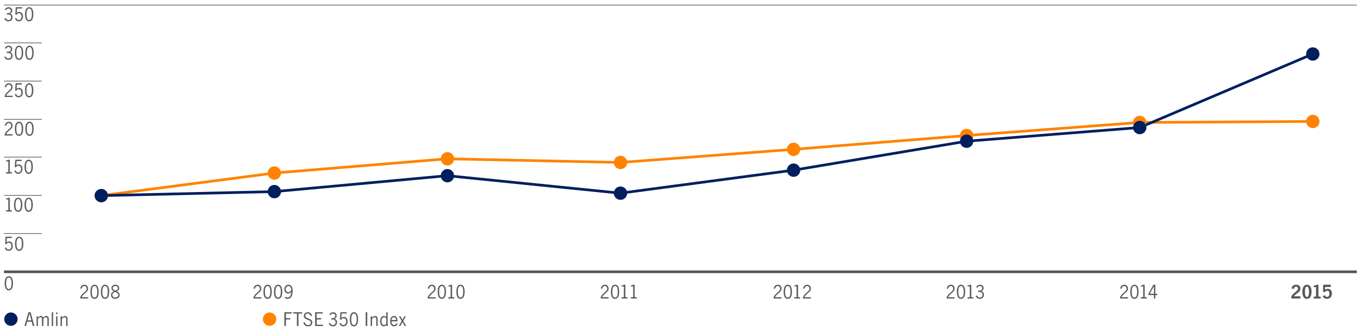
The total remuneration figures for the CEO during each of the last seven financial years are shown in the table on page 55. Consistent with the calculation methodology used for the single figure for total remuneration, the total remuneration figure includes the total annual bonus based on that year's performance and PSP and LTIP Share Award performance based on the three- and five-year performance period ending in the relevant year. The annual bonus pay-out, PSP and LTIP performance vesting levels as a percentage of the maximum opportunity are also shown for each of these years.

	Year ending 31 December						
	2009	2010	2011	2012	2013	2014	**2015**
Total remuneration (£'000)	£2,270	£2,302	£1,385	£2,055	£2,051	£1,923.1	**£2,867.5**
Annual bonus (%)	100%	61.4%	20%	85%	92%	76%	**81%**
Total LTIP & PSP vesting (%)	100%	86%	60%	45%	39%	30%	**69%**
PSP awards vesting (%)	100%	100%	98%	83%	97%	69%	**72%**
LTIP awards vesting (%)	100%	71%	0%	0%	0%	0%	**66%**

Total Shareholder Return (TSR) performance

The graph below illustrates the TSR performance of the Company's ordinary shares relative to the FTSE 350 over the seven years to 31 December 2015.

Comparison is shown with this index, as the performance of Amlin's shares was affected by the general UK stock market in companies of its size. The graph shows the values, at each year end from 2008 to 2015 inclusive, of £100 invested in the Company's shares on 31 December 2008 compared with the value of £100 invested in the index on the same date.



Source: Datastream (Thomson Reuters)

Relative spend on pay during the year

The table below sets out the Company's actual spend on pay for all employees (as detailed on page 86) and dividends for the year under review, as compared with the previous year, and the percentage change between the two years.

All figures in £m	2014	**2015**	**Increase/ (Decrease)**
All employee cost (including Executive Directors)[1]	209.0	**209.2**	**–**
Distributions to shareholders (dividend payments)[2]	131.2	**211.9**	**61.5%**

Notes:
1. Taken from Note 7 of the Report and Accounts.
2. Taken from the Consolidated Statement of Changes in Equity. Full details of the increase in the dividend paid in the year are set out on page 94.

How the executive remuneration policy will be applied for 2016

Salary

The Executive Directors' salaries were reviewed on 24 February 2016. The result is that the following salary increases will take place for 2016 with effect from 1 April 2016. This compares with the average salary increase provided to UK employees of 3.0% (2014: 4.4%).

Executive Director	Salary as at 31 December 2015 £	**Salary effective 1 April[1] 2016 £**	**Increase as a %**
C E L Philipps	635,000	**635,000**	**0.00**
R A Hextall	527,000	**532,000**	**0.95**
S C W Beale	420,000	**427,000**	**1.67**
J le T Illingworth[2]	n/a	**340,000**	**n/a**
K Shuto[3]	n/a	**n/a**	**n/a**

Notes:
1. As approved by the Remuneration Committee on 24 February 2016 and subject to approval by/consultation with the shareholder.
2. J le T Illingworth was appointed a Director on 1 February 2016.
3. K Shuto was appointed a Director on 1 February 2016 and his remuneration is paid directly by MSI.

Annual Statement on Remuneration 2015 continued

Pension and other benefits
The current pension provision policy will continue in 2016. All Executive Directors will participate in the Group's DC plan with the Company and participant making a maximum contribution of up to 21% of base salary in total. Directors reaching lifetime or annual pension limits will receive cash payments in lieu of pension. Additional benefits will be provided in line with the Policy described in the Remuneration Policy a copy of which can be found on the Company's website.

Mr Beale is also a member of the Group's DB scheme. Mr Beale will continue to accrue additional years' service under the scheme but only based on his 2006 pensionable salary (with salary increases from April 2006 onwards being pensioned through the DC arrangements).

Annual bonus
For 2016, the maximum annual bonus opportunity for Mr Philipps, Mr Hextall and Mr Illingworth is 165% of salary. For 2016, the maximum annual bonus opportunity for Mr Beale is 400% of salary.

The annual bonus will be determined by:

- Group financial measures and performance (at least 70% of maximum opportunity)
- non-financial personal performance (up to a maximum of 30% of opportunity).

The Group financial performance target is based on the Group's actual ROE compared with target returns and is set by the Committee at the start of the year. In addition, Mr Beale's bonus will be decided in part by a financial measure of each SBU's underwriting profit, as well as ROE.

The Committee considers that the targets are commercially sensitive and therefore they will not be disclosed. Any annual bonus paid exceeding a predetermined percentage of salary will be deferred in three tranches over the ensuing three-year period.

Non-financial personal performance objectives are set at the start of the year as part of the annual performance review operating for all employees and are either agreed by the CEO or by the Chairman in the case of the CEO.

Historic awards
Mr Beale will continue to be entitled to receive payments under the Capital Builder scheme during 2016. This entitlement is in respect of historic awards granted prior to the start of the Remuneration Policy and which vest during the year.

How the Remuneration Committee operates
In determining the Executive Directors' remuneration, the Committee consulted with and received recommendations from Mr Farrow, Director of HR, and the Chief Executive. The Committee also received advice from Mr Stevens, Group Company Secretary, and New Bridge Street, which assisted the Committee in the 2015 financial year. In setting the overall Remuneration Policy, the Committee made decisions in the broader context of employee remuneration throughout the Group.

The table below sets out members of the Committee who served during the year and that the Board regards as independent. Their attendance at Committee meetings was as follows:

Remuneration Committee members

	Meetings attended
Sir Mark Wrightson[1]	4/4
J Chakraverty[2]	10/10
S Jemmett-Page	8/10
O L E Peterken[3]	8/8

Notes:
1. Sir Mark Wrightson retired from the Committee with effect from 21 May 2015.
2. J Chakraverty become Chair of the Committee with effect from 21 May 2015.
3. O L E Peterken was appointed to the Committee with effect from 1 March 2015.
4. K Fukuhara was appointed to the Committee with effect from 1 February 2016.

The Committee meets as often as necessary to discharge its duties, with the CEO and the Chairman being invited to attend meetings as appropriate. No member of the Committee had any personal financial interest in the Company (other than as a shareholder), any conflict of interest arising from cross-directorships, or any day-to-day involvement in running the business. No individual is present when matters relating directly to his or her own remuneration are addressed. The Committee last reviewed its Terms of Reference on 9 December 2015 and made no substantive changes to the version approved on 26 February 2015.

External advisers
The Committee's independent remuneration adviser is New Bridge Street (NBS). NBS advises the Committee on structuring and using the Group's performance-related incentives, and on remuneration policy generally. NBS also advises on remuneration of the Non-Executive Directors. NBS operates independently in the Aon plc group of companies, which has certain trading relationships with the Company's subsidiaries. A copy of the statement regarding the relationship with NBS can be found on the Company's website at www.amlin.com.

NBS's role of providing ongoing support and advice to the Committee over the entire remuneration year included:

- Advising on the award levels under the PSP
- Providing performance measurement relating to the PSP and LTIP
- Updating on developments in remuneration practices
- Supporting and advising in relation to the Department of Business, Innovation and Skills requirements
- Advising on the Chairman and Non-Executive Directors' fees
- Advising on the Executive Directors' total remuneration; supporting the review of the Directors' remuneration report
- Supporting the shareholder consultation process.

The Committee is exclusively responsible for reviewing, selecting and appointing its advisers. The Committee reviewed its appointment of NBS during the year and confirmed its reappointment as adviser, and is satisfied that the advice received was objective and independent. During the year, the fee payable to NBS was £59,974. This included advice on other HR matters and on the Regulations and other new legislation.

Shareholder and broader context

The Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) of Amlin plc were held on 21 May and 3 November 2015. A vote was taken on a show of hands at the AGM on each resolution. The results of the proxies are set out below.

Resolution	For	For %	Against	Against %	Total Shares	Votes withheld[1]
Approval of the remuneration report (AGM)	400,507,532	99.49	2,055,154	0.51	402,562,686	4,369,252
Approve Scheme of Arrangement (EGM)	310,667,027	99.89	329,553	0.11	310,996,580	14,282
Amend articles (EGM)	310,678,949	99.90	303,317	0.10	310,982,266	28,596

Note:

1. A vote withheld is not a vote in law and is not counted in the calculation of the proportion if the votes "For" and "Against" a resolution.

These votes include those votes giving the Chairman discretion. The shares in issue on the respective general meetings where:

	AGM 21 May 2015	EGM 3 November 2015
Total shares in issue	504,865,900	506,177,051
Shares held in treasury	3,095,021	2,905,746

Status of report

As required by the Large and Medium-Sized Companies and Group (Accounts & Reports) (Amendment) Regulations 2013, in accordance with which this report has been prepared, the sections entitled "Directors' remuneration received for 2014 and 2015", "Executive Directors' Capital Builder Plan participations and estimates to date", "Executive Directors' Performance Share Plan, Long-Term Incentive Plan and share options participations" and "Executive Directors' pensions" have been audited by PricewaterhouseCoopers LLP.

By Order of the Board, on the recommendation of the Remuneration Committee

Mark Stevens
Group Company Secretary
4 March 2016

Directors' report

The Directors present their report and the audited consolidated financial statements of the Company for the year ended 31 December 2015.

Share capital, treasury shares and dividends

The Company's share capital during the year comprised a single class of ordinary shares of 28.125p each. There were 506,177,051 shares in issue at the year end (2014: 504,865,900) including 2,793,018 shares held in treasury.

At the 2015 Annual General Meeting (AGM) the Directors were given the authority to allot shares or grant rights to subscribe for, or convert, any security into shares up to a nominal value of £47,020,835 which is equivalent to approximately one third of the total issued ordinary share capital of the Company exclusive of treasury shares as at 1 April 2015. In addition, the Directors were authorised to allot shares, or grant rights to subscribe for, or convert, any security into shares up to a further nominal value of £47,020,835 in connection with a rights issue only.

At the 2015 AGM the Company was given authority to purchase a maximum aggregate of 50,155,558 ordinary shares. The minimum price that may be paid for each share is 28.125p and the maximum price was an amount equal to 105% of the average of the middle market quotations of the Company's ordinary shares on the London Stock Exchange for the five business days prior to any purchase or the highest current independent bid for the Company's ordinary shares on the London Stock Exchange at the time of the purchase.

No shares were bought back into treasury during the year (2014: nil). 702,695 shares were transferred out of treasury during the year to service exercises of employee share options (2014: 756,372), leaving 2,793,018 shares in treasury at the year end (2014: 3,495,713). The Group issued 144,000 ordinary shares on 9 June 2015 in respect of the acquisition of Leadenhall Capital Partners LLP. The shares issued have the same rights as all other shares in issue. The fair value of the shares issued amounted to £701,280 (487p per share).

On 28 January 2016 the Court sanctioned the Scheme of Arrangement approved by shareholders at an Extraordinary General Meeting (EGM) on 3 November 2015. On 27 January 2016 1,527,436 shares were issued to the Employee Benefit Trust and as a consequence 5,257,548 shares were transferred to participants in employee share schemes. On 1 February 2016 the entire issued share capital of 507,704,487 shares was purchased by Mitsui Sumitomo Insurance Company, Limited ("MSI"), a wholly owned subsidiary of MS&AD Insurance Group Holdings, Inc. There have been no further issues of shares as at the date of signing this report.

The Directors have declared dividends as follows:

Ordinary shares
Paid interim dividend of 8.4p per share on 1 October 2015 to shareholders on the register of members on 4 September 2015 (2014: 8.1p)
Total ordinary dividend of 8.4p per share (2014: 27.0p)

Directors

The Directors' are detailed on page 157.

MS Amlin's Articles set out clear powers of removal, appointment, election and re-election of Directors. A Director may be removed either by a unanimous resolution of fellow Directors or by an ordinary resolution of MS Amlin plc in a general meeting. The Board may appoint additional Directors at any time but such appointees must, if they wish to continue, be elected by shareholders by an ordinary resolution at the AGM following their appointment. Directors may also be appointed by election at the AGM. The Articles also provide that no term of office may exceed the period between election, or re-election, by shareholders and the AGM in the third year following such election or re-election.

Directors' interests

The interests of the Directors and their related parties who had interests in the shares of the Company as at 31 December 2015, all of which were beneficial except where indicated otherwise, are set out below.

Directors' interests in shares

	As at 31 December 2015[1]	As at 31 December 2014
S C W Beale	**328,236**	327,644
J Chakraverty	**8,000**	8,000
R H Davey	**10,000**	10,000
M D Feinstein[2]	**4,000**	4,000
R A Hextall	**169,635**	169,043
S C R Jemmett-Page	**700**	700
O L E Peterken	**4,267**	4,000
C E L Philipps	**614,655**	614,063
Former Directors		
Sir Mark Wrightson Bt[3,4]	**–**	15,388

Notes:
1. Or at date of retirement if earlier.
2. M D Feinstein retired from the Board on 1 February 2016.
3. Includes 1,500 shares held non-beneficially as a bare trustee.
4. Sir Mark Wrightson retired from the Board on 21 May 2015.

In the case of the three Executive Directors who served throughout the year, the above holdings included beneficial interests held through Amlin's Share Incentive Plan (SIP) and details of their interests in share options and long-term incentive plans are set out in the Directors' remuneration report on pages 50 to 57 in the governance section of the Annual Report. Details of the total interests of the trustees of the SIP and of the Amlin's Employee Share Ownership Trust (ESOT) are contained in note 7 to the accounts. Details of transactions between the Group and Directors who served during the year are set out in note 21 to the Accounts.

At the date of the report, the Non-Executive Directors have no interests in shares, the entire issued share capital having been purchased by MSI on 1 February 2016. In the case of the four Executive Directors each of them continues to save in the Save As You Earn (SAYE) scheme which will close on 28 July 2016. Options exercised under the SAYE scheme will be automatically purchased by MSI for 670p per share.

No Directors have any other interests in the shares or any other securities of the Company or any of its subsidiaries.

Corporate governance and Directors' remuneration
The Board's Corporate governance report on pages 46 to 49 is incorporated into this report by reference. Details of Directors' remuneration and of the Board's Remuneration Committee are set out in the Directors' remuneration report.

Employees
Copies of the Group's employment policies are available from the Group Company Secretary on request. Some apply to the whole Group whilst others apply to the UK with local variations outside the UK. They cover professional qualifications; family leave; flexible working; sabbaticals; staff harassment; and equal opportunities. The Group's Health & Safety policy and details of its local application are publicised to staff, including by intranet. Its operation in the UK is monitored by a staff Health & Safety Committee. As Chief Finance & Operations Officer, Mr Hextall is responsible for the oversight of health and safety throughout the Group.

The Group's Equal Opportunities policy aims to ensure that no employee, in application for initial employment or as an existing employee (including in the event of a change in his or her circumstances), receives less favourable treatment because of his or her gender (including gender reassignment), marital or family status, actual or perceived sexual orientation, age, ethnic origin, race, colour, nationality, national origin, creed, political affiliation, part-time status, disability (including the training career development and promotion of disabled persons), or any other condition, unless differing treatment can be shown to be legally justifiable.

Further information is set out in the Resources and relationships section on pages 27 to 33 and is incorporated into this report by reference.

Other Statutory Disclosures
Information regarding the future development of MS Amlin, post year end events, overseas branches, employee involvement, research and development and greenhouse gas emissions is set out in the Strategy and performance section on pages 14 to 43 and is incorporated into this report by reference.

Political donations
The Group made no political donations during the year (2014: nil).

Directors' indemnities
The Company has made third-party indemnity provisions for the benefit of those Directors who were members of the Board as at 31 December 2015 and certain Directors of the Company's subsidiaries. The indemnities of the Directors of the Company were entered into during 2008, with the exception of Mrs Jemmett-Page (2012), Mrs Chakraverty (2013) and Mr Peterken (2014). All of these indemnities remain in force at the date of this report. Indemnities for the Directors who were appointed on 1 February 2016 will be put in place in accordance with MSI policy on Director indemnities.

Authorisation of Directors' conflicts of interest
The Company's Articles permit the authorisation of a Director's potential conflict of interest or duty, for instance arising from a Director's appointment as a Director of another company which may have a business relationship with the Group. Such authorisations may be given by the remaining Directors who are independent of the potential conflict. A number of authorisations have been approved by the Board in this manner. Such authorisations do not remove a Director's duty to ensure that any actual conflict of interest or duty, should it arise, is dealt with appropriately, usually by the Director taking no part in the relevant Board or Committee decision. A register of approved conflicts is maintained and available for inspection at the Company's Registered Office.

Going concern
The Group's business, risk and financial management, performance and position, together with factors that are likely to affect future development, are described in the Strategy and performance section of this Annual Report on pages 14 to 43. Capital management strategy, which covers how regulatory and economic capital needs are measured and how capital is deployed, is described under Financial review on pages 39 to 43. The financial position of the Group, including commentary on cash and investment levels, currency management, insurance liability management, liquidity and borrowings, is also covered in that section.

In addition, note 2 to the accounts describes capital management needs and policies, and notes 12 and 13 cover market and underwriting respectively, which includes liquidity and credit risks which may affect the financial position of the Group.

The Group has considerable financial resources to meet its financial needs and, in much of the Group, manages a mature portfolio of insurance risk through an experienced and stable team. The Directors believe that the Group is well positioned to manage its business risks successfully in the current economic environment.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have 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.

Directors' statement on the disclosure of information to the auditors
Each Director at the date of the approval of this report confirms that:
- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware
- they have taken all the steps that they ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

By Order of the Board

Mark Stevens
Group Company Secretary
4 March 2016

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Having taken advice from the Audit Committee on the process, all the Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the Group website, www.amlin.com. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on page 157 confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Strategy and performance section on pages 14 to 43 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By Order of the Board

Mark Stevens
Group Company Secretary
4 March 2016

Independent Auditors' Report to the member of MS Amlin plc

Report on the group financial statements

Our opinion

In our opinion, MS Amlin plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- The Consolidated statement of financial position as at 31 December 2015;
- The Consolidated statement of profit or loss for the year ended 31 December 2015;
- The Consolidated statement of other comprehensive income for the year then ended;
- The Consolidated statement of cash flows for the year then ended; The Consolidated statement of changes in equity for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 60, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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 parent company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the parent company financial statements of MS Amlin plc for the year ended 31 December 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.

J. BICHARD

James Bichard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 March 2016

Financial statements

In this section

Consolidated statement of profit or loss
For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Gross earned premium	3(c),4(a)	**2,476.0**	2,476.4
Reinsurance premium ceded	3(c),4(a)	**(290.0)**	(275.8)
Net earned premium	3(c),4(a)	**2,186.0**	2,200.6
Investment return	3(c),5	**94.2**	101.3
Other operating income	3(c),6	**21.9**	8.0
Total income		**2,302.1**	2,309.9
Insurance claims and claims settlement expenses	3(c),4(b)	**(1,253.0)**	(1,306.8)
Insurance claims and claims settlement expenses recoverable from reinsurers	3(c),4(b)	**88.7**	83.6
Net insurance claims	4(b)	**(1,164.3)**	(1,223.2)
Expenses for the acquisition of insurance contracts	3(c),7(a)	**(500.6)**	(473.0)
Other operating expenses	7(b)	**(374.0)**	(343.1)
Total expenses		**(874.6)**	(816.1)
Results of operating activities		**263.2**	270.6
Finance costs	3(c),7(f)	**(23.2)**	(27.0)
Share of profit after tax of associates	3(c),18(b)	**0.7**	3.7
Gain on revaluation of existing investment	3(c)	**–**	11.4
Gain on modification of defined benefit pension fund	3(c),16(a)	**11.6**	–
Profit before tax	3	**252.3**	258.7
Tax	8	**(16.0)**	(22.3)
Profit for the year		**236.3**	236.4
Attributable to:			
Owners of the Parent Company		**236.6**	236.5
Non-controlling interests		**(0.3)**	(0.1)
		236.3	236.4
Earnings per share attributable to owners of the Parent Company			
Basic	11	**47.2p**	47.4p
Diluted	11	**46.3p**	46.6p

The attached notes form an integral part of these consolidated financial statements.

Consolidated statement of other comprehensive income

For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Profit for the year		**236.3**	236.4
Items that will not be reclassified to profit or loss			
Defined benefit pension fund gains/(losses)	16(a)	**0.4**	(9.8)
Tax relating to items that will not be reclassified	8	**0.9**	2.4
		1.3	(7.4)
Items that may be reclassified subsequently to profit or loss			
Foreign exchange gains on translation of foreign operations, net of designated hedges	9(a)	**25.2**	3.4
Net unrealised losses on assets designated as available-for-sale	12(b)	**–**	(0.1)
Tax relating to items that may be reclassified	8	**(2.5)**	(0.5)
		22.7	2.8
Other comprehensive income/(expense) for the year, net of tax		**24.0**	(4.6)
Total comprehensive income for the year		**260.3**	231.8
Attributable to:			
Owners of the Parent Company		**260.6**	231.9
Non-controlling interests		**(0.3)**	(0.1)
		260.3	231.8

The attached notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2015

		Attributable to owners of the Parent Company							
For the year ended 31 December 2015	**Note**	**Share capital £m**	**Share premium £m**	**Other reserves £m**	**Treasury shares £m**	**Retained earnings £m**	**Total £m**	**Non-controlling interests £m**	**Total equity and reserves £m**
At 1 January 2015		142.0	311.7	109.1	(16.1)	1,236.1	**1,782.8**	3.1	**1,785.9**
Total comprehensive income/ (expense) for the year		–	–	24.0	–	236.6	**260.6**	(0.3)	**260.3**
Employee share option schemes:									
– share-based payment reserve		–	–	4.4	0.4	–	**4.8**	–	**4.8**
– proceeds from shares issued		–	0.2	–	4.7	(1.0)	**3.9**	–	**3.9**
Dividends paid	10	–	–	–	–	(211.9)	**(211.9)**	–	**(211.9)**
Deferred tax relating to share option schemes	8	–	–	0.4	–	–	**0.4**	–	**0.4**
Issue of new shares	17(a)	0.4	5.1	–	–	–	**5.5**	–	**5.5**
Transactions with the owners of the Group for the year		0.4	5.3	4.8	5.1	(212.9)	**(197.3)**	–	**(197.3)**
At 31 December 2015		142.4	317.0	137.9	(11.0)	1,259.8	**1,846.1**	2.8	**1,848.9**

		Attributable to owners of the Parent Company							
For the year ended 31 December 2014	Note	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity and reserves £m
At 1 January 2014		142.0	311.3	112.4	(18.8)	1,131.2	1,678.1	0.5	1,678.6
Total comprehensive (expense)/ income for the year		–	–	(4.6)	–	236.5	231.9	(0.1)	231.8
Employee share option schemes:									
– share-based payment reserve		–	–	2.0	0.7	–	2.7	–	2.7
– proceeds from shares issued		–	0.1	–	2.0	(0.4)	1.7	–	1.7
Dividends paid	10	–	–	–	–	(131.2)	(131.2)	–	(131.2)
Deferred tax relating to share option schemes	8	–	–	(0.6)	–	–	(0.6)	–	(0.6)
Issue of new shares		–	0.3	–	–	–	0.3	–	0.3
Changes in non-controlling interests in subsidiaries		–	–	(0.1)	–	–	(0.1)	2.7	2.6
Transactions with the owners of the Group for the year		–	0.4	1.3	2.7	(131.6)	(127.2)	2.7	(124.5)
At 31 December 2014		142.0	311.7	109.1	(16.1)	1,236.1	1,782.8	3.1	1,785.9

The attached notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position
At 31 December 2015

	Note	2015 £m	2014 £m
Assets			
Cash and cash equivalents	12(a)	**196.6**	204.8
Financial assets	12(b)	**4,452.7**	4,390.3
Reinsurance assets			
– reinsurers' share of outstanding claims	13(a)	**318.2**	305.9
– reinsurers' share of unearned premium	13(c)	**46.7**	44.0
Loans and receivables, including insurance and reinsurance receivables			
– insurance and reinsurance receivables	13(e)	**1,164.4**	1,046.9
– other loans and receivables	12(c)	**125.4**	85.5
Deferred acquisition costs	13(d)	**346.4**	270.7
Current income tax assets		**11.7**	11.6
Deferred tax assets	8	**12.7**	5.7
Property and equipment	14	**57.5**	35.9
Goodwill and intangible assets	15	**268.2**	267.4
Investments in associates	18(b)	**7.7**	7.0
Total assets		**7,008.2**	6,675.7
Equity and reserves			
Share capital	17(a)	**142.4**	142.0
Share premium		**317.0**	311.7
Other reserves	17(b)	**137.9**	109.1
Treasury shares		**(11.0)**	(16.1)
Retained earnings		**1,259.8**	1,236.1
Equity attributable to owners of the Parent Company		**1,846.1**	1,782.8
Non-controlling interests		**2.8**	3.1
Total equity and reserves		**1,848.9**	1,785.9
Liabilities			
Insurance liabilities			
– outstanding claims	13(a)	**2,941.7**	2,928.2
– unearned premium	13(c)	**1,410.7**	1,168.4
Other payables, including insurance and reinsurance payables			
– insurance and reinsurance payables	13(f)	**118.6**	196.2
– other payables	12(d)	**154.8**	178.6
Financial liabilities	12(b)	**25.2**	28.6
Current income tax liabilities		**8.3**	0.6
Borrowings	12(e)	**373.6**	262.1
Retirement benefit obligations	16(a)	**29.5**	41.4
Deferred tax liabilities	8	**96.9**	85.7
Total liabilities		**5,159.3**	4,889.8
Total equity, reserves and liabilities		**7,008.2**	6,675.7

The attached notes form an integral part of these consolidated financial statements.

The financial statements on pages 64 to 68 were approved by the Board of Directors and authorised for issue on 4 March 2016. They were signed on its behalf by:

Charles Philipps
Chief Executive

Richard Hextall
Chief Finance & Operations Officer

Consolidated statement of cash flows
For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Profit before tax		**252.3**	258.7
Adjustments:			
Depreciation charge	14,7(g)	**5.4**	5.4
Amortisation charge	15,7(g)	**10.3**	10.7
Finance costs	7(f)	**23.2**	27.0
Interest income	5	**(17.5)**	(22.0)
Dividend income	5	**(26.2)**	(22.9)
Gains on investments realised and unrealised	5	**(50.5)**	(56.4)
Gain on revaluation of existing investment		**–**	(11.4)
Gain on modification of defined benefit pension fund	16(a)	**(11.6)**	–
Other non-cash movements		**6.8**	3.0
Movement in operating assets and liabilities:			
Net sales of financial investments	12(b)	**1.9**	71.5
Foreign exchange gains on investments	12(b)	**(3.8)**	(8.9)
Increase in loans and receivables		**(117.8)**	(14.6)
(Decrease)/increase in insurance and reinsurance contract assets		**(132.6)**	5.2
Increase in insurance and reinsurance contract liabilities		**178.2**	28.5
(Decrease)/increase in other payables		**(27.5)**	11.4
Decrease in retirement benefit obligations		**–**	(1.0)
Foreign exchange losses on other non-operating assets and liabilities		**19.2**	9.6
Cash generated from operations		**109.8**	293.8
Interest received		**18.9**	20.1
Dividends received		**26.2**	22.9
Income taxes (paid)/received		**(2.0)**	13.2
Net cash inflows from operating activities		**152.9**	350.0
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**–**	2.0
Deferred payment for acquired subsidiary		**(0.3)**	(0.4)
Investments in associates		**0.9**	4.8
Purchase of property and equipment		**(28.7)**	(16.5)
Proceeds from sale of property and equipment		**4.1**	–
Purchase and development of intangible assets		**(13.3)**	(9.9)
Net cash outflows from investing activities		**(37.3)**	(20.0)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares, including treasury shares		**1.6**	1.7
Dividends paid to owners of the Parent Company	10	**(211.9)**	(131.2)
Purchase of non-controlling interest		**–**	(0.4)
Interest paid		**(18.8)**	(22.1)
Purchase of ESOT and treasury shares		**(0.5)**	(4.0)
Net increase in/(repayment of) borrowings	12(e)	**105.3**	(131.8)
Net cash outflows from financing activities		**(124.3)**	(287.8)
Net increase/(decrease) in cash and cash equivalents		**(8.7)**	42.2
Cash and cash equivalents at beginning of year		**204.8**	164.5
Effect of exchange rate changes on cash and cash equivalents		**0.5**	(1.9)
Cash and cash equivalents at end of year	12(a)	**196.6**	204.8

The Group includes cash flows from purchase and disposal of financial assets in its operating cash flows as these transactions are generated by the cash flows associated with the origination and settlement of insurance contract liabilities or capital requirements to support underwriting.

The attached notes form an integral part of these consolidated financial statements.

Notes to the financial statements
For the year ended 31 December 2015

1. Summary of significant accounting policies and critical accounting judgements and estimates
MS Amlin plc (the Company) is a public limited company incorporated in England and Wales. The address of the registered office is: The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AG.

The basis of preparation, basis of consolidation and significant accounting policies adopted in the preparation of the Company and subsidiaries' (the Group) consolidated financial statements are set out below.

Basis of preparation
These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretation Committee (IFRICs), as adopted for use in the European Union (EU). The consolidated financial statements comply with Article 4 of the EU IAS regulation and Companies Act 2006.

The consolidated financial statements have been prepared on the historical cost basis except for cash and cash equivalents, financial assets and financial liabilities, share options, contingent consideration and pension assets, which are measured at their fair value.

Except where otherwise stated, all figures included in the consolidated financial statements are presented in millions of British Pounds Sterling (sterling) shown as £m rounded to the nearest £100,000.

The accounting policies adopted in preparing these financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014 unless otherwise stated.

In accordance with IFRS 4, 'Insurance contracts', the Group has applied existing accounting practices for insurance contracts, modified as appropriate, to comply with the IFRS framework and applicable standards.

Basis of consolidation
The financial statements consolidate the accounts of the Company and subsidiaries, including the Group's underwriting through participation on a Lloyd's syndicate. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group is deemed to control an entity if it has exposure to variable returns from its involvement with the entity and has the ability to use its power to affect those returns from its involvement with the entity. The financial statements of all subsidiaries are prepared for the same reporting year as the Parent Company. Consolidation adjustments are made to convert subsidiary financial statements prepared under different accounting standards into IFRS so as to remove the effects of any different accounting policies that may exist. Subsidiaries are consolidated from the date that control is transferred to the Group and cease to be consolidated from the date that control is transferred out.

All inter-company balances, profits and transactions are eliminated.

The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 which came into force on 6 April 2015 repealed the Companies Act 2006 section 410 exemption. The disclosure obligation to which the exemption applied requires disclosure of certain information about related undertakings in the notes to the accounts. Consequently, a full listing of related undertakings can be found in note 18.

Going concern
The Group's business, risk and financial management, performance and position, together with factors that are likely to affect future development, are described in the Financial Review section of this Annual Report on page 39. Capital management strategy, which covers how regulatory and economic capital needs are measured and how capital is deployed, is described on page 43. The financial position of the Group, including commentary on cash and investment levels, currency management, insurance liability management, liquidity and borrowings, is also covered in that section. In addition, note 2 describes capital management needs and policies, note 13(g) covers underwriting risk, and note 12(h) covers market, liquidity and credit risk which may affect the financial position of the Group.

The Group has considerable financial resources to meet its financial needs and, in much of the Group, manages a mature portfolio of insurance risk through an experienced and stable team. The Directors believe that the Group is well positioned to manage its business risk successfully in the current economic environment.

After making enquiries, the Directors have a reasonable expectation that the Company, and the Group, have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Adoption of new and revised standards
(a) New standards, amendments to published standards and interpretations effective on or after 1 January 2015
The Group has adopted the following new standards and amendments for the first time for their annual reporting period commencing 1 January 2015:

Annual Improvements 2011-2013 Cycle
These improvements have been endorsed by the EU and are effective from 1 January 2015. The changes identified in these improvements are not applicable to the Group.

(b) Standards, amendments to published standards and interpretations early adopted by the Group
The Group has early adopted the following new and amended IFRSs for the year ended 31 December 2015.

Annual Improvements 2010-2012 Cycle
With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 February 2015. The Group has adopted these improvements for the first time in these consolidated statements. They include:

i. IFRS 2, 'Share-based Payment'
This improvement is applied prospectively and clarifies the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods. Thus, these amendments do not impact the Group's financial statements or accounting policies.

1. Summary of significant accounting policies and critical accounting judgements and estimates continued

Adoption of new and revised standards continued

ii. IFRS 3 'Business Combinations'

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 'Financial Instruments' as applicable. This is consistent with the Group's current accounting practice; therefore the amendment does not impact the Group's accounting policy.

iii. IFRS 8, 'Operating Segments'

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are 'similar'; and,
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

The Group has applied the aggregation criteria in IFRS 8.12. The Group does not report a reconciliation of segment assets to total assets to the chief operating decision maker thus the second clarification has no impact on the financial statements of the Group.

Further amendments were made to other standards resulting in no impact to the financial statements of the Group.

IAS 19 (amended), 'Defined Benefit Plans: Employee Contributions'

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the period of service. This amendment is effective for annual periods beginning on or after 1 February 2015. The amendment has not had a significant impact on the financial statements of the Group.

(c) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Group

Standards, amendments to published standards and interpretations issued that are expected to have a material impact on the Group, but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards when they become effective.

IFRS 9, 'Financial instruments'

In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement' and all previous versions of IFRS 9.

The final standard has a mandatory effective date of 1 January 2018 with early adoption permitted[1], however the IASB have issued an Exposure Draft that proposes:

- To permit entities that predominantly issue insurance contracts the option to defer the effective date of IFRS 9 Financial Instruments until 2021 (the 'deferral approach'); and
- To permit entities that implement IFRS 9 with the option to remove from profit or loss some of the additional accounting mismatches and temporary volatility that could occur before the new insurance contracts Standard is implemented (the 'overlay approach').

The adoption of IFRS 9 will have an effect on the classification and measurement and impairment model applied to the Group's financial instruments. Work is on-going to quantify the impact of these changes. In due course the Group will decide which approach, from the above, to adopt. Consideration will also be given to the interaction with emerging requirements and expected timetable of the IASB's insurance contracts project in addressing the Group's classification and measurement approach.

IFRS 15, 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers with an effective date of 1 January 2017. In September 2015, an amendment was issued for the effective date to be deferred to annual periods beginning on or after 1 January 2018 with early adoption permitted[1].

The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services, based on the satisfaction of performance objectives.

Adoption of this standard replaces existing revenue recognition guidance applied by the Group, IAS 18 'Revenue'. It is not expected to have a material impact on the Group but could impact the timing and recognition of service company commission income.

IFRS 16, 'Leases'

In January 2016, the IASB issued IFRS 16 Leases with an effective date of accounting periods beginning on or after 1 January 2019[1]. This new standard replaces IAS 17, 'Leases'.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the income statement.

The adoption of IFRS 16 will have an effect on the Group as leased assets will be grossed up on the statement of financial position along with a corresponding liability. Depreciation on the leased asset and interest charge on the liability will also be accounted for through the profit or loss account.

Annual improvements to IFRSs 2012-2014

The IASB uses the annual improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of a major project.

The amendments clarify existing guidance and do not give rise to significant changes in existing accounting practice. The improvements are not expected to significantly impact the Group's consolidated financial statements.

Note:
1. Subject to EU endorsement

The annual improvements are applicable for periods beginning on or after 1 January 2016.

IAS 1 (amended), 'Disclosure Initiative'

IAS 1 (amended), 'Disclosure Initiative' was issued in December 2014 and is applicable for periods beginning on or after 1 January 2016. The amendment clarifies, rather than specifically changes existing IAS 1 requirements. The Group has assessed its impact and incorporated some improvements relating to the ordering of notes to the financial statements.

IAS 12 (amended): 'Recognition of Deferred Tax Assets for Unrealised Losses'

On 19 January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments, Recognition of Deferred Tax Assets for Unrealised Losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective on or after 1 January 2017[1] with retrospective application. Early application is permitted. The amendments are expected to have an impact on the Group.

IAS 7, 'Disclosure Initiative'

On 29 January 2016, the IASB issued amendments to IAS 7, 'Statement of Cash Flows' with an effective date of 1 January 2017[1]. The improvements to disclosures require companies to provide information about changes in their financing liabilities and come as a response to requests from investors for information that helps them better understand changes in a company's debt. The amendments will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes such as foreign exchange gains or losses). Early application is permitted, however entities are exempted from providing comparative information when the amendments are first applied. The amendments are expected to have an impact on the Group.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities. Although estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The table below provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different to estimates.

Critical accounting judgement	Nature of judgement	Note
Product classification	Assessment of the significance of insurance risk passed	(c)
Consolidation decisions	Assessment of whether the Group controls the underlying entities	(h)

The following table sets out those items we consider particularly susceptible to changes in estimates.

Significant accounting estimates	Note
Estimation of unpaid insurance claim reserves & expenses	(a)
Estimation of premium income	(b)
Fair value of Level 3 financial investments	(d)
Intangible assets – recognition and impairment	(e)
Goodwill – recognition and impairment	(f)
Recognition of deferred tax provisions	(g)
Retirement benefit obligations – recognition and impairment	(i)

(a) Insurance contract liabilities

The most significant estimate made in the financial statements relates to unpaid insurance claim reserves and related loss adjustment expenses of the Group.

Unpaid claims reserves are estimated on an undiscounted basis. Unpaid claims reserves acquired through a business combination are measured at fair value, using an applicable risk-free discount rate and having regard to the expected settlement dates of the claims. 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 statement of profit or loss.

The Group applies an actuarial-led reserving process, based on an actuarial best estimate plus an explicit management margin, which reflects the risk premium relating to the uncertainty of the actual level of claims incurred. Using an actuarial-led reserving process continues to augment the judgement around the profile of risk over the coverage period applied to certain classes of business. Consequently, changes in the estimate of claims should be considered in conjunction with the impact on earned premium.

Although it is possible that claims could develop and exceed the reserves carried, there is a reasonable chance of release of reserves from one year to the next. The estimated provision for the total level of claims incurred changes as more information becomes known about the actual losses for which the initial provisions were set up. The change in claims costs for prior period insurance claims represents the claims development of earlier reported years incurred in the current accounting period. The carrying value of the Group's net outstanding claims reserves at 31 December 2015 is £2,623.5 million (2014: £2,622.3 million). In 2015, there has been a net positive development of £80.1 million (2014: £89.6 million positive) for the Group. Note 13(i) provides further details of the method the Group applies in estimating insurance contract liabilities.

(b) Insurance contract premium

Gross written premium is recognised on insurance contracts incepting during the financial year and includes an estimate of the total premium expected to be received under each contract. Revenue recognised on policies written through contracts with third parties, such as binding authorities and line slips, is deemed to be written in full at the inception of such contracts and therefore this estimate is particularly judgemental. Adjustments to estimates from previous years are included in the reported premium.

With over supply of capital, particularly in the reinsurance market, clients have increasingly requested multi-year placements of their reinsurance programme. A number of contracts include cancellation clauses which can be enforced by the client. Judgement is therefore required to be applied in calculating the estimated total premium at the inception of these contracts.

The Group has recognised estimated premium income (EPI) for the current year and a negative adjustment for prior years totalling £1,256.3 million and £10.9 million respectively (2014: £961.3 million and £15.1 million positive). An analysis of EPI across the Group's segments is included in note 3(b).

The calculation of EPI is inherently subjective and attained through a combination of underwriters' best estimates at a policy level and actuarial techniques at a portfolio level, based on observable historical trends. These estimates are reviewed on a quarterly basis by underwriters and independently assessed by the actuarial and finance teams.

Note:
1. Subject to EU endorsement

1. Summary of significant accounting policies and critical accounting judgements and estimates continued
Critical accounting judgements and key sources of estimation uncertainty continued

If the estimation of EPI had been 10% lower than management's estimates at 31 December 2015, the Group's result on underwriting activities would decrease by £26.4 million (2014: £15.7 million) and the Group's net assets would decrease by £24.7 million (2014: £14.3 million).

The estimation of earned premium uses judgement about the profile of risk over the coverage period of (re)insurance contracts. Premium is recognised as earned over the policy contract period. The earned element is calculated separately for each contract on a basis where the premium is apportioned over the period of risk. For premium written under facilities, the earned element is calculated based on the estimated inception date and coverage period of the underlying contracts. Some classes of business may be exposed to a seasonal pattern to the incidence of claims. Where this is the case, the earnings profile of the related premium is aligned.

(c) Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract.

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts underwritten by the Group under which the contract holder is another insurer (inwards reinsurance) are included within insurance contracts.

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Any contracts not considered to be insurance contracts under IFRS 4 are classified as financial instruments.

Based on the current assessment, all of the products underwritten by the Group's insurance entities are insurance contracts within the scope of IFRS 4. Certain risk transfer contracts held by the Group, for example catastrophe linked instruments, do not meet the definition of an insurance contract and are therefore accounted for as financial instruments in accordance with IAS 39.

(d) Financial assets and financial liabilities

The Group uses pricing vendor sources in determining the fair value of financial assets and financial liabilities. Depending on the methods and assumptions used (for example, in the fair valuation of Level 2 and Level 3 financial assets), the fair valuation of financial assets and financial liabilities can be subject to estimation uncertainty. Details of these methods and assumptions are described in note 12(f). The carrying values of the Group's financial assets and financial liabilities at 31 December 2015 are £4,452.7 million (2014: £4,390.3 million) and £25.2 million (2014: £28.6 million) respectively. These include £360.7 million (2014: £262.2 million) of Level 3 investments, principally comprising property funds.

(e) Intangible assets

Intangible assets are recognised on the acquisition of a subsidiary, on the purchase of specific rights to renew a particular underwriting portfolio, on the acquisition of syndicate capacity and on internally developed computer software.

The value of intangible assets arising from the acquisition of a subsidiary, syndicate capacity or on the purchase of renewal rights is largely based on the expected cash flows of the business acquired and contractual rights on that business.

The internally developed computer software principally relates to cost directly attributable to the development of an IT platform for Amlin Europe N.V. and new Group finance systems.

The assumptions made by management on initial recognition and valuation of intangible assets, together with the performance of impairment tests, are subject to estimation uncertainty. The results of the impairment test may result in the value of the intangible being impaired in the current period. Note 15 provides further details on these assumptions.

The carrying value of the Group's intangible assets (excluding goodwill) at 31 December 2015 is £163.7 million (2014: £161.3 million). The carrying value at the reporting date of goodwill is £104.5 million (2014: £106.1 million).

(f) Goodwill impairment

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating unit to which goodwill is allocated. Details of the key assumptions used in the estimation of the recoverable amounts are contained in note 15.

The Group has allocated goodwill to cash generating units based on a number of factors, which include how the entity's operations are monitored. Note 15 provides further details.

(g) Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The wide range of international business relationships and the long-term nature and complexity of existing contractual agreements could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the country of the respective Group company's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The carrying value at the reporting date of the deferred tax asset is £12.7 million (2014: £5.7 million), and of the deferred tax liability is £96.9 million (2014: £85.7 million). Further analysis is included in note 8.

(h) Determining control of entities

The Group has made significant judgements and assumptions in reaching its control conclusions for its investment in funds as follows;

Investment funds

The Group holds financial investments in a number of pooled vehicles, which are typically sub-funds of umbrella structures. In the first instance, a presumption has been made that any sub-funds of umbrella structures do constitute silos in accordance with IFRS 10, 'Consolidated Financial Statements'. In certain instances the Group may hold a majority of the voting rights in particular sub-funds. The Group has determined that it neither controls nor significantly influences these sub-funds despite owning a majority of the voting rights, on the basis that direction of the relevant activities of the sub-funds is by the umbrella vehicle, over which the Group has no significant rights. Such investments are accounted for as financial investments in accordance with IAS 39, 'Financial instruments: Recognition and measurement'. Note 12(g) provides further details on these investments.

(i) Retirement benefit obligations

The Group participates in the Lloyd's Superannuation Fund defined benefit scheme and also operates defined benefit schemes in the Netherlands, Belgium and Switzerland.

The amounts included in these financial statements are sensitive to changes in the assumptions used to derive the value of the scheme assets and liabilities.

A gain of £0.4 million (2014: £9.8 million loss) has been recognised in other comprehensive income and a net credit of £5.1 million (2014: £6.4 million expense), including the gain on modification of the Amlin Europe N.V. defined benefit pension scheme in the Netherlands; has been recognised in the statement of profit or loss. Note 16(a) provides further details on the Group's retirement benefit obligations. At 31 December 2015, the Group recognised a liability of £29.5 million (2014: £41.4 million) in respect of its defined benefit plans.

Significant accounting policies

(a) Insurance contracts liabilities

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

Unpaid claims reserves are made for known or anticipated liabilities under insurance contracts which have not been settled up to the reporting date. Included within the provision is an allowance for the future costs of settling those claims. This is estimated based on past experience and current expectations of future cost levels.

The unpaid claims reserves also include, where necessary, a reserve for unexpired risks where, at the reporting date, the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premium provision.

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries and subrogation reimbursements are included as allowances in the measurement of the insurance liability for unpaid claims, and recognised in insurance and reinsurance receivables when the liability is settled.

(b) Reinsurance recoveries

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Where there is objective evidence that a reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of profit or loss.

(c) Insurance contracts premium

Gross written premium comprise premium on insurance contracts incepting during the financial year together with adjustments to premium written in previous accounting years. The estimated premium income in respect of facility contracts, for example binding authorities and line slips, is deemed to be written in full at the inception of the contract.

Premium is disclosed before the deduction of brokerage and taxes or duties levied on them. The proportion of gross written premium, gross of commission payable, attributable to periods after the reporting date is deferred as a provision for unearned premium. The change in this provision is taken to the statement of profit or loss in order that revenue is recognised over the period of the risk.

Premium is recognised as earned over the policy contract period. The earned element is calculated separately for each contract on a basis where the premium is apportioned over the period of risk. For premium written under facilities, the earned element is calculated based on the estimated inception date and coverage period of the underlying contracts. Some classes of business may be exposed to a seasonal pattern to the incidence of claims. Where this is the case, the earnings profile of the related premium is aligned to the incidence of the corresponding risk.

(d) Acquisition costs

Acquisition costs comprise brokerage 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 year and are impaired where they are no longer considered to be recoverable out of future margins in the related revenues.

(e) Reinsurance premium ceded

Reinsurance premium ceded comprise premium on reinsurance arrangements bought which incept during the financial year, together with adjustments to premium ceded in previous accounting years. The proportion of reinsurance premium ceded attributable to periods after the reporting date is deferred as reinsurers' share of unearned premium. Reinsurance premium ceded is earned over the policy contract period in accordance with the terms of the reinsurance contract.

(f) Financial assets

The Group classifies its financial assets at fair value through profit and loss (FVPL) or available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Other than investments in certain unlisted insurance intermediaries (see section (l)-(iv) below), the Group classifies its financial investments at FVPL. This classification requires all fair value changes to be recognised immediately within the investment return line in the statement of profit or loss. Within the FVPL category, fixed income securities, equity securities, property funds and certain derivatives are classified as 'trading' as the Group buys with the intention to resell.

All other assets at FVPL are classified as 'other than trading' within the FVPL category as they are managed and their performance is evaluated on a FVPL basis.

1. Summary of significant accounting policies and critical accounting judgements and estimates continued

Significant accounting policies continued

The Group has investments in certain unlisted insurance intermediaries which are treated as available-for-sale and are measured at fair value, unless their fair value cannot be reliably measured, in which case they are valued at cost less impairment.

Changes in the fair value of these investments are included in other comprehensive income in the year in which they arise. They are tested for impairment annually, or when events or changes in circumstances indicate that impairment might have occurred. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of profit or loss as gains and losses from investment securities.

Purchases and sales of investments are recognised on the trade date, which is the date the Group commits to purchase or sell the assets.

These are initially recognised at fair value, and are subsequently re-measured at fair value based on quoted bid prices. Transaction costs are recognised directly in the statement of profit or loss when incurred. Changes in the fair value of investments are included in the statement of profit or loss in the year in which they arise. The uncertainty around valuation is discussed further in note 12(h).

Derivative financial instruments

Derivative financial instruments primarily include currency swaps, currency and interest rate futures, currency options, catastrophe linked instruments and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates or catastrophe risk. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into. They are subsequently measured at fair value, with their fair values obtained from quoted market prices or, where these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. Changes in the fair value of derivative instruments are recognised immediately in the statement of profit or loss unless the derivative is designated as a hedging instrument.

As defined by IAS 39, the Group designates certain foreign currency derivatives as hedges of net investments in foreign operations. The Group documents at the inception of each hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Any gain or loss on the hedging instrument related to the effective portion is recognised in other comprehensive income. The fair values of derivative instruments used for hedging purposes are disclosed in note 12(b). Gains and losses accumulated in equity are included in the statement of profit or loss when the foreign operation is partially disposed of or sold.

Embedded derivatives with risks and characteristics which are not closely related to the host contract, and where the combined instrument is not measured at fair value with changes in fair value recognised in the statement of profit or loss, are separated from the host contract and measured at fair value.

(g) Intangible assets

i. Goodwill

Goodwill arising on acquisitions prior to 1 January 1999 was written off to reserves. Goodwill recognised between 1 January 1999 and the date of transition to IFRS (1 January 2004) was capitalised and amortised on a straight-line basis over its estimated useful life. Following the transition to IFRS this goodwill is stated at net book value at 1 January 2004. Goodwill that was recognised subsequent to 1 January 2004 is capitalised. Goodwill is tested for impairment annually, or when events or changes in circumstance indicate that it might be impaired, by comparing the net present value of the future earnings stream of the cash generating unit to which goodwill has been allocated, against the carrying value of the goodwill and the carrying value of the related net assets.

ii. Syndicate capacity

Lloyd's syndicate participations that have been purchased in the Lloyd's capacity auctions are capitalised at cost. Syndicate capacity is considered to have an indefinite life as it will provide benefits over an indefinite future period and is therefore not subject to an annual amortisation charge. The continuing value of the capacity is reviewed for impairment annually by reference to the expected future profit streams to be earned from the cash generating units to which the intangible asset is allocated, with any impairment in value being charged to the statement of profit or loss.

iii. Broker and customer relationships, computer software and other intangible assets

The Group recognises intangible assets in respect of rights to broker and customer relationships acquired through business combinations. Costs directly attributable to internally developed computer software are capitalised and recognised as intangible. Other intangible assets, which do not fall under the aforementioned categories, include the recognition of acquired renewal rights to certain underwriting portfolios.

Costs are recognised as intangible assets where they can be identified separately and measured reliably and it is probable that they will be recovered by directly related future economic benefits. Intangible assets are reviewed for impairment losses at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. These intangible assets are carried at cost less accumulated amortisation and impairment losses. Amortisation is recognised in line with the consumption of the benefits based on the estimated useful economic life of the assets, which is estimated to be between five and 15 years, and is charged to other operating expenses in the statement of profit or loss.

(h) Business combinations

i. Business combinations before 1 January 2010

The acquisitions of subsidiaries are accounted for using the purchase method. The cost of acquisition is measured as the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Group at the date of exchange, plus any costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed, meeting the conditions for recognition under IFRS 3, 'Business combinations', are recognised at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

ii. Business combinations after 1 January 2010

The Group applies IFRS 3 (revised) to all acquisitions taking place on or after 1 January 2010. Business combinations are accounted for using the acquisition method.

The cost of acquisition is measured as the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Group at the date of exchange. Under IFRS 3 (revised), with the exception of the costs of registering and issuing debt and securities that are recognised in accordance with IAS 32 and IAS 39 (i.e. as a reduction in proceeds), all other acquisition-related costs are to be expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed, meeting the conditions for recognition under IFRS 3, are recognised at their fair value at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the fair value of consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

For each business combination, the Group measures any non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

(i) Tax

Income tax expense represents the sum of the current tax payable and deferred tax.

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The Group's and Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised in respect of taxable temporary differences arising on investments in subsidiaries and associates, except where the Group and Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the substantively enacted tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the statement of profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity respectively.

Deferred tax is recognised on the profits of foreign subsidiaries where it is reasonably foreseeable that distribution of the profit back to the UK will take place and the UK dividend exemption is not expected to apply.

(j) Employee benefits

i. Retirement benefit obligations

The Group participates in a number of pension schemes, including several defined benefit schemes and defined contribution schemes. The Lloyd's Superannuation Fund scheme is a multi-employer defined benefit scheme. Amlin Europe N.V. participates in two defined benefit schemes. Amlin AG's pension scheme is classified as a defined benefit scheme in accordance with IAS 19.

The defined benefit obligation and associated pension costs are calculated annually by independent actuaries using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final liability. The cost of providing these benefits is charged to the statement of profit or loss to spread the pension cost over the service lives of employees. Any re-measurements arising from the recognition and funding of the Group's pension obligations are recognised in other comprehensive income during the year in which they arise.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the reporting date, together with adjustments for restrictions on the recognition of a defined benefit asset due to an asset ceiling. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rates set on the basis of the yield of high-quality debt instruments (AA rated or equivalent) issued by blue-chip companies, with maturities consistent with those of the defined benefit obligations.

In respect of the defined benefit schemes in Amlin Europe N.V. and Amlin AG, the fair value of the plan assets reflects the benefits that accrue under the insurance policy taken out to meet its obligations.

Pension contributions to defined contribution plans are charged to the statement of profit or loss when due.

ii. Equity compensation plans (equity-settled)

The Company operates a number of executive and employee share schemes. Options issued after 7 November 2002 are accounted for using the fair value method where the cost for providing equity compensation is based on the fair value of the share option or award at the date of the grant. The fair value is calculated using an option pricing model and the corresponding expense is recognised in the statement of profit or loss over the vesting period. The accrual for this charge is recognised in equity shareholders' funds. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital for the par value and the surplus to share premium.

1. Summary of significant accounting policies and critical accounting judgements and estimates continued
Significant accounting policies continued

iii. Other benefits
Other employee incentive schemes and long-term service awards, including the Capital Builder Plan and sabbatical leave, are recognised when they accrue to employees. A provision is made for the estimated liability for long-service leave as a result of services rendered by employees up to the reporting date.

(k) Foreign currency translation
The Group and Company present their financial statements in sterling since they are subject to regulation in the United Kingdom and the net assets, liabilities and income of both are currently weighted towards sterling. US dollar and euro revenues are significant but the sterling revenue stream is currently material. Group entities conduct business in a range of economic environments, although these are primarily the UK, USA and continental Europe. Transactions denominated in foreign currencies are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated at the rates of exchange at the reporting date. Non-monetary assets and liabilities are translated at the rate prevailing in the year in which the asset or liability first arose or, where such items are revalued, at the latest valuation date. Exchange differences are recognised within Other operating expenses.

The results and financial position of those Group entities whose functional currency is not sterling (“foreign operations”) are translated into sterling as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing exchange rate at the reporting date;
- Income and expenses for each statement of profit or loss are translated at the exchange rates at the date of each transaction, or a practical approximation to these rates; and
- On consolidation, all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where contracts to sell currency have been entered into prior to the year end, the contracted rates have been used. Differences arising on the translation of foreign currency amounts on such items are included in other operating expenses.

Details of the principal exchange rates used are included in note 9(b).

(l) Other accounting policies
i. Investment return
Dividends and any related tax credits are recognised as income on the date that the related listed investments are marked ex-dividend. Other investment income and interest receivable are recognised on an accruals basis.

ii. Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, which is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the MS Amlin Management Committee.

iii. Exceptional items
Exceptional items are those that, in the Directors’ view, are required to be separately disclosed by virtue of their material non-recurring nature or incidence to enable a full understanding of the Group’s financial performance. The background to the gain on modification of the Amlin Europe N.V. defined benefit obligation can be found in note 16.

iv. Investments in associates
Investments in associates are accounted for using the equity method.

Associates are all entities over which the Group has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group’s share of its associates’ post-acquisition profits and losses after tax is recognised in the statement of profit or loss each year, and its share of the movement in associates’ net assets is reflected in the investments’ carrying values in the statement of financial position.

v. Treasury shares
Treasury shares are deducted from equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the treasury shares. Any consideration paid or received is recognised directly in equity.

vi. Property and equipment
Property and equipment are stated at historical cost less accumulated depreciation and provision for impairment where appropriate.
Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated on the straight-line basis to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Leasehold land and buildings	Over period of lease or 2% per annum
Freehold buildings	2% to 5% per annum
Motor vehicles	33% per annum
Computer equipment	20% to 33% per annum
Furniture, fixtures and leasehold improvements	10% to 20% per annum

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstance indicate that the carrying value may be impaired. If any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment and the difference is charged to the statement of profit or loss.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recorded in the statement of profit or loss. Repairs and renewals are charged to the statement of profit or loss when the expenditure is incurred. The freehold land is not depreciated.

vii. Loans and receivables
Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of profit or loss when there is evidence that the asset is impaired. These are reversed when the triggering event that caused the impairment is reversed.

viii. Borrowings
Borrowings are stated initially at the consideration received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between amortised cost and the redemption value is recognised in the statement of profit or loss over the period of the borrowings. Transaction costs on borrowings are charged to the statement of profit or loss over the period of the borrowings.

ix. Finance costs
Finance costs mainly comprise interest payable on subordinated loans and the revolving credit facility, together with commissions charged for the utilisation of letters of credit. These costs are charged to the statement of profit or loss as finance costs, as incurred. Fees paid for the arrangement of debt, the revolving credit facility and letter of credit facilities are charged to finance costs over the life of the facility.

x. Cash and cash equivalents
Cash and cash equivalents are carried in the statement of financial position at fair value. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held on call with banks and other short-term, highly liquid investments which are believed to be subject to insignificant risk of change in fair value.

xi. Earnings per share
Earnings per share are based on the profit attributable to shareholders and the weighted average number of shares in issue during the year. Shares held by the Employee Share Ownership Trust (ESOT) and treasury shares are excluded from the weighted average number of shares.

Basic earnings per share are calculated by dividing profit after tax by the weighted average number of issued shares during the year.

Diluted earnings per share are calculated by dividing profit after tax by the adjusted average number of shares in issue. The adjusted average number of shares assumes conversion of dilutive potential ordinary shares, being shares from the Executive Share Option Scheme, Long-Term Incentive Plan (LTIP), Performance Share Plan (PSP), Share Incentive Plan (SIP) and the Sharesave scheme.

xii. Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards to the Group. All other leases are classified as operating leases.

Rentals payable under operating leases (after taking into account incentives received from the lessor) are charged to the statement of profit or loss on a straight line basis over the period of the lease, which is representative of the time pattern of the Group's benefit.

xiii. Other operating income
Fee income received on insurance-related services is recognised as the benefits of the services are provided.

xiv. Dividend distribution
Final dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the year in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

xv. Other payables
Other payables are initially recognised at fair value and subsequently measured at amortised cost. They represent liabilities to pay for goods or services that have been received or supplied in the normal course of business, invoiced by the supplier before the year end, but for which payment has not yet been made.

2. Capital
The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity and note 17, and subordinated debt as disclosed in note 12(e). For business planning purposes, account is also taken of the Group's debt facilities as disclosed in note 12(e).

The method by which the Group manages its capital base is described on page 43 of the Financial Review section.

During the current and prior financial years, the Group complied with all external capital requirements to which it is subject. In addition to regulatory capital requirements, the Group believes that it should retain a level of capital within the Group to allow it to grow its business in the aftermath of a major insurance disaster, and also to respond to other opportunities to enhance long-term growth, for example through acquisition. The overall capital held by the Group is driven by the business mix, nature and objectives of each division and its context within the wider Group.

Solvency II
Solvency II is a new regulatory regime which came into effect on the 1 January 2016. It has introduced a new basis for assessing capital and has replaced the fourteen insurance and reinsurance directives that were previously known as the Solvency I regime which expired on the 31 December 2015. The assessment involves a market-consistent economic balance sheet and a Solvency Capital Requirement. It impacts the Group, Amlin Corporate Member Ltd (as part of Lloyd's) and at a solo level, Amlin Insurance (UK) plc and Amlin Europe N.V.

On 4 January 2016 Amlin Europe N.V. merged into Amlin Insurance (UK) plc (AIUK) pursuant to the European SE Directive. As a result of the merger, a new Societas Europaea (SE) entity, Amlin Insurance S.E., will be the corporate successor of both Amlin Europe N.V. and AIUK. The new entity will be subject to prudential supervision by the UK's PRA and conduct supervision by the UK's FCA and branch country regulators.

On the 5 December 2015, the Group was notified by the Prudential Regulation Authority (PRA) that its application to use an Internal Model from the 1 January 2016 for its solvency calculation had been approved. The Group has provided all requirements to the regulator under the preparatory phase which expired on 31 December 2015.

UK regulated entities
Amlin Corporate Member Limited
Amlin Corporate Member Limited, which supports Syndicate 2001, is required to hold regulatory capital in compliance with the prudential rules issued by the UK's PRA and is also subject to Lloyd's capital requirements, including maintaining the required Funds in Syndicate (FIS).

Under PRA rules, the corporate member must hold capital in excess of the higher of two amounts. The first is the Minimum Capital Requirement (MCR), as prescribed by EU directives, calculated by applying fixed percentages to premium and claims and allowing for historic reinsurance recoveries.

The second is an Individual Capital Assessment (ICA) calculated internally under the Individual Capital Adequacy Standards (ICAS) regime. The ICA is defined as the level of capital that is required to contain the probability of insolvency, over a one year timeframe, to no greater than 0.5% (1:200).

2. Capital continued

UK regulated entities continued

Lloyd's require the preparation of a Lloyd's Capital Return (LCR), including a statement of financial position prepared under Solvency II principles and the calculation of an ultimate Solvency Capital Requirement (uSCR). The uSCR takes account of one year of new business in full attaching to the next underwriting year and the risks over the lifetime of the liabilities ("to ultimate"). The requirements include risks for all business attaching to the next underwriting year. This is an equivalent recognition of risks and exposures at a 1:200 confidence level as required under ICAS at Lloyd's.

For the final capital requirement, the Economic Capital Assessment (ECA), Lloyd's take the uSCR and applies an uplift currently at 35%. This is then subject to a minimum of 40% (2014: 40%) of the Syndicate's agreed premium capacity limit. At 31 December 2015, the agreed ECA as a percentage of the agreed underwriting capacity for the following underwriting year was 52.8% (2014: 50.0%).

The Syndicate also benefits from mutualised capital within the Lloyd's Central Fund, for which a variable annual levy, for 2015 of 0.35% (2014: 0.5%) of Syndicate gross premium, is payable.

The LCR is reviewed annually by Lloyd's and periodically by the PRA. The PRA expects management to apply their rules continuously. If a firm's capital falls below its ECA, steps must be taken to restore capital adequacy. Due to the nature of the Lloyd's capital setting process, FIS requirements are formally assessed and funded twice yearly at discrete periods and must be met for the Syndicate to continue underwriting.

At 31 December 2015, Amlin Corporate Member Limited funded the agreed FIS requirement of £646.6 million (2014: £576.0 million) to support underwriting for the 2016 underwriting year. The increase of £70.6 million is largely driven by a number of modelling methodology enhancements as well as underlying risk profile changes.

The Group does not seek to retain any assets in excess of the Lloyd's capital requirement within the Lloyd's framework and any surplus is paid to the corporate entities in the Group.

Amlin Insurance (UK) plc

Amlin Insurance (UK) plc (AIUK) is also required to hold minimum levels of regulatory capital in compliance with the prudential rules issued by the PRA. The MCR for AIUK is currently the sterling equivalent of €3.7 million (£2.7 million) (2014: €3.7 million and £2.9 million). In addition to holding overall admissible capital in excess of MCR, AIUK is required to pass a number of capital tests to demonstrate solvency, with rules restricting admissibility of certain types of capital.

Other regulated entities

Amlin AG

Amlin AG is supervised by the Swiss Financial Market Supervisory Authority (FINMA) as well as the Bermuda Monetary Authority (BMA).

FINMA supervision is composed of various qualitative assessments, governance requirements and minimum solvency levels. The European Commission recognised the Swiss insurance supervision system as equivalent to the Solvency II Directive. This decision entered into force in October 2015. Amlin AG provides regulatory solvency reporting to FINMA under the rules of the Swiss Solvency Test (SST). The SST is based on an economic view and required capital is derived from an internal capital model. Amlin AG is not expected to report on Solvency I for the year ended 31 December 2015.

Amlin AG's SST model is to a large extent the same as the Group's Solvency II model, which has been approved by the PRA. The SST model had a temporary approval until 31 December 2015, which was extended in 2016. In the meantime FINMA is reviewing Amlin AG's model application in detail.

Amlin AG calculated a SST ratio of 221% for the year ending 31 December 2014. The minimum ratio for the SST is set at 100%. Amlin AG is expected to exceed the minimum ratios for the year ending 31 December 2015.

The European Commission recognized in November 2015 Bermuda's prudential framework as equivalent to the Solvency II Directive. This decision is subject to a three month review by the European Parliament and Council. Once the Delegated Act comes into force in early 2016, the equivalence decision will be applied retroactively to 1 January 2016.

Under BMA regulations, Amlin AG is licensed as a Class IV insurer and the minimum solvency margin is the greater of US$100 million, 50% of net premiums written in the current financial year, 15% of claims reserves and the Enhanced Capital Requirement (ECR).

The ECR is calculated on an annual basis through the Bermuda Solvency Capital Requirement (BSCR) model. In addition, as a Class IV insurer, Amlin AG is required to maintain a minimum liquidity ratio such that the value of "relevant assets" is not less than 75% of its "relevant liabilities". Amlin AG calculated an ECR of US$650.5 million for the year ending 31 December 2014, and is expected to have an ECR for the year ending 31 December 2015 that exceeds the minimum requirements.

For trading purposes, Amlin AG believes that it is necessary to hold at least US$1 billion of capital, which is currently in excess of the minimum required by the BMA and FINMA.

Amlin Europe N.V.

Amlin Europe N.V. is required to hold regulatory capital in compliance with the rules issued by its regulator De Nederlandsche Bank (DNB), and as prescribed by EU directives. DNB supervision comprises various qualitative assessments, governance requirements and minimum solvency levels. During the year Amlin Europe N.V. provided regulatory solvency reporting to DNB, under the rules of both Solvency I and Solvency II.

At 31 December 2015, the minimum required capital for Amlin Europe N.V. under Solvency I amounted to €89.1 million (2014: €88.7 million). The minimum capital requirement is calculated by applying fixed percentages to premiums and claims. At 31 December 2015, Amlin Europe N.V. complied with external capital requirements. For trading purposes, Amlin Europe N.V. holds capital in excess of the minimum required by the DNB.

On the 9 December 2015, the Company made a capital contribution to Amlin Europe N.V. totalling €50.0 million (£36.3 million) to meet Solvency II capital requirements.

3. Segmental reporting

a) Basis of segmentation

Management has determined the Group's operating segments based on the management information reviewed during the year by the chief operating decision maker (identified as the MS Amlin Management Committee) that is used to make strategic decisions. All operating segments used by management meet the definition of a reportable segment under IFRS 8, 'Operating segments'.

Segments represent the distinct units through which the Group is organised and managed. From 1 September 2014, management reorganised the Group operating structure, from an entity/divisional basis, to three Strategic Business Units (SBUs): Reinsurance, Marine & Aviation and Property & Casualty. From 1 January 2015, reporting to the chief operating decision maker reflects the change in organisation and segmental analyses for the comparative year have been restated accordingly. Segments are as follows:

- Reinsurance – Offering coverage of catastrophe, property and casualty risks through treaty and facultative reinsurance, and providing clients with Insurance Linked Securities (ILS) solutions. Operates through offices in Hamilton, London, Miami, Singapore and Zurich.
- Marine & Aviation – Primarily focusing on cargo, energy, hull, liability and aviation portfolios, and other specialist areas such as specie and fine art risks. Operates through offices in Antwerp, London, Paris, Rotterdam, Singapore and Dubai.
- Property & Casualty – Providing insurance coverage in five main areas – property, casualty, accident and health, motor and bloodstock. Operates through offices in Amstelveen, Brussels, Hamburg, London and Paris.
- Other, comprising all other entities of the Group including holding companies, and certain Group related activities which are unrelated to the performance of the SBUs.

Included within the intra group column are consolidation adjustments, eliminating transactions between segments that are outside of the following arrangements:

- Consolidation adjustments eliminating the whole account quota share (WAQS) intra group reinsurance arrangement have been allocated to the segments based on the segmental analyses of the counterparties to the arrangement. Thus each segment is presented excluding the WAQS arrangement.
- Consolidation adjustments relating to transactions within segments are reported through the segment to which the adjustment relates. The most significant impact is in respect of service company commission income recognised as acquisition expenses in Syndicate 2001, Amlin Insurance (UK) plc and Amlin Europe N.V.

Investment return generated from centrally managed investments and managing agency expenses are reported through segments to which these relate.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the consolidated statement of profit or loss and revenues are allocated based on the country in which the insured is located.

3. Segmental reporting continued

b) Segmental information

Segmental information for the reportable segments of the Group is provided below. A reconciliation between this information and the consolidated statement of profit or loss is provided in note 3(c).

Income and expenses by business segment Year ended 31 December 2015	Reinsurance £m	Marine & Aviation £m	Property & Casualty £m	Other £m	Intra group items £m	Total £m
Analysed by geographic segment:						
UK	234.6	117.0	340.2	–	(34.3)	**657.5**
North America	584.5	98.4	270.8	–	–	**953.7**
Europe	281.1	134.5	321.7	–	(5.6)	**731.7**
Other	201.7	99.5	90.5	8.9	–	**400.6**
Gross written premium	**1,301.9**	**449.4**	**1,023.2**	**8.9**	**(39.9)**	**2,743.5**
Net written premium	1,071.4	411.2	912.0	(0.8)	(1.4)	**2,392.4**
Gross earned premium	1,112.9	423.5	980.2	2.7	(43.3)	**2,476.0**
Reinsurance premium ceded	(187.8)	(43.1)	(105.3)	(8.1)	41.1	**(303.2)**
Net earned premium	**925.1**	**380.4**	**874.9**	**(5.4)**	**(2.2)**	**2,172.8**
Insurance claims and claims settlement expenses	(452.1)	(219.3)	(597.2)	(1.9)	17.5	**(1,253.0)**
Insurance claims and claims settlement expenses recoverable from reinsurers	16.5	15.2	75.5	0.6	(19.1)	**88.7**
Expenses for the acquisition of insurance contracts	(208.8)	(90.0)	(203.5)	(1.2)	2.9	**(500.6)**
Underwriting expenses	(78.7)	(63.0)	(119.4)	–	–	**(261.1)**
Result attributable to underwriting	**202.0**	**23.3**	**30.3**	**(7.9)**	**(0.9)**	**246.8**
Investment return	66.8	14.2	32.5	(6.1)	–	**107.4**
Other operating income	19.7	2.6	1.9	0.8	(3.1)	**21.9**
Other non-underwriting expenses	(28.8)	(7.9)	(13.1)	(66.1)	3.0	**(112.9)**
Result of operating activities	259.7	32.2	51.6	(79.3)	(1.0)	**263.2**
Finance costs						**(23.2)**
Share of profit after tax of associates						**0.7**
Gain on modification of defined benefit pension fund						**11.6**
Profit before tax						**252.3**
Claims ratio	47%	54%	60%			**54%**
Expense ratio	31%	40%	37%			**35%**
Combined ratio	**78%**	**94%**	**97%**			**89%**

Notes:

1. Finance costs are incurred in support of the entire business of the Group and have not been allocated to particular segments.
2. The Other segment includes an adjustment of £7.2 million for the understatement of reinsurance premium ceded in prior periods. This adjustment does not relate to the performance of the SBUs and the comparative periods have accordingly been restated to present a consistent view by SBU.

Analysis of estimated premium income (EPI) included in Gross Written Premium above.

Year ended 31 December 2015	Reinsurance £m	Marine & Aviation £m	Property & Casualty £m	Other £m	Intra group items £m	Total £m
Current year EPI	581.6	247.1	420.5	7.1	–	**1,256.3**
Adjustment for prior year's EPI	0.6	(13.3)	1.8	–	–	**(10.9)**
	582.2	**233.8**	**422.3**	**7.1**	**–**	**1,245.4**

Restated Income and expenses by business segment Year ended 31 December 2014	Reinsurance £m	Marine & Aviation £m	Property & Casualty £m	Other £m	Intra group items £m	Total £m
Analysed by geographic segment:						
UK	185.1	89.0	361.4	–	(43.5)	592.0
North America	502.4	102.5	252.6	–	–	857.5
Europe	267.6	153.8	308.6	–	(2.9)	727.1
Other	181.1	109.7	96.6	–	–	387.4
Gross written premium	1,136.2	455.0	1,019.2	–	(46.4)	2,564.0
Net written premium	965.7	397.0	910.7	7.2	(1.7)	2,278.9
Gross earned premium	1,095.0	460.1	968.4	–	(47.1)	2,476.4
Reinsurance premium ceded	(175.8)	(60.8)	(104.0)	7.2	40.4	(293.0)
Net earned premium	919.2	399.3	864.4	7.2	(6.7)	2,183.4
Insurance claims and claims settlement expenses	(534.0)	(242.5)	(557.8)	–	27.5	(1,306.8)
Insurance claims and claims settlement expenses recoverable from reinsurers	32.8	40.0	38.2	–	(27.4)	83.6
Expenses for the acquisition of insurance contracts	(187.9)	(95.4)	(197.0)	–	7.3	(473.0)
Underwriting expenses	(51.4)	(72.0)	(118.0)	–	0.2	(241.2)
Result attributable to underwriting	178.7	29.4	29.8	7.2	0.9	246.0
Investment return	68.2	21.1	42.2	(13.0)	–	118.5
Other operating income	4.7	3.0	2.2	0.2	(2.1)	8.0
Other non-underwriting expenses	(18.5)	(13.4)	(14.4)	(57.7)	2.1	(101.9)
Result of operating activities	233.1	40.1	59.8	(63.3)	0.9	270.6
Finance costs						(27.0)
Share of profit after tax of associates						3.7
Gain on revaluation of existing investment						11.4
Profit before tax						258.7
Claims ratio	55%	50%	60%			56%
Expenses ratio	26%	42%	37%			33%
Combined ratio	81%	92%	97%			89%

Analysis of estimated premium income (EPI) included in Gross Written Premium above.

Year ended 31 December 2014	Reinsurance £m	Marine & Aviation £m	Property & Casualty £m	Other £m	Intra group items £m	Total £m
Current year EPI	381.2	226.4	353.7	–	–	961.3
Adjustment for prior year's EPI	3.7	3.2	8.2	–	–	15.1
	384.9	229.6	361.9	–	–	976.4

3. Segmental reporting continued

c) Reconciliation between management information and the consolidated statement of profit or loss

The table below shows the reconciliation between the management information provided to the chief operating decision maker and the consolidated statement of profit or loss.

	Year ended 31 December 2015			Year ended 31 December 2014		
	Management information £m	Reconciling items £m	IFRS Consolidated statement of profit or loss £m	Management information £m	Reconciling items £m	IFRS Consolidated statement of profit or loss £m
Gross written premium	2,743.5	–	2,743.5	2,564.0	–	2,564.0
Net written premium	2,392.4	52.7	2,445.1	2,278.9	17.0	2,295.9
Gross earned premium	2,476.0	–	2,476.0	2,476.4	–	2,476.4
Reinsurance premium ceded	(303.2)	13.2	(290.0)	(293.0)	17.2	(275.8)
Net earned premium	2,172.8	13.2	2,186.0	2,183.4	17.2	2,200.6
Insurance claims and claims settlement expenses	(1,253.0)	–	(1,253.0)	(1,306.8)	–	(1,306.8)
Insurance claims and claims settlement expenses recoverable from reinsurers	88.7	–	88.7	83.6	–	83.6
Expenses for the acquisition of insurance contracts	(500.6)	–	(500.6)	(473.0)	–	(473.0)
Underwriting expenses	(261.1)	–	(261.1)	(241.2)	–	(241.2)
Result attributable to underwriting	246.8	13.2	260.0	246.0	17.2	263.2
Investment return	107.4	(13.2)	94.2	118.5	(17.2)	101.3
Other operating income	21.9	–	21.9	8.0	–	8.0
Other non-underwriting expenses	(112.9)	–	(112.9)	(101.9)	–	(101.9)
Result of operating activities	263.2	–	263.2	270.6	–	270.6
Finance costs	(23.2)	–	(23.2)	(27.0)	–	(27.0)
Share of profit after tax of associates	0.7	–	0.7	3.7	–	3.7
Gain on revaluation of existing investment	–	–	–	11.4	–	11.4
Gain on modification of defined benefit pension fund	11.6	–	11.6	–	–	–
Profit before tax	252.3	–	252.3	258.7	–	258.7

The reconciling items relate to items of income and expense under the Group's risk transfer contracts with Tramline Re II Ltd. These contracts incepted on 1 July 2013 and 1 January 2015 and each provide cover for risk periods of four years. From a management information perspective, these instruments are insurance linked and therefore these balances are included within the Group's profit attributable to underwriting in the segmental information provided to the chief operating decision maker. Under IAS 39, the instruments are classified as derivatives and therefore such items of income and expense are reported through investment return in the Group's consolidated statement of profit or loss.

d) Non-current assets by location

The Group's non-current assets, consisting of Property and equipment, Goodwill and intangible assets, and Investments in associates are £333.3 million (2014: £310.3 million) of which £232.7 million (2014: £178.3 million) is located in the UK and £100.6 million (2014: £132.0 million) is located in foreign countries such as Bermuda, the US and continental Europe.

4. Underwriting activities

a) Net earned premium

	Note	2015 £m	2014 £m
Gross earned premium			
Gross written premium	3(c),13(c)	**2,743.5**	2,564.0
Change in unearned premium		**(267.5)**	(87.6)
		2,476.0	2,476.4
Reinsurance premium ceded			
Reinsurance premium payable	13(c)	**(298.4)**	(268.1)
Change in reinsurers' share of unearned premium		**8.4**	(7.7)
		(290.0)	(275.8)
		2,186.0	2,200.6

b) Net insurance claims

	Note	2015 £m	2014 £m
Insurance claims and claims settlement expenses			
Current year insurance claims and claims settlement expenses	13(a)	**1,307.4**	1,387.2
Reduced costs for prior-period insurance claims	13(a)	**(54.4)**	(80.4)
		1,253.0	1,306.8
Insurance claims and claims settlement expenses recoverable from reinsurers			
Current year insurance claims and claims settlement expenses recoverable from reinsurers	13(a)	**(63.1)**	(74.4)
Increased income from prior-period insurance claims recoverable from reinsurers	13(a)	**(25.6)**	(9.2)
		(88.7)	(83.6)
		1,164.3	1,223.2

5. Investment return

	Note	2015 £m	2014 £m
Investment income			
– dividend income		**26.2**	22.9
– interest income		**16.6**	20.5
– cash and cash equivalents interest income		**0.9**	1.5
		43.7	44.9
Net realised gains/(losses)			
on assets held for trading			
– equity securities		**83.3**	26.0
– debt securities		**8.9**	50.5
– property funds		**(1.2)**	(0.1)
– derivative instruments		**11.3**	(5.7)
– derivative instruments relating to the Group's contracts with Tramline Re Ltd and Tramline Re II Ltd	3(c)	**(13.2)**	(17.9)
on assets classified as other than trading			
– participation in investment pools		**1.7**	1.7
		90.8	54.5
Net unrealised gains/(losses)			
on assets held for trading			
– equity securities		**(32.0)**	26.0
– debt securities		**1.1**	(19.2)
– property funds		**13.3**	5.5
– derivative instruments		**(22.7)**	(10.0)
– derivative instruments relating to the Group's contracts with Tramline Re Ltd and Tramline Re II Ltd	3(c)	**–**	0.7
on assets classified as other than trading			
– other		**–**	(1.1)
		(40.3)	1.9
		94.2	101.3

Note:
Included within debt securities held for trading are £0.5 million realised gains and £2.4 million unrealised gains relating to the investment in the funds managed by Leadenhall Capital Partners LLP (2014: £1.7 million realised losses and £4.8 million unrealised gains).

6. Other operating income

	2015 £m	2014 £m
Investment management income	**16.5**	2.4
Commission income	**2.4**	2.9
Other non-insurance income	**3.0**	2.7
	21.9	8.0

Note:
Investment management income represents income from funds managed by Leadenhall Capital Partners LLP, which became a subsidiary of the Group on 23 October 2014.

7. Expenses
a) Expenses for the acquisition of insurance contracts

	Note	2015 £m	2014 £m
Expenses for the acquisition of insurance contracts deferred during the year	13(d)	**579.6**	501.0
Changes in deferred expenses for the acquisition of insurance contracts		**(79.0)**	(28.0)
		500.6	473.0

b) Other operating expenses

	2015 £m	2014 £m
Expenses relating to underwriting		
Employee expenses, excluding employee incentives	**139.0**	133.5
Lloyd's expenses	**23.8**	20.2
Other administrative expenses	**106.4**	83.9
Underwriting foreign exchange (gains)/losses	**(8.1)**	3.6
	261.1	241.2
Other expenses		
Employee expenses, excluding employee incentives	**17.9**	22.4
Employee incentives and related social security costs	**40.2**	43.7
Asset management fees	**5.3**	8.9
Other administrative expenses	**38.0**	20.2
Non-underwriting foreign exchange losses	**11.5**	6.7
	112.9	101.9
	374.0	343.1

Employee and other administrative expenses not relating to underwriting represent costs associated with the centrally managed activities of the Group.

c) Employee benefit expenses
The average number of persons employed by the Group, including individuals on fixed term contracts and Directors, were:

	2015	2014
Senior underwriters	**144**	132
Other underwriters	**226**	274
Underwriting support	**380**	408
Claims staff	**142**	108
Claims support	**230**	262
Operational	**438**	328
Operational support	**342**	387
	1,902	1,899

	2015	2014
By location		
UK	**1,137**	1,168
Continental Europe	**655**	634
Bermuda	**56**	59
Singapore	**44**	33
US	**8**	5
Dubai	**2**	–
	1,902	1,899

7. Expenses continued

The aggregate payroll costs incurred by Group companies are analysed as follows:

	Note	2015 £m	2014 £m
Wages and salaries		**130.8**	127.2
Employee incentives and related social security costs		**40.2**	43.7
Equity-settled share options and awards granted to Directors and employees	7(d)	**7.5**	6.2
Social security costs		**16.4**	17.2
Other pension costs	16	**14.3**	14.7
		209.2	209.0

d) Long-term employee incentive schemes

During the year ended 31 December 2015, the Group operated a number of long-term employee incentive schemes. The total cost recognised in the consolidated statement of profit or loss for these schemes is shown below:

	Note	2015 £m	2014 £m
Equity-settled share-based payment schemes	7(c)	**7.5**	6.2
Cash-settled share-based payment schemes		**8.3**	5.3
Total expense arising from long-term employee incentive schemes		**15.8**	11.5

i) Equity-settled share-based payment schemes

The information below represents the position at 31 December 2015. As per note 22, ordinary shares in the Company were acquired by Mitsui Sumitomo Insurance Company, Limited ('MSI') on 1 February 2016. Following the sanctioning by the High Court of Justice of the scheme of arrangement, all existing equity settled schemes ceased on 28 January 2016, with the exception of the all employee Sharesave scheme which will cease on 28 July 2016. Shares awarded to staff under the Sharesave scheme will immediately be acquired by MSI.

Share options

Details of the Group's executive and all employee share option schemes are set out in the Directors' remuneration report.

A summary of the status and the changes to new or treasury shares under option during the year were as follows:

	Number of shares 2015	Weighted average exercise price per share (pence)	Number of shares 2014	Weighted average exercise price per share (pence)
Outstanding at 1 January	**2,919,772**	**311**	2,574,934	277
Granted during the year	**1,099,748**	**404**	1,103,855	355
Exercised during the year	**(590,404)**	**271**	(640,404)	254
Forfeited during the year	**(226,756)**	**320**	(118,613)	289
Total shares outstanding at 31 December	**3,202,360**	**350**	2,919,772	311
Total shares exercisable at 31 December	**250,860**	**310**	536,895	268

The weighted average share price at the date of exercise for share options exercised during the year was 551 pence (2014: 451 pence).

The following table summarises information about options outstanding at the end of the year:

Range of exercise prices	Number of outstanding shares under option 2015	Weighted average remaining contractual life (years)	Number of outstanding shares under option 2014	Weighted average remaining contractual life (years)
£1.12 – £1.62	**–**	**–**	62,674	0.25
£2.47 – £2.93	**400,651**	**1.24**	868,792	1.68
£2.94 – £3.55	**1,710,657**	**2.49**	1,988,306	3.06
£3.56 – £4.04	**1,091,052**	**3.42**	–	–

Share awards
Details of the Group's share awards are set out in the Directors' remuneration report in the Governance section of the Annual Report.

At 31 December 2015, the total awards over new or treasury shares outstanding, or committed to be met by the Group's Employee Share Ownership Trust (ESOT), or shares held in trust under these schemes are summarised below:

	Number of shares under conditional award 2015	Vesting period	Number of shares under conditional award 2014	Vesting period
LTIP grants	2,799,620	2016 to 2017	5,154,988	2015 to 2017
PSP grants	6,402,088	2016 to 2020	3,123,994	2015 to 2019
SIP grants	2,501,531	2010 to 2018	2,265,938	2010 to 2017
Amlin Special	225,243	2016 to 2020	261,636	2015 to 2019
Deferred Share Award	167,698	2017 to 2018	132,149	2017

LTIP and PSP awards are normally exercisable from three and five years after grant respectively.

Modifications to share-based payment arrangements
There have been no modifications to share-based payment arrangements in 2015.

Options from the ESOT
The trustee of the ESOT held 948,702 ordinary shares as at 31 December 2015 (2014: 1,769,796 ordinary shares) to meet potential future exercises of executive awards and long-term incentive plans. The ESOT shares are valued at the lower of cost and net realisable value. The market value of the Company's ordinary shares on the last trading day of the year, being 31 December 2015, was 663.5 pence per share (2014: 478.2 pence per share).

During the second half of 2015, due to limitations in place as part of the acquisition by MSI, the ESOT did not acquire additional ordinary shares.

The assets, liabilities, income and costs of the ESOT are incorporated into the consolidated financial statements. The ESOT waives the right to dividends on ordinary shares in excess of 0.01 pence per each share ranking for an interim or final dividend.

Fair value of options and awards
At 31 December 2015, the weighted average fair values of options and awards granted during the year were 141.72 pence per option and 174.03 pence per award respectively (2014: 58.80 pence and 233.45 pence).

The Black-Scholes option pricing model has been used to determine the fair value of the option grants and share awards listed above.

The assumptions used in the model are as follows:

	2015	2014
Weighted average share price on grant (pence)	444.49	400.11
Weighted average exercise price (pence)	341.55	306.49
Expected volatility	30.00%	30.00%
Expected life (years)	0.75 – 5.25	1.00 – 5.25
Risk-free rate of return	1.00% – 3.00%	1.00% – 3.00%
Expected dividend yield	5.50% – 7.00%	5.00% – 7.00%

Volatility
The volatility of the Company's share price is calculated as a normalised standard deviation of the log of the daily return on the share price.
In estimating 30% volatility, the volatility of return for six months, one year and three year intervals are considered. As a guide to the reasonableness of the volatility estimate, similar calculations are performed on a selection of MS Amlin's peer group.

Interest rate
The risk free interest rate is consistent with government bond yields.

Dividend yield
The assumptions are consistent with the information given in the financial statements for each relevant valuation year.

7. Expenses continued

Staff turnover

The option pricing calculations are split by staffing grades as staff turnover is higher for more junior grades. Furthermore, historical evidence suggests that senior employees tend to hold their options for longer whereas more junior levels within the organisation appear to exercise earlier. In addition, senior employees hold a larger proportion of the options but represent a smaller group of individuals.

Market conditions

The Group issues options that include targets for the Group's performance against a number of market and non-market conditions. Failure to meet these targets can reduce the number of options exercisable. In some circumstances, no options may be exercised. Assumptions are made about the likelihood of meeting the market and non-market conditions based on the outlook at the time of each option grant.

ii) Cash-settled share-based payment schemes

Capital Builder Plan

The Group rewards senior underwriters through payments under the Capital Builder Plan (the Plan) if they achieve performance below the target loss ratio for their class(es) of business or business area over the five-year period of each award under the Plan. Under the scheme rules, the Group has the option to settle the awarded bonus in the shares of the Company or as a cash payment.

Provision for payments of an award under the Plan is calculated every year where actual profits exceed the target profit on a cumulative basis over the performance period to date under the Plan. The rate of accrual for each five-year performance period is determined at the start of the period, reflecting the share of the excess return payable and committed under the terms of the Plan.

Under this approach, the services received and the related liability are recognised as the services are rendered, in that the liability at any point in time for the Plan reflects the level of actual performance by underwriters in relation to the target.

The carrying amount of the liability under the Plan at 31 December 2015 is £7.3 million (2014: £6.9 million) and is recorded in other payables.

e) Directors' remuneration

The aggregate remuneration of the Directors of the Company, including amounts received from subsidiaries, was:

	2015 £m	2014 £m
Remuneration of Executive Directors	**3.1**	3.4
Remuneration of Non-Executive Directors	**0.6**	0.6
Amounts (excluding equity-settled share options and awards) receivable under long-term incentive schemes	**0.3**	1.7
	4.0	5.7
Pension contributions	**0.1**	0.1
	4.1	5.8

Details of Directors' remuneration, pension benefits and gains on the exercise of share options, including those of the highest paid Director, are included in the remuneration report in the Governance section of the Annual Report.

Payments were made to both a defined benefit pension scheme and a stakeholder defined contribution scheme for two (2014: two) Executive Directors and to a stakeholder defined contribution scheme for one (2014: one) other Executive Director.

f) Finance costs

	2015 £m	2014 £m
Letter of credit commission	**1.4**	1.3
Revolving credit facility	**2.8**	2.3
Subordinated debt interest	**15.7**	19.4
Other similar charges	**3.3**	4.0
	23.2	27.0

g) Profit before tax

Profit before tax is stated after charging the following amounts:

	Note	2015 £m	2014 £m
Depreciation	14	**5.4**	5.4
Amortisation	15	**10.3**	10.8
Operating lease expenditure	20(b)	**13.4**	9.9
Foreign exchange losses	7(b)	**(3.4)**	10.3

Fees paid to the Group's auditors in respect of the financial year are set out below:

	2015 £'000	2014 £'000
Audit		
Audit of the Group's and Company's annual financial statements	**234.1**	157.5
Audit of subsidiaries	**1,198.0**	1,023.8
	1,432.1	1,181.3
Assurance services		
Audit-related assurance services	**393.6**	277.8
Other assurance services	**24.4**	12.0
	418.0	289.8
Other non-audit services		
Services related to Group financial reporting systems	**550.0**	–
Services related to corporate finance transactions	**150.0**	–
Other services	**75.2**	41.6
	775.2	41.6
Total fees	**2,625.3**	1,512.7

8. Tax

	2015 £m	2014 £m
Current tax – current year		
Corporate income tax	**6.7**	0.6
Foreign tax	**3.0**	1.6
	9.7	2.2
Current tax – adjustments in respect of previous years		
Corporate income tax	**(0.9)**	(2.0)
Deferred tax – current year		
Origination and reversal of temporary differences	**9.7**	19.3
Deferred tax – adjustments in respect of previous years		
Movements for the year	**1.2**	4.9
Impact of change in UK tax rate	**(3.7)**	(2.1)
	(2.5)	2.8
Income tax expense	**16.0**	22.3

8. Tax continued

In addition to the above, tax of £1.6 million (2014: £1.9 million credit) has been charged directly to other comprehensive income as follows:

	2015 £m	2014 £m
Deferred tax on defined benefit pension fund actuarial losses	(0.9)	(2.4)
Income tax on items that will not be reclassified to profit or loss	(0.9)	(2.4)
Current tax on foreign exchange gains on translation of foreign operations, net of designated hedges	2.5	0.6
Deferred tax charged on other items within the statement of other comprehensive income	–	(0.1)
Income tax on items that may be reclassified subsequently to profit or loss	2.5	0.5
Taxes charged/(credited) to other comprehensive income	1.6	(1.9)

In addition to the above, tax of £0.4 million (2014: £0.6 million charge) has been credited directly to other reserves as follows:

	2015 £m	2014 £m
Deferred tax relating to employee share option schemes	(0.4)	0.6
Taxes (credited)/charged to other reserves	(0.4)	0.6

The cumulative tax in reserves was £29.6 million (2014: £30.8 million), as per note 17(b).

Reconciliation of tax expense

The UK standard rate of corporation tax is 20.25% (2014: 21.5%), whereas the tax charged for the year ended 31 December 2015 as a percentage of profit (2014: profit) before tax is 6.3% (2014: 8.6%). The reasons for this difference are explained below:

	2015 £m	2015 %	2014 £m	2014 %
Profit before tax	252.3		258.7	
Taxation on profit on ordinary activities at the standard rate of corporation tax in the UK	51.1	20.3	55.6	21.5
Non-deductible or non-taxable items	2.9	1.1	(1.8)	(0.7)
Tax rate differences on foreign subsidiaries	(36.5)	(14.5)	(33.9)	(13.1)
Adjustments in respect of previous years	0.3	0.1	2.9	1.1
Irrecoverable foreign tax	1.9	0.7	1.6	0.6
UK deferred tax rate change	(3.7)	(1.5)	(2.1)	(0.8)
Income tax expense	16.0	6.3	22.3	8.6

Deferred tax

The deferred tax asset is attributable to temporary differences arising on the following:

	Provisions for losses £m	Other provisions £m	Pension provisions £m	Other temporary differences £m	Total £m
At 1 January 2014	15.3	2.3	4.1	(15.6)	6.1
Amounts credited/(charged) to statement of profit or loss	1.3	1.3	(0.3)	(4.9)	(2.6)
Amounts credited/(charged) to statement of other comprehensive income	–	–	2.4	(0.5)	1.9
Amounts charged to statement of changes in equity	–	–	–	(0.6)	(0.6)
Amounts netted off against deferred tax liabilities	–	–	–	(1.4)	(1.4)
Other movements	0.2	–	0.1	2.0	2.3
At 31 December 2014	16.8	3.6	6.3	(21.0)	5.7
Amounts credited/(charged) to statement of profit or loss	2.9	(1.1)	(2.8)	1.4	0.4
Amounts credited to statement of other comprehensive income	–	–	0.9	–	0.9
Amounts credited to statement of changes in equity	–	–	–	0.4	0.4
Amounts netted off against deferred tax liabilities	–	–	–	4.3	4.3
Other movements	1.0	0.1	–	(0.1)	1.0
At 31 December 2015	20.7	2.6	4.4	(15.0)	12.7

Deferred tax assets in respect of tax losses of £3.2 million (2014: £3.0 million) arising in Amlin AG (federal taxes only), £13.6 million (2014: £6.4 million) arising in Amlin Europe N.V., £0.3 million (2014: £nil) arising in RaetsMarine Insurance BV, and £3.6 million (2014: £nil recognised, £3.1 million unrecognised) relating to the Dutch branch of MS Amlin (Overseas Holdings) Ltd. These assets have been recognised as management consider it probable that future taxable profits will be available against which the losses can be utilised.

Cantonal tax legislation does not permit the carry forward of losses against future taxable profits. On this basis, no cantonal tax is provided in relation to cantonal tax losses.

No provision has been made for a deferred tax asset in relation to the Company (2014: £7.1 million) on the basis that management do not consider that suitable taxable profits will arise against which the losses may be offset.

The deferred tax liability is attributable to temporary differences arising on the following:

	Underwriting results £m	Unrealised capital gains £m	Syndicate capacity £m	Intangibles £m	Other temporary differences £m	Total £m
At 1 January 2014	20.1	10.7	6.5	14.0	12.4	63.7
Amounts charged/(credited) to statement of profit or loss	(1.4)	2.8	0.5	(2.1)	19.7	19.5
Opening balances recognised on acquisition of subsidiaries	–	–	–	3.0	–	3.0
Amounts netted off against deferred tax assets	–	–	–	–	(1.4)	(1.4)
Other movements	0.1	–	–	(0.6)	1.4	0.9
At 31 December 2014	**18.8**	**13.5**	**7.0**	**14.3**	**32.1**	**85.7**
Amounts (credited)/charged to statement of profit or loss	**5.3**	**2.0**	**0.3**	**(1.7)**	**1.7**	**7.6**
Amounts netted off against deferred tax assets	**–**	**–**	**–**	**–**	**4.3**	**4.3**
Other movements	**–**	**(0.1)**	**–**	**–**	**(0.6)**	**(0.7)**
At 31 December 2015	**24.1**	**15.4**	**7.3**	**12.6**	**37.5**	**96.9**

A deferred tax liability of £55.7 million (2014: £65.7 million) is expected to crystallise more than 12 months after the consolidated statement of financial position date.

UK tax rate

Recent UK budgets have announced changes in the main rate of UK corporation tax. The current rate of 20% was enacted on 2 July 2013 and applies from 1 April 2015. The UK budget on 8 July 2015 announced two further reductions to the main rate of UK corporation tax. The new rates of 19% and 18% will apply from 1 April 2017 and 1 April 2020 respectively. These rates were substantively enacted on 26 October 2015.

Underwriting profits

Underwriting profits and losses are recognised in the consolidated statement of profit or loss on an annual accounting basis, recognising the results in the period in which they are earned. UK corporation tax on Syndicate 2001's underwriting result is charged in the period in which the underwriting profits are actually paid by the Syndicate to the corporate member subsidiary. This creates a deferred tax position.

Deferred tax is provided on the underwriting result with reference to the forecast ultimate result of each of the years of account. Where this is a taxable loss, deferred tax is only provided on the movement on that year of account to the extent that forecasts show that the taxable loss will be utilised in the foreseeable future. A deferred tax liability (before netting off) has been recognised on the underwriting result for this accounting period of £24.1 million (2014: £19.9 million liability).

The Group is subject to US tax on US underwriting profits generated by Syndicate 2001. No provision has been made in respect of such tax arising in 2015 (2014: £nil) as any net provision is likely to be immaterial.

Controlled foreign companies legislation

Amlin AG operates in Switzerland as Amlin Re Europe, with the Bermudian business operating as a branch. The Group's tax provision for 2015 has been prepared on the basis that Amlin AG is non-UK resident for UK corporation tax purposes and is exempt from the UK controlled foreign company regime. The corporation tax rate for profits earned by the Bermudian branch of Amlin AG is currently nil% (2014: nil%). The combined rate of Swiss cantonal and federal taxes, applicable to profits arising from the Swiss operation only, is 21.2% (2014: 21.2%).

Deferred tax rate

Deferred tax has been provided for at the local tax rate in force when the temporary differences are expected to reverse. The tax rates used are:

- UK – 18% – 20% (2014: 20.0%);
- The Netherlands – 25% (2014: 25.0%);
- Bermuda – nil% (2014: nil%); and
- Switzerland – 7.8% federal (2014: 7.8%) and 13.4% cantonal (2014: 13.4%).

9. Foreign exchange

a) Net foreign exchange movements

The following exchange movements have been charged directly to other comprehensive income:

	2015 £m	2014 £m
Gains/(losses) on translation of foreign operations:		
– Amlin AG	**60.5**	30.8
– RaetsMarine Insurance B.V.	**1.5**	0.4
– Amlin France SAS	**–**	0.2
– Amlin Europe N.V.	**(15.7)**	(8.0)
– Solo Absolute Bonds & Currency Fund	**(26.2)**	(16.4)
– Leadenhall Capital Partners LLP	**0.2**	–
	20.3	7.0
Losses on translation of intangibles arising from investments in foreign operations	**(2.5)**	(5.5)
Gains on financial instruments that hedge investments in foreign operations	**7.4**	1.9
Foreign exchange gains on translation of foreign operations, net of designated hedges	**25.2**	3.4

b) Principal exchange rates

The principal exchange rates used in translating foreign currency assets, liabilities, income and expenditure in the production of these financial statements were:

	Average rate		Year end rate	
	2015	2014	2015	2014
US dollar	**1.53**	1.65	**1.47**	1.56
Canadian dollar	**1.95**	1.82	**2.04**	1.81
Euro	**1.38**	1.24	**1.36**	1.29
New Zealand dollar	**2.19**	1.99	**2.16**	1.99
Japanese yen	**185.01**	174.22	**177.31**	186.79

c) Foreign exchange risk

The exposures to translation, revaluation and asset liability currency matching risk combine to form the Group's overall exposure to foreign exchange risk. The Group's reporting currency is sterling and significant subsidiary functional currencies are sterling, euro and US dollar. The Group holds asset and liability balances in major base currencies of sterling, euro, US dollars, Canadian dollars, New Zealand dollars and Japanese yen.

Translation risk

Foreign exchange translation risk arises when business is written in non-functional currencies. These transactions are translated into the functional currency of the relevant Group entity at the prevailing spot rate at the inception date of the premium. Consequently, there is exposure to currency movements between the inception date and the date premium is received. Claims incurred in non-functional currencies are recorded at the prevailing spot rate on the date of the loss event (or suitable equivalent) and then translated back from the functional currency at the time a claim is to be settled; therefore the Group is exposed to exchange rate risk between the date the claim is made and the date of settlement.

Revaluation risk

The Group is subject to revaluation risk as a result of the translation into the Group's sterling reporting currency of the net assets of the Group entities that have a non-sterling functional currency. At 31 December 2015, the Group was exposed to net investments in foreign operations balances totalling US$1,306.4 million (2014: US$1,302.5 million) and €1,090.2 million (2014: €1,004.0 million). Foreign exchange gains and losses on investments in foreign subsidiaries are recognised in other comprehensive income in accordance with IAS 21, 'The effects of changes in foreign exchange rates'.

The gains recognised in other comprehensive income for the year ended 31 December 2015 were £17.8 million (2014: £1.5 million gain). This reflects the movement in the US dollar rate from 1.56 at the start of the year to 1.47 at the balance sheet date and the movement in the euro rate from 1.29 at the start of the year to 1.36 at the balance sheet date. In order to mitigate the impact of these currency fluctuations, the Group adopts a policy of hedging between 50% and 75% (2014: 50%) of the net currency exposure resulting from the net investments in foreign operations.

For this purpose, the Group uses a combination of subordinated debt, drawdowns on the revolving credit facility and options that are accounted for as hedges of net investments in foreign operations, in accordance with the hedge accounting requirements of IAS 39. The effective portion of all unrealised and realised gains and losses on the designated portion of the hedging instruments is taken to the consolidated statement of other comprehensive income to match the underlying movement in the valuation of the net investment in foreign operations, with the ineffective portion recognised in consolidated statement of profit or loss. At the year end, hedges were in place for US$813.8 million (2014: US$638.0 million) and €492.5 million (2014: €495.0 million). The net realised and unrealised gains from hedging recognised in the consolidated statement of other comprehensive income during the year was £7.4 million (2014: £1.9 million gain).

In relation to revaluation of the net investment in foreign operations, if the US$/GBP exchange rates were to improve by 10% at 31 December

2015, this would result in an additional exchange gain of £88.6 million recognised in other comprehensive income. This gain would be offset by a valuation loss of £37.6 million on the designated portion of the hedging instruments. The same exchange rate deterioration would result in an additional £25.0 million exchange loss through other comprehensive income. This loss would be offset by a valuation gain of £19.2 million on the designated portion of the hedging instruments.

If the EUR/GBP exchange rate were to improve by 10% at 31 December 2015, this would result in an additional exchange gain of £36.2 million recognised in other comprehensive income. This gain would be offset by a valuation loss of £21.1 million on the designated portion of the hedging instruments. The same exchange rate deterioration would result in an additional £63.4 million exchange loss through other comprehensive income. This loss would be offset by a valuation gain of £13.3 million on the designated portion of the hedging instruments.

Asset liability matching by currency risk

Underwriting assets are primarily held in the base currencies of sterling, euros, US dollars, Canadian dollars, New Zealand dollars and Japanese yen, which represent the majority of the Group's liabilities by currency, thus limiting the underwriting asset liability matching currency risk.

The table below presents the Group's assets and liabilities by currency. The amounts are stated in the sterling equivalent of the local currency, in order that the amounts can be reconciled to the Group's consolidated statement of financial position. The local currency amounts have been converted into sterling using the exchange rates as disclosed in note 9(b).

	31 December 2015						
Currency risk	**Sterling £m**	**US$ £m**	**CAN$ £m**	**Euro £m**	**NZ$ £m**	**JPY £m**	**Total £m**
Total assets	**801.4**	**3,727.6**	**167.5**	**2,170.5**	**72.7**	**68.5**	**7,008.2**
Total liabilities	**344.5**	**2,864.2**	**120.7**	**1,787.7**	**28.0**	**14.2**	**5,159.3**
Net assets	**456.9**	**863.4**	**46.8**	**382.8**	**44.7**	**54.3**	**1,848.9**

	31 December 2014						
Currency risk	Sterling £m	US$ £m	CAN$ £m	Euro £m	NZ$ £m	JPY £m	Total £m
Total assets	1,592.4	2,652.1	136.3	2,159.1	97.4	38.4	6,675.7
Total liabilities	1,356.9	1,967.5	104.4	1,343.0	98.5	19.5	4,889.8
Net assets	235.5	684.6	31.9	816.1	(1.1)	18.9	1,785.9

If the base currencies were to improve/deteriorate by 10%, the movement in the monetary net underwriting assets and liabilities and borrowings of the Group, excluding foreign operations, would result in the following gains/(losses) in the consolidated statement of profit or loss for the year ended 31 December 2015:

	31 December 2015	
Currency	**10% improvement £m**	**10% deterioration £m**
US dollars	**13.4**	**(10.9)**
Canadian dollars	**8.5**	**(7.0)**
Euro	**(0.2)**	**0.2**
New Zealand dollars	**4.5**	**(3.7)**
Japanese yen	**0.9**	**(0.7)**
	27.1	**(22.1)**

Further foreign exchange risk arises until non-sterling profits or losses are converted into sterling. Foreign exchange risk is mitigated by converting the subsidiaries' functional currency profits into the Group's reporting currency. Given the inherent volatility in some business classes, a cautious approach is adopted on the speed and level of sales, but the Group seeks to extinguish all currency risk on earned profit during the second year after the commencement of each underwriting year. It is not the intention to take speculative currency positions in order to make currency gains.

At 31 December 2015, the investment managers held some forward foreign exchange contracts in their portfolios to hedge non-base currency investments.

10. Dividends

The amounts recognised as distributions to equity holders are as follows:

Group	2015 £m	2014 £m
Final dividend for the year ended:		
– 31 December 2014 of 18.9 pence per ordinary share	**94.6**	–
– 31 December 2013 of 18.2 pence per ordinary share	**–**	90.8
Special dividend for the year ended:		
– 31 December 2014 of 15.0 pence per ordinary share	**75.1**	–
Interim dividend for the year ended:		
– 31 December 2015 of 8.4 pence per ordinary share	**42.2**	–
– 31 December 2014 of 8.1 pence per ordinary share	**–**	40.4
	211.9	131.2

A final ordinary dividend has not been declared.

11. Earnings per share

Basic and diluted earnings per share are as follows:

	2015	2014
Profit attributable to owners of the Parent Company	**£236.6m**	£236.5m
Weighted average number of shares in issue	**501.2m**	498.9m
Dilutive shares	**10.1m**	8.6m
Adjusted average number of shares in issue	**511.3m**	507.5m
Basic earnings per share	**47.2p**	47.4p
Diluted earnings per share	**46.3p**	46.6p

12. Financial assets and liabilities

a) Cash and cash equivalents

	2015 £m	2014 £m
Cash and cash in hand	175.5	168.7
Short-term deposits	21.1	36.1
	196.6	204.8

Cash and cash equivalents represent cash at bank and in hand, short-term bank deposits and other short-term highly liquid investments.

b) Net financial investments

	At valuation 2015 £m	At valuation 2014 £m	At cost 2015 £m	At cost 2014 £m
Assets				
Financial assets held for trading at fair value through profit or loss				
Shares and other variable yield securities	596.6	652.4	539.0	562.8
Debt and other fixed income securities	3,092.6	2,978.5	3,056.1	2,853.6
Property funds	351.7	255.5	325.9	258.8
Derivative instruments	15.1	32.5	2.3	–
Other financial assets at fair value through profit or loss				
Participation in investment pools	269.4	280.6	269.4	280.6
Deposits with credit institutions	116.0	176.7	116.0	176.7
Other	1.2	1.4	1.2	1.4
Available-for-sale financial assets				
Unlisted equities	6.5	6.6	6.5	6.7
Other				
Derivative instruments in designated hedge accounting relationships	3.6	6.1	–	–
Total financial assets	4,452.7	4,390.3	4,316.4	4,140.6
Liabilities				
Financial liabilities held for trading at fair value through profit or loss				
Derivative instruments	(17.2)	(21.6)	–	–
Other				
Derivative instruments in designated hedge accounting relationships	(8.0)	(7.0)	–	–
Total financial liabilities	(25.2)	(28.6)	–	–
Net financial assets	4,427.5	4,361.7	4,316.4	4,140.6

Debt and other fixed income securities include pooled funds, investing in bonds and other fixed income securities. The valuation of these funds is £1,879.4 million (2014: £1,871.4 million). Participation in investment pools includes units held in money market funds.

The Group holds hedging and non-hedging derivatives. Hedging derivatives are designated at inception and qualify for hedge accounting under IAS 39. Non-hedging derivatives either do not qualify for hedge accounting or the option to hedge account has not been taken.

The reconciliation of opening and closing net financial investments is as follows:

	2015 £m	2014 £m
At 1 January	4,361.7	4,364.1
Foreign exchange gains	3.8	8.9
Net sales	(1.9)	(71.5)
Net realised gains on assets held for trading or other than trading	90.8	54.5
Net unrealised (losses)/gains on assets held for trading or other than trading	(40.3)	1.9
Net unrealised losses on assets designated as available-for-sale	–	(0.1)
Net realised and unrealised gains on derivative instruments in designated hedge accounting relationships	13.4	3.9
At 31 December	4,427.5	4,361.7

12. Financial assets and liabilities continued
c) Other loans and receivables

	2015 £m	2014 £m
Other receivables	**95.2**	50.5
Prepayments and other accrued income	**30.2**	35.0
	125.4	85.5

The current and non-current portions are expected to be as follows:

	2015 £m	2014 £m
Current portion	**119.5**	84.4
Non-current portion	**5.9**	1.1
	125.4	85.5

Other receivables comprise principally amounts receivable for financial investments sold, input VAT and other sundry receivables.

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

d) Other payables

	2015 £m	2014 £m
Accrued expenses and deferred income	**117.9**	112.5
Other liabilities	**26.2**	56.5
Social security and other tax payables	**10.7**	9.6
	154.8	178.6

The current and non-current portions are expected to be as follows:

	2015 £m	2014 £m
Current portion	**138.6**	155.4
Non-current portion	**16.2**	23.2
	154.8	178.6

Other liabilities comprise principally of amounts payable for financial investments purchased, collateral repayable on derivative contracts and other sundry payables.

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

e) Borrowings

	2015 £m	2014 £m
Subordinated debt	229.7	261.5
Revolving credit facility	143.4	–
Other	0.5	0.6
	373.6	262.1

The current and non-current portions are expected to be as follows:

	2015 £m	2014 £m
Current portion	373.3	32.2
Non-current portion	0.3	229.9
	373.6	262.1

Details of the Group's subordinated debt issued by the Company are as follows:

Issue date	Principal amount	Reset date	Maturity date	Interest rate to reset date %	Interest rate from reset date to maturity date %
25 April 2006	£230m	December 2016	December 2026	6.50	LIBOR + 2.66

The Directors' estimation of the fair value of the Group's subordinated debt is £244.3 million (2014: £287.0 million) and £143.4 million (2014: £nil) for the revolving credit facility. The aggregate fair values are based on a discounted cash flow model. This model uses a current yield curve appropriate for the remaining terms to maturity. The discount rate used was 0.3% (2014: 1.2%).

The Company and certain of its subsidiaries have a debt facility with its banks which is available until August 2017 and provides an unsecured £300.0 million multicurrency revolving credit facility available by way of cash advances and a secured US$200.0 million letter of credit (LOC). The facility is guaranteed by the Company's subsidiaries Amlin Corporate Services Ltd and MS Amlin (Overseas Holdings) Ltd. The secured LOC is secured by a fixed charge over a portfolio of assets managed by Insight Investment Management (Global) Ltd with State Street Bank and Trust Company as custodian.

In addition to the £143.4 million net drawdown of the multicurrency revolving credit facility (2014: £100.0 million repayment) during the year, of which £4.4 million are foreign exchange losses, a redemption of $50.0 million (£33.7 million) (2014: $50.0 million (£31.8 million)) in subordinated debt was made in March 2015.

Amlin AG has a LOC facility US$280.0 million (2014: US$280.0 million). The facility is secured by a registered charge over a portfolio of assets managed by Aberdeen Asset Management Inc. with State Street Bank and Trust Company as custodian. One further LOC is arranged for NZ$75.0 million (2014: NZ$75.0 million) and is secured by time deposits. As at 31 December 2015, US$261.1 million of LOC were issued (2014: US$216.9 million). The total value of restricted assets as at 31 December 2015 was US$282.8 million (2014: US$226.0 million).

Amlin Europe N.V. has a credit facility with ABN AMRO N.V. as arranger. The facility provides a daily revocable overdraft of up to €5.0 million (2014: €5.0 million), a guarantee facility to a third party of up to €30.0 million (2014: €10.0 million) and a guarantee/standby LOC for up to the Euro equivalent of £22.5 million (2014: £22.5 million).

At 31 December 2015, €8.1 million of guarantees were issued (2014: €40.1 million); €8.1 million (2014: €17.8 million) from the guarantee facility and €nil (2014: €22.3 million) from the guarantee/standby LOC. There are no restricted assets to secure the facility.

12. Financial assets and liabilities continued

f) Fair value hierarchy

i) Fair value methodology

For financial instruments carried at fair value the Group has categorised the measurement basis into a fair value hierarchy as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide readily and regularly available quoted prices.

Level 2 – Inputs to a valuation model other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs to a valuation model for the asset or liability that are not based on observable market data (unobservable inputs) and are significant to the overall fair value measurement. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions it is considered that market participants would use in pricing the asset.

There were no changes to the valuation techniques during the year.

Shares and other variable yield securities

Listed equities traded on a primary exchange in an active market are classified as Level 1.

Available-for-sale unlisted equities represent the Group's investments in broker businesses and do not have a quoted price in an active market. As such they are valued using a discounted cash flow of future income method adjusted for management expectation of market exit prices which is largely unobservable. Hence, they have been included in Level 3 with fair value movements being recognised in other comprehensive income.

Debt and other fixed income securities

The fair value is based upon quotes from pricing services where available. These pricing services derive prices based on an average of quotes provided by brokers. Where multiple quotes are not available, the fair value is based upon evaluated pricing services, which typically use proprietary cash flow models and incorporate observable market inputs, such as credit spreads, benchmark quotes and other trade data. If such services do not provide coverage of the asset, then fair value is determined manually using indicative broker quotes, which are corroborated by recent market transactions in similar or identical assets.

Where there is an active market for these assets and their fair value is the unadjusted quoted market price, these are classified as Level 1. This is typically the case for government bonds. Level 1 also includes bond funds, where fair value is based upon quoted prices. Where the market is inactive or the price is adjusted, but significant market observable inputs have been used by the pricing sources, then these are considered to be Level 2. This is typically the case for government agency debt, corporate debt, mortgage and asset-backed securities and catastrophe bonds. Certain assets, for which prices or other market inputs are unobservable, are classified as Level 3.

Property funds

The Group's property fund portfolios are valued using the most recent net asset value provided by the fund managers. The net asset values, which may be a quarter in arrears, are determined by the fund managers using proprietary cash flow models. In such cases, adjustments may be made to bring the net asset value to a more current valuation. The inputs into that valuation, such as discount rates, are primarily unobservable and, as such, these assets are classified as Level 3. Where an investment is made into a new property fund the transaction price is considered to be the fair value if it is the most recent price available.

Participation in investment pools

These are units held in money market funds and the value is based upon unadjusted, quoted and executable prices provided by the fund manager and these are classified as Level 1.

Derivatives

Listed derivative contracts, such as futures, that are actively traded are valued using quoted prices from the relevant exchange and are classified as Level 1. Over-the-counter currency options are valued by the counterparty using quantitative models with multiple market inputs such as foreign exchange rate volatility. The market inputs are observable and the valuation can be validated through external sources. These are classified as Level 2. The Group's risk transfer contracts with Tramline Re II Ltd have been classified as derivative instruments. The valuation of these instruments is based on forecast cash flow models which contain principally unobservable market inputs, and as such are classified as Level 3.

ii) Net financial investments by fair value grouping

	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Total 2015 £m	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Total 2014 £m
Assets								
Financial assets held for trading at fair value through profit or loss								
Shares and other variable yield securities	**596.6**	**–**	**–**	**596.6**	652.4	–	–	652.4
Debt and other fixed income securities	**2,863.2**	**227.7**	**1.7**	**3,092.6**	2,722.1	256.4	–	2,978.5
Property funds	**–**	**–**	**351.7**	**351.7**	–	–	255.5	255.5
Derivative instruments	**–**	**14.4**	**0.7**	**15.1**	–	32.5	–	32.5
Other financial assets at fair value through profit or loss								
Participation in investment pools	**269.4**	**–**	**–**	**269.4**	280.6	–	–	280.6
Deposits with credit institutions	**116.0**	**–**	**–**	**116.0**	176.7	–	–	176.7
Other	**1.1**	**–**	**0.1**	**1.2**	1.3	–	0.1	1.4
Available-for-sale financial assets								
Unlisted equities	**–**	**–**	**6.5**	**6.5**	–	–	6.6	6.6
Other								
Derivative instruments in designated hedge accounting relationships	**–**	**3.6**	**–**	**3.6**	–	6.1	–	6.1
Total assets	**3,846.3**	**245.7**	**360.7**	**4,452.7**	3,833.1	295.0	262.2	4,390.3
Liabilities								
Financial liabilities held for trading at fair value through profit or loss								
Derivative instruments	**–**	**(17.2)**	**–**	**(17.2)**	–	(21.6)	–	(21.6)
Other								
Derivative instruments in designated hedge accounting relationships	**–**	**(8.0)**	**–**	**(8.0)**	–	(7.0)	–	(7.0)
Total liabilities	**–**	**(25.2)**	**–**	**(25.2)**	–	(28.6)	–	(28.6)
Net financial investments	**3,846.3**	**220.5**	**360.7**	**4,427.5**	3,833.1	266.4	262.2	4,361.7

The table above excludes the Group's holdings of cash and cash equivalents of £196.6 million (2014: £204.8 million). These are measured at fair value and are categorised as Level 1.

The table also excludes the Group's borrowings which are not measured at fair value but for which fair value information is provided in note 13(e). These are categorised as Level 3 in the fair value hierarchy.

The table also excludes the Group's loans and receivables and other payables, included in notes 12(c) and 12(d) respectively, which are carried at amounts that approximate to the fair value and are categorised as Level 3 in the fair value hierarchy. These include the Group's contingent liabilities and commitments, as detailed in notes 19 and 20 respectively.

The majority of the Group's investments are valued based on quoted market information or other observable market data. The Group holds 8.1% (2014: 6.0%) of its net financial investments at a fair value based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions might result in a higher or lower fair value measurement, though this is unlikely to be significant.

12. Financial assets and liabilities continued

f) Fair value hierarchy continued

iii) Transfers between levels of the fair value hierarchy

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the relevant reporting period during which the transfers are deemed to have occurred.

There has been a transfer from Level 2 into Level 3 during the year of £1.7 million (2014: £nil) due to a lack of recent quoted prices for that security. There were no transfers between Level 1 and Level 2 during the year or in the comparative year.

The table below analyses the movements in assets and liabilities classified as Level 3 investments during 2015:

	Debt and other fixed income securities £m	**Property funds £m**	**Derivative instruments £m**	**Other £m**	**Unlisted equities £m**	**Total £m**
At 1 January 2015	**–**	**255.5**	**–**	**0.1**	**6.6**	**262.2**
Total net gains/(losses) recognised in investment return in profit or loss	**–**	**12.1**	**(13.2)**	**–**	**–**	**(1.1)**
Sales	**–**	**(5.3)**	**–**	**–**	**–**	**(5.3)**
Purchases	**–**	**93.2**	**–**	**–**	**–**	**93.2**
Settlements	**–**	**(9.1)**	**10.3**	**–**	**–**	**1.2**
Transfers in from Level 2	**1.7**	**–**	**–**	**–**	**–**	**1.7**
Foreign exchange gains/(losses)	**–**	**5.3**	**3.6**		**(0.1)**	**8.8**
At 31 December 2015	**1.7**	**351.7**	**0.7**	**0.1**	**6.5**	**360.7**
Total net unrealised gains for the year recognised in investment return in profit or loss for assets and liabilities held at the end of the reporting year						**13.6**

	Debt and other fixed income securities £m	Property funds £m	Derivative instruments £m	Other £m	Unlisted equities £m	Total £m
At 1 January 2014	–	181.0	(0.1)	2.0	6.7	189.6
Total net gains/(losses) recognised in investment return in profit or loss	–	5.4	(17.2)	(1.2)	(0.1)	(13.1)
Sales	–	(20.2)	–	–	–	(20.2)
Purchases	–	86.8	–	–	–	86.8
Settlements	–	(1.5)	16.9	–	–	15.4
Foreign exchange losses	–	4.0	0.4	(0.7)	–	3.7
At 31 December 2014	–	255.5	–	0.1	6.6	262.2
Total net unrealised gains for the year recognised in investment return in profit or loss for assets and liabilities held at the end of the reporting year						2.4

g) Financial risk management

The following section describes the Group's investment risk management from a quantitative and qualitative perspective.

The Group has two main categories of assets:

- Underwriting assets – premium received and held to meet future insurance claims.
- Capital assets – capital required by the regulators to support the underwriting business plus working capital and surplus funds. Apart from the outstanding borrowings, these assets do not have specific current liabilities attached to them.

Investment governance

The Group manages its investments in accordance with investment frameworks that are set by the Boards of MS Amlin plc and its subsidiaries (the Boards). These frameworks determine investment governance and the investment risk tolerance. They are reviewed on a regular basis to ensure that the Boards' fiduciary and regulatory responsibilities are being met. Day-to-day management of the investments is delegated to the Investment Management Executive or members of the relevant subsidiary's executive, who are advised by the Chief Investment Officer.

The MS Amlin Investment Management Committee comprises the Chief Executive, Chief Finance & Operations Officer and Chief Investment Officer, and meets quarterly to consider whether the strategic asset allocation and tactical asset allocation ranges are appropriate to optimise investment returns within the risk tolerances set by the Boards. MS Amlin Investments, led by the Chief Investment Officer, is responsible for tactical asset allocation and the appointment of external investment managers and custodians.

Risk tolerance

Investment risk tolerances are set by the Board of MS Amlin plc and its subsidiaries. The investment process is driven from the risk tolerance which is determined by reference to factors such as the underwriting cycle and the requirements of the capital providers. In a hard underwriting market capital preservation is paramount in order to support the insurance business and, therefore, the risk tolerance for the capital assets will be low. Conversely, the risk tolerance for the underwriting assets under these circumstances will be relatively high due to the strong cash flow. In a soft underwriting market the opposite applies.

Investment risk is monitored by MS Amlin Investments using a market-recognised third-party risk model. Risk reporting is generated by MS Amlin Investments and an independent review conducted by the MS Amlin Risk function. These reports are then circulated to the MS Amlin Investment Management Committee, the Executive Underwriting & Risk Committee and the Risk & Solvency Committee.

Strategic asset allocation

Each of the Group's principal subsidiaries has its own strategic asset allocation which is set according to its risk tolerance and liabilities.

The strategic asset allocations for capital assets are set by using a Value at Risk (VaR[1]) model to determine the optimum asset allocation for the current risk tolerance, which ensures that appropriate solvency levels are maintained.

The expected timescale for future cash flows in each currency is calculated by the Group Actuarial team; the average of these form the basis of our asset liability duration management.

Tactical ranges around these strategic asset allocations provide flexibility to ensure that an appropriate risk/reward balance is maintained in changing investment markets.

Investment management

Investments are run on a multi-asset, multi-manager basis. Exposure to the asset classes is achieved using physical holdings of the asset class or derivative instruments and may be managed by MS Amlin Investments or by outsourced managers, on a segregated, pooled or commingled basis[2]. Manager selection is based on a range of criteria that leads to the expectation that they will add value to the funds over the medium to long-term. The managers have discretion to manage the funds on a day-to-day basis within investment guidelines or prospectuses applicable to their funds that ensure that they comply with the investment frameworks. The managers' performance, compliance and risk are monitored on an ongoing basis.

Notes:

1. VaR is a statistical measure which calculates the possible loss over a year in normal market conditions. As VaR estimates are based on historical market data this should not be viewed as an absolute gauge of the level of risk to the investments.
2. Segregated funds are managed separately for the Group. Pooled funds are collective investment vehicles in which the Group and other investors purchase units. Commingled funds combine the assets of several clients.

12. Financial assets and liabilities continued

g) Financial risk management continued

The funds under management with each manager are shown below:

	31 December 2015		31 December 2014	
Manager	Total assets £m	Total %	Total assets £m	Total %
Segregated funds				
Aberdeen Asset Managers Ltd	185.7	4.2	133.2	3.0
Artemis Investment Management LLP	306.2	6.7	370.4	8.3
Barclays Bank plc	24.2	0.5	26.3	0.6
Bank of Butterfield	13.7	0.3	12.9	0.3
CBRE Global Collective Investors (UK) Ltd	207.1	4.6	134.4	3.0
Fiera Capital Corporation (Formerly Union Bank of Switzerland)	75.5	1.7	72.3	1.6
Insight Investment Management (Global) Ltd	109.0	2.4	112.3	2.5
Townsend Group Europe Ltd	155.5	3.4	129.3	2.9
Veritas Asset Management LLP	328.8	7.2	332.2	7.5
Wellington Management International Ltd	387.5	8.5	361.3	8.1
Pooled vehicles – liquidity funds				
BlackRock Investment Management (UK) Ltd	78.9	1.7	126.4	2.8
Citibank	0.9	–	0.4	–
Goldman Sachs Asset Management International	10.1	0.2	3.0	0.1
HSBC Global Asset Management (France)	45.9	1.0	39.8	0.9
Pooled vehicles – bonds and LIBOR plus funds				
Bluebay Asset Management LLP[1]	352.4	7.8	342.0	7.7
Goldman Sachs Asset Management International[1]	568.9	12.5	571.3	12.8
H20 AM LLP	595.6	13.1	584.3	13.2
Insight Investment Management (Global) Ltd[1]	306.0	6.7	304.7	6.8
PIMCO Global Advisers (Ireland) Ltd[1]	336.0	7.4	350.0	7.9
Wellington Management International Ltd[1]	242.3	5.3	235.5	5.3
Pooled vehicles – insurance linked securities				
Leadenhall Capital Partners LLP	69.1	1.5	63.7	1.4
Commingled funds				
Corporation of Lloyd's Treasury Services	101.4	2.2	111.6	2.5
Fiera Capital Corporation (formerly Union Bank of Switzerland)	47.9	1.1	37.1	0.8
	4,548.6	100.0	4,454.4	100.0

Note:
The table above excludes the Group's directly held securities of £13.0 million (2014: £14.4 million) comprising insurance linked securities £0.1 million (2014: £0.7 million), unlisted equities £5.8 million (2014: £5.9 million) and other liquid investments £7.1 million (2014: £7.8 million). The table also excludes £9.3 million unrealised losses (2014: £3.1 million unrealised losses) accruing to a series of foreign exchange contracts placed on behalf of the Group to hedge portfolio currency exposures.

Note:
1. These funds are sub-funds within an umbrella structure as referenced in note 18(c). See table below for the associated umbrella structure.

Sub funds under management	Umbrella structure
Bluebay Asset Management LLP	BlueBay Funds
Goldman Sachs Asset Management International	Goldman Sachs Funds SICAV
Insight Investment Management (Global) Ltd	BNY Mellon Global Fund, plc
PIMCO Global Advisers (Ireland) Ltd	PIMCO Funds: Global Investors Series plc
Wellington Management International Ltd	Wellington Management Portfolios (Luxembourg)

Asset allocation

The total value of investments in the following tables is reconciled to note 12(b), financial assets and financial liabilities, as follows:

	2015 £m	2014 £m
Net financial investments per note 12(b)	4,427.5	4,361.7
Assets/(liabilities) shown separately in the notes to the financial statements:		
Accrued income	4.1	6.3
Net unsettled receivables/(payables) for investments (purchased)/sold	43.2	(7.1)
Cash funds held by financial institutions	74.8	112.2
Assets not analysed in the investment asset allocation tables:		
Liquid investments	0.5	(2.2)
Unlisted equities	(0.7)	(0.7)
Margin and collateral balances relating to derivative instruments	2.9	(4.5)
Total investments in asset allocation tables below	4,552.3	4,465.7

The asset allocation of the Group's investments is set out below:

	31 December 2015				31 December 2014			
	Underwriting assets £m	Capital assets £m	Total assets £m	Total %	Underwriting assets £m	Capital assets £m	Total assets £m	Total %
Global equities	5.8	597.0	602.8	13.3	4.0	654.7	658.7	14.8
Bonds								
Government securities	787.6	23.2	810.8	17.8	667.6	20.6	688.2	15.4
Government agencies/ guaranteed bonds	9.3	–	9.3	0.2	27.4	–	27.4	0.6
Asset-backed securities	10.4	–	10.4	0.2	8.9	–	8.9	0.2
Mortgage-backed securities – Prime	30.1	–	30.1	0.7	56.5	–	56.5	1.3
Corporate bonds	99.5	0.4	99.9	2.2	105.0	–	105.0	2.3
Pooled vehicles	1,198.9	680.5	1,879.4	41.3	1,273.7	597.7	1,871.4	41.9
Insurance linked securities	0.1	–	0.1	0.0	0.7	–	0.7	–
	2,135.9	704.1	2,840.0	62.4	2,139.8	618.3	2,758.1	61.7
Property funds	–	351.8	351.8	7.7	–	255.5	255.5	5.7
Other liquid investments								
Liquidity funds and other liquid investments	619.6	138.1	757.7	16.6	592.4	201.0	793.4	17.8
	2,761.3	1,791.0	4,552.3	100.0	2,736.2	1,729.5	4,465.7	100.0

Pooled vehicles held are represented by 36% government/agency bonds (2014: 33.4%), 35% corporate bonds (2014: 39.3%), 13.9% mortgage-backed and asset-backed securities (2014: 10.4%), 3.7% insurance linked securities (2014: 3.4%) and 0.3% equities (2014: nil) and 11.1% other liquid investments (2014: 13.5%).

12. Financial assets and liabilities continued

g) Financial risk management continued

The industry and geographical splits were as follows:

	31 December 2015			31 December 2014		
Industry	**Corporate bonds %**	**Global equities %**	**Total %**	Corporate bonds %	Global equities %	Total %
Oil & gas	**3.4**	**7.7**	**7.1**	4.1	2.7	2.9
Basic materials	**0.3**	**3.8**	**3.3**	0.9	4.1	3.7
Industrials	**1.1**	**19.4**	**16.8**	3.6	14.1	12.6
Consumer goods & services	**6.5**	**15.1**	**13.9**	10.8	18.0	17.0
Healthcare	**0.7**	**19.0**	**16.4**	0.4	23.1	20.0
Government guaranteed	**2.3**	**0.7**	**0.9**	1.1	–	0.1
Telecommunications	**2.7**	**8.0**	**7.2**	3.0	8.6	7.8
Utilities	**3.5**	**4.3**	**4.2**	3.0	1.0	1.2
Financials	**78.9**	**12.0**	**21.5**	71.0	18.7	26.0
Technology	**0.6**	**10.0**	**8.7**	2.1	9.7	8.7
	100.0	**100.0**	**100.0**	100.0	100.0	100.0

Note:
The table above excludes government bonds and pooled vehicles but includes £0.5 million (2014: £1.2 million) of corporate bonds with government guarantees.

	31 December 2015			31 December 2014		
Region	**Bonds %**	**Global equities %**	**Total %**	Bonds %	Global equities %	Total %
UK	**1.3**	**7.8**	**3.8**	2.0	10.7	5.7
US and Canada	**71.5**	**54.2**	**64.9**	68.3	50.2	60.6
Europe (excluding UK)	**23.1**	**20.6**	**22.1**	23.5	17.6	21.0
Far East	**3.8**	**12.9**	**7.3**	5.6	18.0	10.9
Emerging markets	**0.3**	**4.5**	**1.9**	0.6	3.5	1.8
	100.0	**100.0**	**100.0**	100.0	100.0	100.0

Note:
The table above includes all bond and equity investments, but excludes pooled vehicles.

h) Market risk

Market risk concerns the risks associated with valuation, interest rates, liquidity and counterparty credit. Foreign exchange risk is described in note 9(c).

Valuation risk

Where possible, Group assets are marked to market at bid price. Prices are supplied by the Group's custodians whose pricing processes are covered by their published annual controls reports. In accordance with their pricing policies, prices are sourced from market recognised pricing vendor sources. These pricing sources use closing trades or, where more appropriate in illiquid markets, pricing models. These models typically use broker quotes or other independent valuation techniques such as discounted cash flow models using observable or unobservable market inputs.

The Group has an established control framework with respect to fair value measurement which ensures the valuation of financial assets and financial liabilities meets the requirements of IFRS. As part of this process, the Group reviews the valuation policies of its custodians along with the evidence provided by the custodians to support fair value measurement. The prices are also reconciled to the fund managers' records to check for reasonableness.

As an additional level of governance over pricing, the Group validates the prices provided by pricing vendor sources against information obtained from Bloomberg where available. A review of stale prices was also conducted at 31 December 2015, though the impact of stale prices on the Group's investment valuation is considered immaterial. Further details of the fair value measurement of financial assets and financial liabilities are included in note 12(f).

The valuation of investments is sensitive to equity risk. The impact on profit before tax of a 1% improvement/deterioration in the total market value of shares and other variable yield securities would be a £6.0 million gain/loss (2014: £6.6 million). Sensitivities in relation to other risks are considered in the following pages and 9(c).

Interest rate risk

Investors' expectations for interest rates will impact bond yields[1]. Therefore, the value of the Group's bond holdings is subject to fluctuation as bond yields rise and fall. If yields fall the capital value will rise, and vice versa. The sensitivity of the price of a bond is indicated by its duration[2]. The greater the duration of a security, the greater its possible price volatility. Typically, the longer the maturity of a bond the greater its duration. The maturity bands of the Group's bond holdings as at 31 December 2015 are shown below:

	31 December 2015			31 December 2014		
	Underwriting assets £m	**Capital assets £m**	**Total £m**	Underwriting assets £m	Capital assets £m	Total £m
Less than 1 year	**265.7**	**8.8**	**274.5**	60.4	0.9	61.3
1-2 years	**415.4**	**–**	**415.4**	238.0	–	238.0
2-3 years	**63.0**	**0.2**	**63.2**	227.3	–	227.3
3-4 years	**47.9**	**–**	**47.9**	95.3	2.7	98.0
4-5 years	**28.7**	**–**	**28.7**	83.6	–	83.6
Over 5 years	**116.3**	**14.6**	**130.9**	161.5	17.0	178.5
	937.0	**23.6**	**960.6**	866.1	20.6	886.7

Note:
The table above excludes pooled vehicles of £1,879.4 million (2014: £1,871.4 million).

The duration of underwriting assets is set with reference to the duration of the underlying liabilities. It should be noted that the liabilities are not currently discounted and therefore their value is not impacted by interest rate movements. Cash is raised, or the duration of the portfolio reduced, if it is believed that yields may rise and therefore capital values will fall.

The average durations of the bond and cash portfolios for the underwriting assets and associated insurance liabilities as at 31 December 2015 were as follows:

	31 December 2015		31 December 2014	
Underwriting assets/liabilities	**Assets Years**	**Liabilities Years**	Assets Years	Liabilities Years
Sterling	**1.2**	**4.1**	0.5	4.1
US dollar	**0.4**	**2.5**	0.1	2.5
Euro	**0.8**	**3.5**	0.1	3.4
Canadian dollar	**0.8**	**4.0**	1.0	4.0

Note:
The table above includes pooled vehicles.

The asset durations above are calculated by the custodian and are checked against those reported by the fund managers. Liabilities durations are calculated by the Group Actuarial team.

An indication of the potential sensitivity of the value of the bond and cash funds to changes in yield is shown below:

	Syndicate 2001							**Amlin AG**		**Amlin Europe N.V.**		**Net**
Shift in yield (basis points)	**U/wtg Sterling %**	**U/wtg US$ %**	**U/wtg CAN$ %**	**U/wtg Euro %**	**U/wtg NZ$ %**	**U/wtg JPY %**	**Capital Sterling %**	**U/wtg %**	**Capital %**	**U/wtg %**	**Capital %**	**(reduction)/ increase in value £m**
100	(1.1)	(0.3)	(0.5)	(0.8)	(1.6)	(1.6)	(0.8)	(0.8)	–	(0.4)	(0.5)	(24.0)
75	(0.8)	(0.2)	(0.4)	(0.6)	(1.2)	(1.2)	(0.6)	(0.6)	–	(0.3)	(0.4)	(18.0)
50	(0.6)	(0.1)	(0.3)	(0.4)	(0.8)	(0.8)	(0.4)	(0.4)	–	(0.2)	(0.3)	(12.0)
25	(0.3)	(0.1)	(0.1)	(0.2)	(0.4)	(0.4)	(0.2)	(0.2)	–	(0.1)	(0.1)	(6.0)
– 25	0.3	0.1	0.1	0.2	0.4	0.4	0.2	0.2	–	0.1	0.1	6.0
– 50	0.6	0.1	0.3	0.4	0.8	0.8	0.4	0.4	–	0.2	0.3	12.0
– 75	0.8	0.2	0.4	0.6	1.2	1.2	0.6	0.6	–	0.3	0.4	18.0
– 100	1.1	0.3	0.5	0.8	1.6	1.6	0.8	0.8	–	0.4	0.5	24.0

Note:
The table above includes pooled vehicles.

Notes:
1. The yield is the rate of return paid if a security is held to maturity. The calculation is based on the coupon rate, length of time to maturity and the market price. It assumes coupon interest paid over the life of the security is reinvested at the same rate.
2. The duration is the weighted average maturity of the security's expected cash flows, where the present values of the cash flows serve as the weights.

12. Financial assets and liabilities continued
h) Market risk continued
Liquidity risk

It is important that the Group's entities can pay their obligations as they fall due. Levels of cash are therefore managed on a daily basis and buffers of liquid assets are held in excess of the immediate requirements. This is to reduce the risk of being forced sellers of any of the Group's assets, which may result in realising prices below fair value, especially in periods of below normal investment market liquidity.

The Group funds its insurance liabilities with a portfolio of cash and debt securities exposed to market risk. The following table indicates the contractual timing of cash flows arising from assets and liabilities for management of insurance contracts at 31 December 2015:

31 December 2015 Financial assets	Contractual cash flows (undiscounted) No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Shares and other variable yield securities	602.4	0.4	–	–	–	602.8
Debt and other fixed income securities	1,879.4	570.4	176.8	82.4	159.7	2,840.0
Property funds	351.8	–	–	–	–	351.8
Liquidity funds and other liquid investments	764.5	–	–	–	–	764.5
Derivative financial instruments, net	(6.6)	(0.2)	–	–	–	(6.8)
Total	3,591.5	570.6	176.8	82.4	159.7	4,552.3

Insurance liabilities	Expected cash flows (undiscounted) No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Outstanding claims	–	879.0	777.2	537.2	748.3	2,941.7
Less reinsurers' share of outstanding claims	–	(86.6)	(83.4)	(66.4)	(81.8)	(318.2)
Total	–	792.4	693.8	470.8	666.5	2,623.5
Difference in contractual cash flows	3,591.5	(221.8)	(517.0)	(388.4)	(506.8)	1,928.8

Note:
Debt and other fixed income securities include pooled vehicles of £1,879.4 million (2014: £1,871.4 million) which have no stated maturity.

31 December 2014 Financial assets	Contractual cash flows (undiscounted) No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Shares and other variable yield securities	658.2	0.5	–	–	–	658.7
Debt and other fixed income securities	1,871.4	144.8	396.0	235.7	203.8	2,758.1
Property funds	255.5	–	–	–	–	255.5
Liquidity funds and other liquid investments	784.5	–	–	–	–	784.5
Derivative financial instruments, net	(1.3)	10.2	–	–	–	8.9
Total	3,568.3	155.5	396.0	235.7	203.8	4,465.7

Insurance liabilities	Expected cash flows (undiscounted) No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Outstanding claims	0.1	1,109.1	1,019.9	388.6	424.9	2,928.2
Less reinsurers' share of outstanding claims	–	(117.3)	(109.8)	(42.4)	(38.6)	(305.9)
Total	0.1	991.8	910.1	346.2	386.3	2,622.3
Difference in contractual cash flows	3,568.2	(836.3)	(514.1)	(110.5)	(182.5)	1,843.4

Liquidity, in the event of a major disaster, is tested regularly using internal cash flow forecasts and realistic disaster scenarios. Liquidity is supported by pre-arranged revolving credit facilities as detailed in note 12(e). If a major insurance event occurs the investment strategy is reviewed to ensure that sufficient liquidity is also available in the assets.

A breakdown of the current and non-current portions of the other non-derivative financial liabilities is available in notes 12(d), 12(e) and 13(f).

Credit risk

Credit risk is the risk that the Group becomes exposed to losses if a specific counterparty fails to perform its contractual obligations in a timely manner, impacting the Group's ability to meet its claims as they fall due. Credit risk can also arise from underlying causes that have an impact upon the creditworthiness of all counterparties of a particular description or geographical location. The Group's credit risk is mitigated by the collateral received from counterparties, details of which are given in note 12(j). The Group is exposed to credit risk in its investment portfolio and with its premium and reinsurance receivables. The table below shows the breakdown at 31 December 2015 of the exposure of the bond portfolio, liquidity funds and insurance and reinsurance receivables by credit quality[1].

31 December 2015	**Debt securities £m**	**%**	**Liquidity funds £m**	**%**	**Insurance and reinsurance receivables[2] £m**	**%**	**Reinsurers' share of outstanding claims £m**	**%**
AAA	**652.3**	**22.9**	**258.3**	**100.0**	**3.0**	**0.3%**	**2.5**	**0.8%**
AA	**810.5**	**28.5**	**–**	**–**	**12.8**	**1.1%**	**124.0**	**39.0%**
A	**1,117.8**	**39.4**	**–**	**–**	**43.2**	**3.7%**	**156.6**	**49.2%**
BBB	**150.0**	**5.3**	**–**	**–**	**5.5**	**0.5%**	**0.9**	**0.3%**
Other	**109.4**	**3.9**	**–**	**–**	**1,099.9**	**94.4%**	**34.2**	**10.7%**
	2,840.0	**100.0**	**258.3**	**100.0**	**1,164.4**	**100.0%**	**318.2**	**100.0%**

31 December 2014	Debt securities £m	%	Liquidity funds £m	%	Insurance and reinsurance receivables £m	%	Reinsurers' share of outstanding claims £m	%
AAA	582.3	21.1	272.0	100.0	–	–	1.9	0.6
AA	778.5	28.3	–	–	26.0	2.5	103.2	33.8
A	1,161.6	42.1	–	–	41.5	4.0	174.1	56.9
BBB	111.2	4.0	–	–	–	–	0.7	0.2
Other	124.5	4.5	–	–	979.4	93.5	26.0	8.5
	2,758.1	100.0	272.0	100.0	1,046.9	100.0	305.9	100.0

Notes:

1. Credit ratings on debt securities are State Street composite ratings based on Standard & Poor's, Moody's and Fitch, depending on which agency/agencies rate each bond.
2. Insurance and reinsurance receivables includes £342.8 million (2014: £748.2 million) of premium receivable from policyholders and £757.1 million (2014: £231.2 million) of premium receivable from intermediaries that are not rated.

i. Insurance and reinsurance

The table above includes premium receivables, representing amounts due from policyholders. The quality of these receivables is not graded, but based on historical experience there is limited default risk relating to these amounts. Premium credit risk is managed through a number of controls that include broker approval, annual financial review and internal rating of brokers and regular monitoring of premium settlement performance.

Also included are reinsurance receivables, which represent the amounts due at 31 December 2015, as well as amounts expected to be recovered on unpaid outstanding claims (including IBNR) in respect of earned risks. These are stated net of provisions for impairment. The credit risk in respect of reinsurance receivables, including reinsurers' share of outstanding claims, is primarily managed by review and approval of reinsurance security by the Group's Reinsurance Security Committee prior to the purchase of the reinsurance contract. Guidelines are set, and monitored, that restrict the purchase of reinsurance security based on the Group's own ratings for each reinsurer. The Group holds collateral from certain reinsurers including those that are non-rated as security against potential default. The details of reinsurance collaterals held and placed with third party trust funds are provided in note 12(j). At 31 December 2015, the Group held collateral of £642.7 million (2014: £476.8 million). Provisions are made against the amounts due from certain reinsurers, depending on the age of the debt and the current rating assigned to the reinsurer. The impact on profit before tax of a 1% variation in the reinsurance assets would be £3.6 million (2014: £3.5 million). The details of overdue reinsurance assets and insurance receivables are provided in notes 13(a) and 13(e).

ii. Investments

As well as failure of a counterparty to perform its contractual obligations, the price of government and corporate bond holdings will be affected by investors' perception of a borrower's creditworthiness. Credit risk within the investment funds is managed through restrictions on the exposures by credit rating, as determined by the rating agencies, and by holding diversified portfolios. No bonds held at 31 December 2015 were subject to downgrades during the year (2014: none).

The Group's largest non-government counterparty as at 31 December 2015 has an A rating. The investment held with this counterparty is valued at £88.2 million (2014: £98.2 million) at 31 December 2015 and comprises £83.7 million liquid funds and £4.5 million of corporate bonds.

12. Financial assets and liabilities continued

i) Offsetting financial assets and financial liabilities

The Group's derivative transactions with respect to over-the-counter options and currency forwards are subject to International Swaps and Derivatives Association (ISDA) master netting agreements. Transactions under such agreements meet the criteria for offsetting in the Group's consolidated statement of financial position. The Group also receives and pledges collateral in the form of cash in respect of the derivative transactions. The fair value of the Group's options and currency forwards are not offset by such collaterals as they create a right of set-off that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties.

The Group's listed futures are transacted under Global Principal Clearing agreements and are not subject to offsetting in the consolidated statement of financial position. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and the liabilities simultaneously.

The disclosure provided in the tables below include derivatives that are set off in the Group's consolidated statement of financial position.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

				Related amounts not set off in the statement of financial position		
31 December 2015	**Gross amounts of recognised financial assets £m**	**Gross amounts of recognised financial liabilities set off in the statement of financial position £m**	**Net amounts of financial assets presented in the statement of financial position £m**	**Financial instruments £m**	**Cash collateral received £m**	**Net amount £m**
Derivative instruments held for trading	**1,589.5**	**(1,574.4)**	**15.1**	**(0.5)**	**(6.4)**	**8.2**
Derivative instruments in designated hedge accounting relationships	**7.3**	**(3.7)**	**3.6**	**–**	**(2.9)**	**0.7**
	1,596.8	**(1,578.1)**	**18.7**	**(0.5)**	**(9.3)**	**8.9**

				Related amounts not set off in the statement of financial position		
31 December 2014	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the statement of financial position £m	Net amounts of financial assets presented in the statement of financial position £m	Financial instruments £m	Cash collateral received £m	Net amount £m
Derivative instruments held for trading	1,575.2	(1,542.7)	32.5	–	(19.9)	12.6
Derivative instruments in designated hedge accounting relationships	78.4	(72.3)	6.1	–	(2.1)	4.0
	1,653.6	(1,615.0)	38.6	–	(22.0)	16.6

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

				Related amounts not set off in the statement of financial position		
31 December 2015	**Gross amounts of recognised financial liabilities £m**	**Gross amounts of recognised financial assets set off in the statement of financial position £m**	**Net amounts of financial liabilities presented in the statement of financial position £m**	**Financial instruments £m**	**Cash collateral pledged £m**	**Net amount £m**
Derivative instruments held for trading	**1,591.6**	**(1,574.4)**	**17.2**	**(0.5)**	**(3.5)**	**13.2**
Derivative instruments in designated hedge accounting relationships	**11.7**	**(3.7)**	**8.0**	**–**	**(3.9)**	**4.1**
	1,603.3	**(1,578.1)**	**25.2**	**(0.5)**	**(7.4)**	**17.3**

				Related amounts not set off in the statement of financial position		
31 December 2014	Gross amounts of recognised financial liabilities £m	Gross amounts of recognised financial assets set off in the statement of financial position £m	Net amounts of financial liabilities presented in the statement of financial position £m	Financial instruments £m	Cash collateral pledged £m	Net amount £m
Derivative instruments held for trading	1,564.3	(1,542.7)	21.6	–	(8.4)	13.2
Derivative instruments in designated hedge accounting relationships	79.3	(72.3)	7.0	–	(5.0)	2.0
	1,643.6	(1,615.0)	28.6	–	(13.4)	15.2

j) Restricted funds held/placed by the Group

At 31 December 2015, the Group holds restricted funds in the form of trust fund investments, letter of credit (LOC) collaterals, initial margin calls on derivative financial instruments and collateral received from reinsurance counterparties.

Trust funds

Syndicate 2001 holds gross assets of £3,538.1 million (2014: £3,271.3 million), offset by gross liabilities of £2,890.7 million (2014: £2,703.7 million), which are held within individual trust funds. The Group cannot obtain or use these assets until such time as each Syndicate underwriting year is closed and profits are distributed, or an advance profit release is made. The Funds in Syndicate, as set out in note 2, represent the restricted capital for regulatory purposes. Furthermore, £39.0 million (2014: £17.7 million) of assets are held within trust funds and restricted from use within the working capital of the Group until settlement has been made to Syndicate 2001.

LOC facilities

At 31 December 2015, £191.9 million (2014: £145.0 million) of Amlin AG's assets are restricted for use by the Group. These assets are collateral for the LOC facility drawn at the end of the year. Details are included in note 12(e). At 31 December 2015, Syndicate 2001 recognised £0.9 million (2014: £0.7 million) of cash drawn down from LOC facilities as a liability on the consolidated statement of financial position. This has been received from reinsurance counterparties as a guarantee for business written and is included within total funds held by Syndicate 2001.

Derivative margins and collateral

Derivative instruments traded across the Group give rise to collateral being placed with, or received from, external counterparties. At 31 December 2015, included in other receivables and other payables are £6.1 million (2014: £8.6 million) margins and collaterals pledged and £2.0 million (2014: £13.0 million) margins and collaterals held in relation to listed futures margins and other derivatives respectively.

Collaterals received under reverse repurchase agreements

Collateral assets received under reverse repurchase agreements amounted to £47.9 million (2014: £nil).

Reinsurance collateral received

Collateral of £300.0 million (2014: £nil) is held in third party trust funds relating to the 2015 year retrocession programme which jointly protects Syndicate 2001 and Amlin AG. Furthermore, collateral of £331.2 million, £10.3 million and £1.1 million (2014: £304.3 million, £20.8 million and £1.1 million) is held in third party trust funds as a guarantee against reinsurance counterparties for Syndicate 2001, Amlin AG and Amlin Europe N.V. respectively. No stand alone collateral is held for the Bermuda branch of Amlin AG (2014: £151.7 million).

Collateral held in third party trust funds is not recognised as assets pertaining to the Group but is available for immediate drawdown in the event of a default.

Insurance collateral placed

Syndicate 2001 holds £395.8 million (2014: £367.1 million) of collateral in a US trust fund to meet US regulatory requirements, which are recognised as an asset to the Group. As part of the quarterly reserving process these funds can be released to match paid claims. Amlin Europe N.V. has £8.1 million (2014: £32.7 million) of bank guarantees in place to cover insurance counterparties.

Funds withheld as premium/claim deposits

At 31 December 2015, the Group had net funds of £21.6 million (2014: £23.2 million) placed as claim deposits and net £5.6 million (2014: £0.6 million) premium deposits placed with/receivable from external brokers. Amlin AG and its branch in Bermuda have placed a further £45.9 million (2014: £34.0 million) and £1.7 million (2014: £2.5 million) respectively into pledge accounts to collateralise against losses due to reinsurance cedants.

Funds in escrow

At 31 December 2015, the Group holds £14.2 million (2014: £14.2 million) of funds in an escrow account to meet any potential funding requirements of the Lloyd's Superannuation Fund. Further details are provided in note 16(a).

13. Insurance liabilities and reinsurance assets
a) Net outstanding claims

		2015			2014		
Outstanding claims	Note	**Insurance liabilities £m**	**Reinsurers' share £m**	**Net liabilities £m**	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m
At 1 January		**2,928.2**	**(305.9)**	**2,622.3**	2,897.1	(343.1)	2,554.0
Claims incurred during the current year	4(b)	**1,307.4**	**(63.1)**	**1,244.3**	1,387.2	(74.4)	1,312.8
Movements arising from prior year claims	4(b)	**(54.4)**	**(25.6)**	**(80.0)**	(80.4)	(9.2)	(89.6)
	3(b)	**1,253.0**	**(88.7)**	**1,164.3**	1,306.8	(83.6)	1,223.2
Claims paid during the year		**(1,213.4)**	**88.5**	**(1,124.9)**	(1,288.7)	133.3	(1,155.4)
Accretion of fair value adjustment		**2.8**	**(0.5)**	**2.3**	3.8	(0.6)	3.2
Exchange adjustments		**(28.9)**	**(11.6)**	**(40.5)**	9.2	(11.9)	(2.7)
At 31 December		**2,941.7**	**(318.2)**	**2,623.5**	2,928.2	(305.9)	2,622.3

In connection with the purchase accounting for the acquisition of Amlin Europe N.V., the Group adjusted outstanding claims and related reinsurers' share of outstanding claims to fair value on acquisition. The reduction to the original carrying value of £39.1 million and £6.4 million to outstanding claims and reinsurers' share of outstanding claims respectively is being recognised through a charge to the consolidated statement of profit or loss over the period the claims are settled.

The fair value was based on the present value of the expected cash flows with consideration for the uncertainty inherent in both the timing of, and the ultimate amount of, future payments for losses and receipts of amounts recoverable from reinsurers. The nominal amounts were discounted to their present value using an applicable risk-free discount rate. The carrying value at 31 December 2015 of the reduction was £10.5 million and £1.7 million (2014: £14.1 million and £2.3 million) to outstanding claims and reinsurers' share of outstanding claims respectively.

Further information on the calculation of outstanding claims and the risks associated with them is provided in notes 13(i) and 13(g) respectively.

Outstanding claims are further analysed between notified outstanding claims and claims incurred but not reported below:

	2015			2014		
Outstanding claims	**Insurance liabilities £m**	**Reinsurers' share £m**	**Net liabilities £m**	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m
Notified outstanding claims	**2,083.3**	**(238.7)**	**1,844.6**	2,068.0	(254.9)	1,813.1
Claims incurred but not reported	**858.4**	**(79.5)**	**778.9**	860.2	(51.0)	809.2
	2,941.7	**(318.2)**	**2,623.5**	2,928.2	(305.9)	2,622.3

The current and non-current portions for outstanding claims are expected to be as follows:

	2015			2014		
Outstanding claims	**Insurance liabilities £m**	**Reinsurers' share £m**	**Net liabilities £m**	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m
Current portion	**1,249.4**	**(124.3)**	**1,125.1**	1,108.7	(118.2)	990.5
Non-current portion	**1,692.3**	**(193.9)**	**1,498.4**	1,819.5	(187.7)	1,631.8
	2,941.7	**(318.2)**	**2,623.5**	2,928.2	(305.9)	2,622.3

The total reinsurers' share of outstanding claims is set out in the table below:

	2015 £m	2014 £m
Reinsurers' share of outstanding claims	**(327.2)**	(324.3)
Less provision for impairment of receivables from reinsurers	**9.0**	18.4
	(318.2)	(305.9)

The Group assesses its reinsurers' share of outstanding claims for impairment on a quarterly basis by reviewing counterparty payment history and credit grades provided by rating agencies. The credit ratings of the Group's reinsurers' share of outstanding claims are shown in note 12(h).

As at 31 December 2015 there were £nil (2014: £1.7 million) reinsurers' share of outstanding claims greater than three months overdue. The Group holds collateral of £26.7 million (2014: £26.2 million) in relation to reinsurers' share of outstanding claims. Details are included in note 12(j).

b) Claims development

The tables below illustrate the development of the estimates of ultimate cumulative claims for the consolidated Group (excluding Amlin Europe N.V.), alongside UK, Bermuda and Zurich regions after the end of the underwriting year, illustrating how amounts estimated have changed from the first estimates made. Tables for Amlin Europe N.V. have been constructed on an accident year basis. All tables are prepared on an undiscounted basis and exclude the effect of intra Group reinsurance arrangements. Non-sterling balances have been converted using closing 2015 exchange rates to aid comparability.

Group (excluding Amlin Europe N.V.) Gross basis Underwriting year	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	**2015 £m**
Current ultimate gross written premium	1,447.7	1,242.0	1,218.9	1,414.5	1,517.4	1,788.9	2,013.4	2,064.0	2,206.8	**2,379.4**
Current gross earned premium	1,447.7	1,242.0	1,218.9	1,414.5	1,517.4	1,786.6	2,011.5	2,059.1	2,022.9	**1,234.5**
Estimate of cumulative claims at end of underwriting year	668.8	655.2	926.3	711.4	928.7	1,201.1	1,124.1	1,132.9	1,255.2	**1,246.2**
One year later	535.9	570.7	781.8	674.3	1,282.1	1,122.9	988.6	1,077.9	1,161.7	
Two years later	513.7	520.7	748.5	633.1	1,260.2	1,065.7	956.6	1,031.6		
Three years later	484.1	505.8	741.8	624.7	1,254.3	1,088.7	947.6			
Four years later	472.1	493.8	737.8	618.1	1,255.0	1,088.7				
Five years later	466.3	488.9	735.0	613.7	1,253.6					
Six years later	460.7	476.7	733.7	615.5						
Seven years later	447.9	473.6	729.1							
Eight years later	452.2	475.5								
Nine years later	463.6									
Cumulative payments	445.3	461.0	703.1	573.0	1,130.9	918.0	733.9	672.2	633.9	**79.8**
Estimated balance to pay	18.3	14.5	26.0	42.5	122.7	170.7	213.7	359.4	527.8	**1,166.4**

Net basis Underwriting year	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	**2015 £m**
Estimate of cumulative claims at end of underwriting year	588.2	587.3	760.0	638.1	832.3	1,014.8	1,015.7	1,029.1	1,151.9	**1,166.7**
One year later	462.1	514.5	647.0	599.6	1,086.5	966.9	918.0	987.1	1,095.6	
Two years later	453.7	468.3	609.9	567.4	1,076.9	917.6	894.8	954.7		
Three years later	426.6	455.3	606.8	557.6	1,062.1	930.8	884.9			
Four years later	416.4	444.8	599.8	549.6	1,065.8	934.5				
Five years later	411.3	436.9	595.7	549.6	1,062.0					
Six years later	406.8	428.1	594.7	553.3						
Seven years later	393.4	426.4	591.7							
Eight years later	411.4	428.4								
Nine years later	420.1									
Cumulative payments	406.6	418.4	573.8	518.9	954.7	773.4	687.1	627.7	552.6	**79.7**
Estimated balance to pay	13.5	10.0	17.9	34.4	107.3	161.1	197.8	327.0	543.0	**1,087.0**
										Total £m
Net claims reserve (strengthen)/release	(8.7)	(2.0)	3.0	(3.7)	3.8	(3.7)	9.9	32.4	56.3	**87.3**

The Group's net aggregate reserve releases from all prior years amounted to £80.0 million (2014: £89.6 million). In part, this arises from the Group's reserving philosophy which aims to make the most recent years, with the greatest uncertainty of result, prudently reserved leaving a potential for subsequent release.

This differs from the £87.3 million release in reserves stated in the claims development table above because:

- the table is on an underwriting year basis and the surpluses in this narrative are on an annually accounted basis;
- the table excludes any net aggregate reserve releases from 2005 and prior years; and
- the table excludes Amlin Europe N.V., which is disclosed on an accident year basis and for which net reserve releases are £49.2 million. The Amlin Europe N.V. table also excludes any net aggregate reserve releases from 2005 and prior years.

Further details on these reserve releases and other aspects of the underwriting performance are included in the Financial Review section on page 39.

13. Insurance liabilities and reinsurance assets continued
b) Claims development continued

UK **Gross basis** **Underwriting year**	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	**2015** **£m**
Current ultimate gross written premium	1,295.4	1,056.2	983.2	1,153.8	1,202.5	1,329.8	1,501.1	1,526.8	1,596.0	**1,676.4**
Current gross earned premium	1,295.4	1,056.2	983.2	1,153.8	1,202.5	1,329.8	1,501.1	1,526.6	1,442.9	**824.8**
Estimate of cumulative claims at end of underwriting year	622.0	578.6	760.8	608.4	735.6	891.5	854.0	831.0	900.2	**886.7**
One year later	510.9	517.8	658.2	592.7	937.4	831.5	764.6	801.7	833.3	
Two years later	485.4	474.6	617.1	548.0	900.9	777.9	739.3	762.0		
Three years later	459.1	462.2	613.2	541.6	901.4	793.2	725.1			
Four years later	447.7	452.8	608.7	536.2	896.4	795.0				
Five years later	442.1	447.8	606.2	533.4	898.4					
Six years later	436.8	436.1	604.0	529.9						
Seven years later	424.2	432.6	601.0							
Eight years later	428.4	432.7								
Nine years later	437.8									
Cumulative payments	419.7	418.5	575.4	490.3	807.1	674.4	573.2	495.6	484.0	**61.7**
Estimated balance to pay	18.1	14.2	25.6	39.6	91.3	120.6	151.9	266.4	349.3	**825.0**

Net basis **Underwriting year**	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	**2015** **£m**
Estimate of cumulative claims at end of underwriting year	541.4	510.7	594.5	535.1	639.2	731.2	758.3	747.4	809.5	**815.5**
One year later	437.1	461.6	523.4	518.0	774.4	700.1	704.9	731.7	779.2	
Two years later	425.4	422.2	478.5	483.1	746.7	656.2	688.1	705.2		
Three years later	401.6	411.7	478.2	475.2	738.2	660.6	673.0			
Four years later	392.0	403.8	470.7	468.3	735.3	664.9				
Five years later	387.1	395.8	466.9	469.9	736.2					
Six years later	382.9	387.5	465.0	468.1						
Seven years later	369.7	385.4	463.6							
Eight years later	387.6	385.6								
Nine years later	394.3									
Cumulative payments	381.0	375.9	446.1	436.6	660.3	553.9	535.1	466.9	461.9	**61.4**
Estimated balance to pay	13.3	9.7	17.5	31.5	75.9	111.0	137.9	238.3	317.3	**754.1**
										Total **£m**
Net claims reserve (strengthen)/release	(6.7)	(0.2)	1.4	1.8	(0.9)	(4.3)	15.1	26.5	30.3	**63.0**

Bermuda **Gross basis** **Underwriting year**	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	**2015** **£m**
Current ultimate gross written premium	152.3	185.8	235.7	260.7	312.5	366.5	360.0	355.4	386.1	**459.0**
Current gross earned premium	152.3	185.8	235.7	260.7	312.5	366.5	360.0	355.3	375.9	**243.9**
Estimate of cumulative claims at end of underwriting year	46.8	76.6	165.5	103.0	191.2	248.7	171.0	167.4	183.0	**193.5**
One year later	25.0	52.9	123.6	81.6	342.8	229.9	129.2	141.1	155.3	
Two years later	28.3	46.1	131.4	85.1	357.6	227.5	125.6	132.9		
Three years later	25.0	43.6	128.6	83.1	351.3	233.8	129.8			
Four years later	24.4	41.0	129.1	81.9	356.9	231.6				
Five years later	24.2	41.1	128.8	80.3	353.5					
Six years later	24.0	40.6	129.7	85.6						
Seven years later	23.7	41.0	128.1							
Eight years later	23.8	42.9								
Nine years later	25.8									
Cumulative payments	25.6	42.5	127.7	82.7	322.8	211.5	107.9	102.2	89.6	**12.7**
Estimated balance to pay	0.2	0.4	0.4	2.9	30.7	20.1	21.9	30.7	65.7	**180.8**

Net basis **Underwriting year**	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	**2015** **£m**
Estimate of cumulative claims at end of underwriting year	46.8	76.6	165.5	103.0	191.2	224.5	170.9	167.4	183.0	**193.5**
One year later	25.0	52.9	123.6	81.6	310.2	206.7	129.2	141.1	155.3	
Two years later	28.3	46.1	131.4	84.4	328.5	202.4	125.6	132.9		
Three years later	25.0	43.6	128.6	82.4	322.3	209.8	129.8			
Four years later	24.4	41.0	129.1	81.3	328.8	208.9				
Five years later	24.2	41.1	128.8	79.7	324.1					
Six years later	24.0	40.6	129.7	85.2						
Seven years later	23.7	41.0	128.1							
Eight years later	23.8	42.9								
Nine years later	25.8									
Cumulative payments	25.6	42.5	127.7	82.3	293.4	188.8	107.9	102.2	37.0	**12.7**
Estimated balance to pay	0.2	0.4	0.4	2.9	30.7	20.1	21.9	30.7	118.3	**180.8**
										Total **£m**
Net claims reserve (strengthen)/release	(2.0)	(1.8)	1.6	(5.5)	4.7	0.9	(4.2)	8.2	27.7	**29.6**

13. Insurance liabilities and reinsurance assets continued
b) Claims development continued

Zurich **Gross basis** **Underwriting year**	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	**2015 £m**
Current ultimate gross written premium	2.4	92.6	152.3	181.8	224.7	**244.0**
Current gross earned premium	2.4	90.3	150.4	177.2	204.1	**165.8**
Estimate of cumulative claims at end of underwriting year	1.9	60.9	99.3	134.5	172.0	**166.0**
One year later	1.9	61.5	94.8	135.1	173.1	
Two years later	1.7	60.4	91.7	136.7		
Three years later	1.6	61.8	92.7			
Four years later	1.7	62.1				
Five years later	1.7					
Cumulative payments	1.0	32.1	52.8	74.4	60.3	**5.4**
Estimated balance to pay	0.7	30.0	39.9	62.3	112.8	**160.6**

Net basis **Underwriting year**	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	**2015 £m**
Estimate of cumulative claims at end of underwriting year	1.9	59.1	86.5	114.3	159.4	**157.7**
One year later	1.9	60.1	83.9	114.3	161.1	
Two years later	1.7	59.0	81.1	116.6		
Three years later	1.6	60.4	82.1			
Four years later	1.7	60.7				
Five years later	1.7					
Cumulative payments	1.0	30.7	44.1	58.6	53.7	**5.6**
Estimated balance to pay	0.7	30.0	38.0	58.0	107.4	**152.1**
						Total £m
Net claims reserve (strengthen)/ release	–	(0.3)	(1.0)	(2.3)	(1.7)	**(5.3)**

Amlin Europe N.V. Gross basis Accident year	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	**2015 £m**
Current ultimate gross written premium	597.3	656.3	762.5	708.4	788.8	637.6	530.7	540.1	527.6	**532.0**
Current gross earned premium	592.0	631.8	740.4	742.6	682.8	674.8	533.2	549.2	518.5	**543.8**
Estimate of cumulative claims at end of underwriting year	352.8	392.1	630.9	502.4	499.5	501.7	338.6	340.2	315.3	**364.4**
One year later	369.3	408.2	618.7	515.4	588.1	519.3	365.6	349.3	357.2	
Two years later	369.9	437.8	608.0	516.1	538.0	485.9	372.1	342.3		
Three years later	353.6	425.0	609.8	537.2	500.8	463.0	371.3			
Four years later	351.0	412.1	587.9	521.1	577.1	456.9				
Five years later	348.4	409.8	579.9	480.7	537.8					
Six years later	345.5	405.8	568.7	484.3						
Seven years later	340.1	386.6	562.0							
Eight years later	329.8	388.1								
Nine years later	330.3									
Cumulative payments	317.7	368.0	526.5	417.3	479.6	392.8	283.2	251.9	202.5	**95.5**
Estimated balance to pay	12.6	20.1	35.5	67.0	58.2	64.1	88.1	90.4	154.7	**268.9**

Net basis Accident year	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	**2015 £m**
Estimate of cumulative claims at end of underwriting year	288.4	345.5	484.9	467.5	458.5	447.1	312.2	320.9	303.4	**331.1**
One year later	305.4	345.2	481.4	483.7	514.5	473.1	309.1	324.1	322.7	
Two years later	298.1	358.1	475.0	488.5	467.1	441.1	296.4	315.0		
Three years later	291.3	339.3	456.8	466.8	452.1	413.5	289.9			
Four years later	283.9	315.9	437.0	450.1	473.7	394.7				
Five years later	280.2	328.9	431.1	411.7	430.4					
Six years later	275.3	321.8	426.5	412.0						
Seven years later	275.9	312.7	431.2							
Eight years later	274.3	317.1								
Nine years later	274.1									
Cumulative payments	262.9	311.4	396.4	372.0	373.8	338.2	226.4	226.7	179.5	**87.6**
Estimated balance to pay	11.2	5.7	34.8	40.0	56.6	56.5	63.5	88.3	143.2	**243.5**
										Total £m
Net claims reserve release/(strengthen)	0.2	(4.4)	(4.7)	(0.3)	43.3	18.8	6.5	9.1	(19.3)	**49.2**

c) Net unearned premium

Unearned premiums are further analysed between written and earned premium below:

		2015			2014		
Unearned premium	Note	**Insurance liabilities £m**	**Reinsurers' share £m**	**Net liabilities £m**	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m
At 1 January		**1,168.4**	**(44.0)**	**1,124.4**	1,093.9	(45.1)	1,048.8
Premium written during the year	3(c),4(a)	**2,743.5**	**(298.4)**	**2,445.1**	2,564.0	(268.1)	2,295.9
Premium earned during the year	3(c),4(a)	**(2476.0)**	**290.0**	**(2,186.0)**	(2,476.4)	275.8	(2,200.6)
Foreign exchange (losses)/gains		**(25.2)**	**5.7**	**(19.5)**	(13.1)	(6.6)	(19.7)
At 31 December		**1,410.7**	**(46.7)**	**1,364.0**	1,168.4	(44.0)	1,124.4

13. Insurance liabilities and reinsurance assets continued

c) Net unearned premium continued

The current and non-current portions for unearned premium are expected to be as follows:

	2015			2014		
Unearned premium	**Insurance liabilities £m**	**Reinsurers' share £m**	**Net liabilities £m**	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m
Current portion	**1,194.3**	**(22.1)**	**1,172.2**	1,041.4	(28.6)	1,012.8
Non-current portion	**216.4**	**(24.6)**	**191.8**	127.0	(15.4)	111.6
	1,410.7	**(46.7)**	**1,364.0**	1,168.4	(44.0)	1,124.4

d) Deferred acquisition costs

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

	Note	**2015 £m**	2014 £m
At 1 January		**270.7**	246.1
Expenses for the acquisition of insurance contracts deferred during the year	7(a)	**579.6**	501.0
Amortisation	7(a)	**(500.6)**	(473.0)
Foreign exchange losses		**(3.3)**	(3.4)
At 31 December		**346.4**	270.7

The current and non-current portions are expected to be as follows:

	2015 £m	2014 £m
Current portion	**297.3**	244.9
Non-current portion	**49.1**	25.8
	346.4	270.7

e) Insurance and reinsurance receivables

	2015 £m	2014 £m
Receivables arising from insurance and reinsurance contracts	**1,186.4**	1,069.5
Less provision for impairment of receivables from contract holders and agents	**(22.0)**	(22.6)
Insurance and reinsurance receivables	**1,164.4**	1,046.9

The current and non-current portions are expected to be as follows:

	2015 £m	2014 £m
Current portion	**1,110.2**	998.8
Non-current portion	**54.2**	48.1
	1,164.4	1,046.9

Receivables arising from reinsurance contracts are comprised principally of amounts recoverable from reinsurers in respect of paid claims and premium receivables on inward reinsurance business, including reinstatement premium. The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

The Group assesses its insurance and reinsurance receivables for impairment on a quarterly basis by reviewing counterparty payment history and for circumstances which may give rise to a dispute or default, alongside credit grades provided by rating agencies. The credit ratings of the Group's insurance and reinsurance receivables are shown in note 12(h).

At 31 December 2015, insurance and reinsurance receivables at a nominal value of £60.1 million (2014: £55.4 million) were greater than three months overdue and provided for on the basis of credit rating to the value of £15.8 million (2014: £11.3 million).

The ageing analysis of insurance and reinsurance receivables overdue, before impairment provision, is as follows:

	2015 £m	2014 £m
Not overdue or less than 3 months	1,126.3	1,014.1
3 to 6 months	12.9	21.1
6 to 9 months	8.0	7.9
Greater than 9 months	39.2	26.4
	1,186.4	1,069.5

Movements on the Group's provision for impairment of receivables from contract holders and agents are as follows:

	2015 £m	2014 £m
At 1 January	(22.6)	(19.3)
Increase in the provision	(6.2)	(8.7)
Utilised provision	3.4	0.3
Release of unused provision	3.2	5.1
Foreign exchange losses	0.2	–
At 31 December	(22.0)	(22.6)

f) Insurance and reinsurance payables

	2015 £m	2014 £m
Insurance and reinsurance payables	118.6	196.2

The current and non-current portions are expected to be as follows:

	2015 £m	2014 £m
Current portion	117.1	165.7
Non-current portion	1.5	30.5
	118.6	196.2

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

Insurance payables are comprised principally of premium payable for reinsurance, including reinstatement premium.

g) Underwriting risk

The Group accepts underwriting risk in a range of classes of business through Lloyd's Syndicate 2001, Amlin Europe N.V., Amlin AG (including its branch operation in Bermuda) and Amlin Insurance (UK) plc. Syndicate 2001's portfolio is underwritten by Amlin London and Amlin UK. A cross-border merger of Amlin Europe N.V. into Amlin Insurance (UK) plc was completed on 4th January 2016. The combined post-merger entity has been renamed Amlin Insurance S.E. The analysis of underwriting risk that follows is based upon the regulated legal entities in existence at 31 December 2015. Further details are provided in note 22.

The bias of the Group's portfolio is towards short-tail property and accident risk but liability coverage is also underwritten. The Group underwrites through three Strategic Business Units (Reinsurance, Marine & Aviation and Property & Casualty) operating across regional and national boundaries to provide a global service.

In underwriting insurance or reinsurance policies, the Group's underwriters use their skill and knowledge to assess each risk. Exposure information and data on past claims experience is used 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 may result from an unexpected, or unprecedented, high level of claims.

A number of controls are deployed to control the amount of insurance exposure underwritten. Each year a business plan is prepared and agreed by the boards of the Company and its subsidiaries. This plan is used to monitor the amount of premium income, and exposure, written in total and for each class of business. Progress against this plan is monitored during the year.

13. Insurance liabilities and reinsurance assets continued

g) Underwriting risk continued

Apart from the UK, European and international comprehensive motor liability portfolios, which have unlimited liability, all policies have a per loss limit which caps the size of any individual claim. For larger sum insured risks, facultative reinsurance coverage may be purchased. The Group operates line guides that determine the maximum liability per policy that can be written for each class (on a gross or net of facultative reinsurance basis) by each underwriter. These limits can be exceeded in exceptional circumstances with the approval of senior management.

The Group is also exposed to catastrophe losses which may impact many risks in a single event. Reinsurance is purchased to limit the impact of loss aggregation from such events. These reinsurance arrangements are described in section 13(h).

Insurance policies are written through individual risk acceptances, reinsurance treaties or through facilities whereby the Group 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 the Group's behalf under clear authority levels.

The insurance policies underwritten by the Group are reviewed on an individual risk, or contract, basis and through review of portfolio performance. 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. 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 Group which is to carry reserves in excess of the mean actuarial best estimate.

The review of claims arising may result in 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 risks already underwritten which cannot be re-priced until renewal at the end of the policy period.

The Group is exposed to the impact of large catastrophe events such as windstorms, earthquakes or terrorist incidents. Exposure to such events is controlled and measured through loss modelling. The Group's broad risk appetite guidelines are set out on page 20. It is possible that a catastrophe event could exceed the maximum expected event loss. This is particularly the case for the direct property proportion of the loss exposure, where models are used to calculate a damage factor representing the amount of damage expected to exposed aggregate insured values from a particular scenario. Errors, or incorrect assumptions in the damage factor calculation, can result in incurred catastrophe event claims higher, or lower, than predicted due to unforeseen circumstances, inadequacies in data, or shortcomings in the models used.

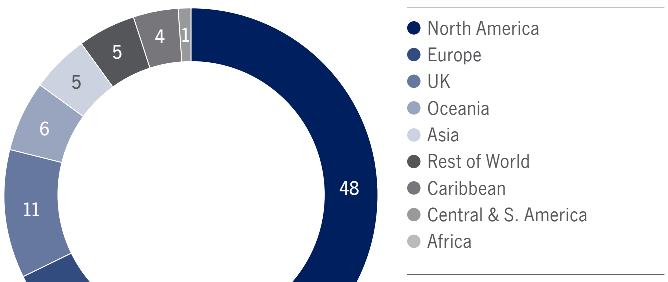
As explained in note 13(h), reinsurance is purchased to protect against the impact of any individual or series of severe catastrophes. However, the price and availability of such cover is variable and the amount of loss retained by the Group may therefore also increase or reduce. The Group will alter its insurance and reinsurance exposures to take account of changes in reinsurance availability and cost, capital levels and profitability in order to remain within the risk appetite guidelines.

Sections A, B and C below describe the insurance and reinsurance portfolios written by the Group and the associated risks of such business. Section D summarises the business written within each group of insurance and reinsurance portfolios.

A. Reinsurance portfolios

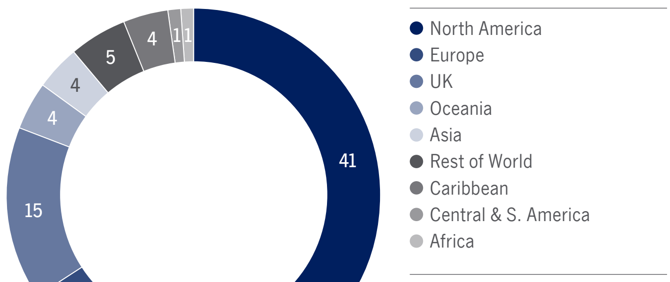
The geographic spread, based on the country in which the insured is located, of treaty Reinsurance portfolios is shown below:

2015 Reinsurance portfolios (%)
Gross written premium by geography



Note:
Gross written premium is stated gross of acquisition costs and excludes adjustments in respect of prior years.

2014 Reinsurance portfolios (%)
Gross written premium by geography



Note:
Gross written premium is stated gross of acquisition costs and excludes adjustments in respect of prior years.

A. (i) Property
Catastrophe reinsurance protects insurance companies against losses, such as windstorm or earthquake, which may impact more than one risk written by the client. The catastrophe excess of loss portfolio is a key part of the reinsurance risk written by the Group.

These programmes are placed on a layered or excess of loss basis. Territorial exposures, from a number of programmes, are carefully recorded and analysed through loss simulations or realistic disaster scenarios but represent significant loss exposure to natural or man-made catastrophes.

Aggregate excess of loss programmes are also written providing protection in response to multiple loss events.

Per risk property reinsurance is also written on an excess of loss basis but covers loss or damage to any single risk within the reinsured's portfolio. This portfolio protects insureds against large individual property losses and will also be affected by large catastrophe losses.

Proportional property reinsurance covers a proportionate share of a reinsured's portfolio of business subject to payment of commission and/or profit commission. Proportional property business is normally written with an occurrence limit.

The Group's portfolio of property reinsurance business is written with the aim of achieving territorial diversification. However, as experienced in 2011, a single or series of severe catastrophes to major economic zones in Europe, Japan, Australasia or the US is likely to result in a loss to the portfolio prior to retrocessional reinsurance. For each operating division, overall catastrophe loss limits are applied in relation to specific scenarios as an allocation of total Group tolerances.

A. (ii) Casualty
The US casualty reinsurance account provides cover for reinsureds in respect of legal liability arising from insureds' activities and actions or for incidents occurring on insureds' properties. The portfolio is written on both an excess of loss and proportional basis but most underlying policies are on a claims notified basis (responding to all claims made during a defined period). The portfolio includes specialist general casualty, professional indemnity, medical malpractice and errors and omissions cover. Small amounts of directors' and officers' liability and auto liability are also written.

US Workers Compensation Act/casualty clash excess of loss business may be impacted by large catastrophic events such as earthquake.

International liability reinsurance business is mainly general third party liability protecting companies against significant public or products liability claims, written on a proportional or excess of loss basis. The liability account also includes some professional liability reinsurance.

The construction and engineering portfolio provides liability and property reinsurance cover for construction projects which may be of several years' duration.

A. (iii) Motor
Motor reinsurance is written on a proportional and excess of loss basis. This portfolio is at risk from increases in frequency or severity of motor accident claims and bodily injury or third party property claims payments which may take several years to settle. Unlimited and limited motor business is written. Whilst the original premium and the investment income generated are expected to be more than sufficient to meet such claims, there is no guarantee that this will be the case, particularly due to inflation or superimposed inflation resulting from changes to court awards. The aim is to diversify the portfolio across several territories in order to reduce the impact of a single legal jurisdiction revising its claims policy.

A. (iv) Personal accident
Personal accident reinsurance is written on a worldwide basis. Such business could be impacted by a single or series of accidents to high-value insured individuals or from a multiple death and injury event, such as an air crash or natural catastrophe.

A. (v) Marine and aviation
The Group's portfolio of aviation and marine excess of loss reinsurance protects insurers against losses to their direct portfolios of business on a worldwide basis. This will include offshore energy business, specie and other static risks written in reinsured companies' marine portfolios. The marine account, in particular, is exposed to catastrophe losses as well as large individual risk losses.

A. (vi) Special risks
The special risks reinsurance account is predominantly made up of terrorism excess of loss and nuclear reinsurance emanating from all parts of the world and written without excess of loss reinsurance protection. The portfolio also includes short-term trade credit and contingency business as well as trade credit reinsurance which protects reinsureds against the non-payment of monies or goods or services due from trade partners locally or overseas. Mortgage indemnity business and satellite physical damage cover is also written in the special risks account.

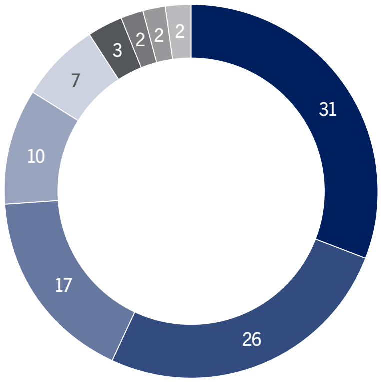
13. Insurance liabilities and reinsurance assets continued

g) Underwriting risk continued

B. Marine & Aviation portfolios

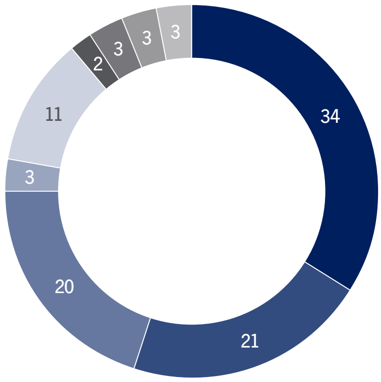
The geographic spread, based on the country in which the insured is located, of Marine & Aviation direct insurance and facultative reinsurance portfolios is shown below:

2015 Marine & Aviation portfolios (%)
Gross written premium by geography



Note:
Gross written premium is stated gross of acquisition costs and excludes adjustments in respect of prior years.

2014 Marine & Aviation portfolios (%)
Gross written premium by geography



Note:
Gross written premium is stated gross of acquisition costs and excludes adjustments in respect of prior years.

B. (i) Hull

The hull account is worldwide covering property damage to ships. Coverage may include machinery breakdown. The portfolio written includes lower-value tonnage, smaller "brown water" vessels and fishing boats as well as larger "blue water" ocean hull risks such as cruise liners, tankers and bulk carriers. Inland hull and builders' risks are also written. The hull account can be impacted by attritional claims of a small size as well as single individual large claims. In an economic recession, premium income is likely to fall as trade reduces and hull values are impacted by reduced freight rates.

B. (ii) Cargo

The cargo account is also worldwide and covers loss or damage, to a large variety of cargo or goods in transit. This portfolio is exposed to small attritional claims and single individual large claims. The cargo account could be involved in a major natural catastrophe loss or be impacted by an economic recession when claims frequency could increase due to increased economic pressures leading to fraud and theft claims.

The continental European portfolio includes a commodities book for Belgian and French trading corporations.

B. (iii) Energy

The energy portfolio mainly comprises offshore rig and construction policies, which may be impacted by large individual claims from construction fault or property damage such as fire or explosion, but is also exposed to severe catastrophe losses, for example, in the North Sea and Gulf of Mexico. The account includes control of well to limit loss of oil and avoid pollution and also some business interruption cover which indemnifies companies for loss of production.

B. (iv) War and terrorism

War business includes marine, aviation and on-land terrorism coverage. The account is exposed to single incidents or a series of losses arising from concerted action. Political risk, confiscation and contract frustration business is also written.

B. (v) Yacht

Yacht business covers property damage and third party injury for small leisure boats and craft. The UK domestic account is comprised of smaller-value yachts in the UK and Europe, although there are a number of binders written by coverholders elsewhere, such as Scandinavia, USA, Canada and Australia.

There is an expectation of a large number of small claims, as average values are low in comparison to other policies written in the Group. Third-party liability yacht claims arise from injury or damage caused by one of our policyholders to third parties. There is also the potential for a large catastrophe loss, such as a UK windstorm, where there are large aggregate sums insured in coastal regions such as southern England.

Amlin Europe N.V. and Syndicate 2001 write shares of a portfolio of large private yachts.

B. (vi) Marine liability

The marine liability portfolio is written to protect ship-owners, harbours, charterers and energy companies against damage or injury to crew or third parties. This includes the potential for pollution damage and clean-up claims. The account could suffer a large catastrophe incident from a collision causing death of crew and passengers or an oil, or chemical, spill which could incur large clean-up costs.

B. (vii) Specie
Specie business consists of the insurance against damage or theft to fine art, the contents of vaults and other high-value goods including jewellers' block and cash in transit. The fine art may be shown at exhibitions which have very high aggregate values at risk. The class is therefore exposed to the potential for a frequency of small claims and also large individual losses. Some specie is written in catastrophe zones, for example California, and may be exposed to terrorist events.

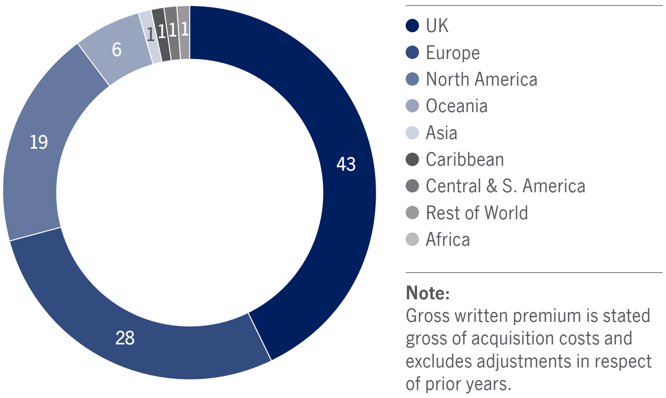
B. (viii) Aviation
The aviation airline account is exposed to large claims arising from property damage, death or injury arising from aircraft accidents. The domicile of the airline and passengers has a notable influence on the cost of claims, for example, US court awards are generally higher. The general aviation account covers smaller aircraft or cargo and covers owners or operators against loss or damage and third party injury. The risk excess account is a book of general aviation reinsurance business written to protect a small number of insurers against large general aviation claims.

Airport liability insurance covers airport operators, refuellers and air traffic controllers against losses arising from injury caused by their activities or occurring on their premises. Product liability covers manufacturers against accidents arising from faulty parts or equipment, or poor servicing of aircraft. Both airport and product liability coverage is written on a losses occurring basis, meaning that claims advices can be made after the policy has expired. Space liability insurance covers launch and operation of satellites whilst in orbit for a limited period, normally of one year.

The aviation account is subject to both small and large claims. Claims involving loss of life or serious injury to high-earning passengers or third parties are subject to the ongoing inflation of court awards particularly in the US. Large accidents involving the potential death of 500 or more passengers are feasible and could potentially result in a gross claim to the business of more than the vertical reinsurance programme if, for example, two large aircraft were to collide.

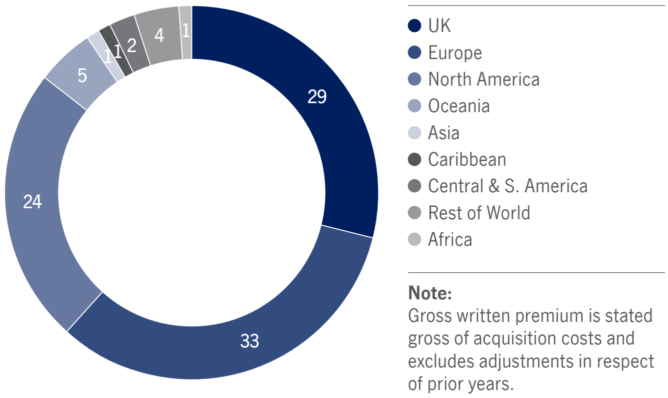
C. Property & Casualty portfolios
The geographic spread, based on the country in which the insured is located, of Property & Casualty direct insurance and facultative reinsurance portfolios is shown below:

2015 Property & Casualty portfolios (%)
Gross written premium by geography



Note:
Gross written premium is stated gross of acquisition costs and excludes adjustments in respect of prior years.

2014 Property & Casualty portfolios (%)
Gross written premium by geography



Note:
Gross written premium is stated gross of acquisition costs and excludes adjustments in respect of prior years.

C. (i) Property
Property cover is provided to large commercial enterprises with high-value, single locations and/or many locations, and also for small commercial property. The perils covered include fire, flood, wind and earthquake damage. Business interruption cover is also provided for loss of earnings sustained due to the perils and properties covered but may also be extended to connected enterprises such as suppliers or customers that provide potential for contingent business interruption claims.

Terrorism cover is given on a limited basis, particularly where required by local regulation, but nuclear and bio-chemical coverage is excluded from standard property cover in most territories.

Property insurance is written for the full value of the risk, on a primary or excess of loss basis, through individual placements, or by way of delegated underwriting facilities given to coverholders ("binding authorities"). Binding authority arrangements delegate the day-to-day underwriting to underwriting agents and therefore, for these contracts, the Group is reliant on coverholders exercising underwriting judgement on its behalf. Coverholders must have local regulatory approval (including Lloyd's where relevant), and also be approved by internal Binding Authority Committees.

For binding authority facilities, the Group receives monthly or quarterly bordereaux which are checked by underwriting staff. The underwriting is controlled by setting clear authority levels for coverholders stipulated within the binding authority agreement, regularly monitoring performance and periodically carrying out underwriting visits and/or commissioning third-party audits.

13. Insurance liabilities and reinsurance assets continued

g) Underwriting risk continued

The coverholder is incentivised to produce an underwriting profit through the payment of profit commission. However, with the day to day underwriting not controlled by the Group, there is a risk that coverholder underwriting, or claim decisions, are made which would not have been made by MS Amlin underwriters or claims staff.

As well as natural catastrophes, the property portfolio is also exposed to an above average frequency of individual fire, explosion or weather related claims. The premium charged for the coverage given may not be sufficient to cover all claims made in any year, particularly in a year in which there is an abnormal frequency of claims. The US account is particularly exposed to large catastrophe events, such as California earthquake, tornado and hurricane losses.

In the UK, standalone property protection is written mainly on a 100% basis for small and medium commercial and household properties. Package policies combine one or more liability coverages (mainly employers' and public liability) with motor and/or property damage protection.

The European property account mainly comprises large schedules of properties (e.g. for municipalities) written on a co-insurance basis in the Netherlands and larger commercial industrial clients in Belgium and France. Overseas exposure is written mainly from the large commercial industrial portfolio where there are clients or other incidental operations overseas. The engineering book includes contractors all risks, machinery breakdown and some computer equipment.

These portfolios are exposed to European weather conditions whereby a large windstorm, flood or winter freeze could result in a large number of small claims.

Bloodstock and livestock business are also written within the Property & Casualty business unit of Syndicate 2001. The bloodstock account provides coverage for death, illness or injury to horses mainly in the UK. Business from the US, Australia and South Africa is also written. This covers racing or eventing horses and breeding studs. The average value insured is below £1 million but there is the potential for an aggregate loss, such as a stable fire, which could cause multiple claims.

The livestock account provides a broad portfolio of protection for livestock and specialist products such as zoo animals, with a maximum line of any one policy of US$10 million. The Group also writes employers' liability cover for livestock business up to a limit of £10 million. Again, an event such as disease affecting several animals across many policies could result in a loss significantly higher than this.

C. (ii) Casualty

The US casualty insurance account provides insurance cover to individuals, or companies, in order to indemnify them against legal liability arising from their activities and actions or for incidents occurring on their property.

The portfolio is made up of specialist general casualty, professional indemnity, medical malpractice and errors and omissions cover. Small amounts of directors' and officers' liability and auto liability are also written. Professional lines liability cover is written by a dedicated underwriting team. This class includes professional indemnity cover given to US lawyers, accountants, architects and engineers.

The casualty portfolio is mostly written on a claims notified basis (responding to all claims made during a defined period) except for small amounts of general liability business which may be written on a losses occurring basis (the policy responds to losses which occur during the period even if reported after the policy has expired).

Claims from this class emanate from professional error, negligence or an accident which causes injury, damage or financial loss. The account is vulnerable to a high frequency of claims, but not to individual large losses as the cost to the Group of any individual claim is lower than property due to line size restrictions. Claims frequency may be impacted by a generic claim type such as poor housing design or bad medical practice which impacts many individuals and (re)insurance policies. The size of many individual claims is subject to the decisions arising from the US court system which can be higher than anticipated. There is also the potential for US courts to impose a 'bad faith' judgement on insurers if it is deemed that the insurer has acted improperly in trying to avoid contractual obligations. Such awards can, in exceptional circumstances, be much higher than the value of the insurance claim.

The Group's international liability portfolio predominantly protects insureds domiciled in the UK, Ireland, France, Germany, Belgium and the Netherlands. An international casualty team was established in 2012 to develop business in other territories, including Canada and Australia. A portfolio of professional indemnity and general liability business is written in the Netherlands, on a claims made basis with a particular focus on property related professions and miscellaneous professions such as travel operators. In Belgium, medical liability and general liability are written on a losses occurring basis.

In the UK and Ireland, employers' liability insurance protects employers against accident or injury to employees. This is also written on a losses occurring basis.

Public liability insurance in the same territories provides coverage, often written in conjunction with employers' liability, for accident or injury occurring to clients, customers or other third parties as a result of contact with the insured's personnel, property or products. This is written on a losses occurring basis.

Professional indemnity business written in the UK covers liability which may arise from services provided by the assured, for example, as a result of negligence or error which may lead to financial or physical loss. This includes, but is not limited to, services from architects, engineers, surveyors, advertising firms, medical professionals and financial advisors. This portfolio is written on a claims made basis.

Through AUA Insolvency Risk Services Ltd, a Financial Conduct Authority (FCA) registered broker, the Group writes a portfolio of UK insolvency practitioners business providing protection against fraud or negligence committed by the practitioners. Such cover also protects the property assets under their management.

The Group also writes a small account of financial institutions policies covering fidelity, professional indemnity and directors' and officers' liability for companies providing financial services. Approximately half of the income is from western European financial institutions with the balance spread broadly by territory. Coverage is given on a claim made basis.

The expected claims costs from these lines of business may be impacted by larger than anticipated damage awards to injured parties, as well as due to an unforeseen increase in generic claims such as industrial disease or other health hazards. It is expected that claims frequency will increase during an economic downturn as unemployment leads to an increase in action against employers and people are more likely to seek redress for third party advice or behaviour which may have led to financial loss or injury. It is also possible that multiple claims could arise under multiple policies from a common cause such as financial advice or generic building defects. The financial institutions account could be affected by a major fraud or a series of related liability claims arising from banking, investment activity, stockbroking or other practices.

C. (iii) Motor

The Group's UK motor insurance account provides protection for fire, theft, collision and third party property and bodily injury liability. Under the requirements of UK law, third party liability coverage is unlimited, but matching reinsurance is purchased. The account is biased towards commercial clients such as coach operators, haulage companies, commercial vehicle fleets and company executive fleets. A small UK agriculture facility, a taxi book and a specialist private car account are also written.

The Benelux commercial motor account is comprised of domestic company fleets including a large leasing and rental fleet, portfolio written in the Netherlands and a smaller portfolio in Belgium. Cars, vans or commercial vehicles account for over 70% of the book.

Claims frequency has improved in recent years due to car and road safety measures, but can fluctuate due to factors such as weather conditions. Inflation is a key factor in determining the size of motor claims. Car values affect the size of theft claims and for physical damage claims size is linked to repair costs. Inflationary pressure on court awards within the European legal systems impacts liability claim values. This issue is evidenced in the UK through the provision for Periodic Payment Orders (PPOs) which spread insurers' payment liabilities for bodily injury claims over future years. Government intervention, such as liability award limit changes or expense recoveries for government bodies, for example the UK National Health Service, will also impact claim size. For the motor account, severe bodily injury and catastrophe damage claims (e.g. UK flood) are limited through the purchase of a reinsurance programme, the highest layer of which is unlimited.

Motor insurance is a highly competitive area of insurance and pricing levels fluctuate. Whilst underwriters accept business subject to sufficient rates per vehicle, in a year where there is an unexpectedly high level of claims the total premium may not be sufficient to cover all the claims. There is also a risk that legal changes impact bodily injury payments and result in a requirement to increase reserves for outstanding claims.

Auto business is also written covering property damage only (fire, theft and collision) in the US and property damage and third party motor liability combined cover in other international territories. This class could be impacted by unexpected claim frequency, a multi vehicle event, such as a severe flood and also large bodily injury award claims emanating from an accident.

C. (iv) Personal accident

The accident and health class is written through medical expense schemes in the US and direct personal accident cover on a worldwide basis. Medical expense cover is subject to a high frequency of claim and significant medical cost inflation. Personal accident insurance could be impacted by a single or series of accidents to high-value insured individuals or from a multiple death and injury event such as an air crash or natural catastrophe.

C. (v) Special risks

The direct special risks class is largely comprised of insurance of nuclear installations, contingency business and film finance risk. Transmission and distribution business is also written. This account is generally written without reinsurance protection.

There is also a small portfolio of captive business written in Belgium where Amlin Europe N.V. acts as a fronting carrier for captive reinsurers of large industrial companies. Captives are subject to detailed financial analysis to manage potential credit risk.

D. Business written and, maximum and average line sizes by operating divisions

On the following pages are tables summarising the business written, in both gross written premium and line size, across the insurance and reinsurance portfolios of the Group, per operating division.

The following points apply to each of the tables:

- UK limits are set in US dollars converted to sterling at a rate of exchange of £1= US$1.5, Europe and Zurich limits are set in euros converted to sterling at a rate of exchange of £1= €1.2. Therefore, currency rate of exchange changes may increase or reduce the sterling limits.
- UK maximum line size is after business written and ceded by specific proportional treaties to Bermuda and Europe.
- Gross written premium is stated gross of acquisition costs and excludes adjustments in respect of prior periods.
- Gross written premiums are converted to sterling using the year end average rates set out in note 9(b).

13. Insurance liabilities and reinsurance assets continued
g) Underwriting risk continued
Reinsurance portfolios

At 31 December 2015	UK Gross written premium £m	Bermuda Gross written premium £m	Zurich Gross written premium £m	UK Max line size £m	Bermuda Max line size £m	Zurich Max line size £m	UK Average line size £m	Bermuda Average line size £m	Zurich Average line size £m
(i) Property									
Catastrophe (per programme)	264	151	31	50	50	25	5	5	3
Per risk property (per programme)	56	36	14	33	17	21	2	2	2
Proportional	83	121	64	20	20	25	2	1	2
Engineering	–	–	36	–	–	17	–	–	3
(ii) Casualty									
Casualty	88	46	–	13	10	–	1	1	–
Liability	–	–	25	–	–	17	–	–	1
(iii) Motor									
Motor	–	–	62	–	–	Unlimited	–	–	Unlimited
(iv) Personal accident									
Accident and health	2	–	–	10	–	–	2	–	–
Personal accident	–	–	3	–	10	17	–	3	1
(v) Marine and aviation									
Marine (per programme)	22	2	6	67	50	17	3	6	1
Aviation (per programme)	6	–	–	27	–	–	4	–	–
(vi) Special risks									
Special risks	54	95	5	17	17	21	4	5	3
Surety	–	–	1	–	–	2	–	–	1
Total Reinsurance	**575**	**451**	**247**						

At 31 December 2014	UK Gross written premium £m	Bermuda Gross written premium £m	Zurich Gross written premium £m	UK Max line size £m	Bermuda Max line size £m	Zurich Max line size £m	UK Average line size £m	Bermuda Average line size £m	Zurich Average line size £m
(i) Property									
Catastrophe (per programme)	279	179	36	50	50	17	5	5	4
Per risk property (per programme)	54	33	17	20	9	17	2	2	2
Proportional	53	89	51	13	9	17	2	1	2
Engineering	–	–	28	–	–	17	–	–	3
(ii) Casualty									
Casualty	33	20	–	7	10	–	3	1	–
Liability	–	–	40	–	–	17	–	–	2
(iii) Motor									
Motor	–	–	61	–	–	Unlimited	–	–	Unlimited
(iv) Personal accident									
Accident and health	7	–	–	3	–	–	1	–	–
Personal accident	–	2	3	–	7	17	–	3	1
(v) Marine and aviation									
Marine (per programme)	27	3	8	67	50	17	2	7	1
Aviation (per programme)	6	–	–	27	–	–	3	–	–
(vi) Special risks									
Special risks	38	47	6	33	27	17	4	4	3
Surety	–	–	2	–	–	4	–	–	1
Total Reinsurance	497	373	252						

Marine & Aviation portfolios

At 31 December 2015	UK Gross written premium £m	Europe Gross written premium £m	UK Max line size £m	Europe Max line size £m	UK Average line size £m	Europe Average line size £m
(i) Hull	46	49	50	50	3	6
(ii) Cargo	43	32	50	33	8	2
(iii) Energy	49	–	67	–	5	–
(iv) War and terrorism	38	–	50	–	11	–
(v) Yacht	48	3	67	33	7	6
(vi) Marine Liability	62	35	67	67	8	8
(vii) Specie	14	–	33	–	6	–
(viii) Aviation						
Airline (hull & liability)	18	–	87	–	20	–
General aviation (hull & liability)	9	–	60	–	12	–
Risk excess	8	–	70	–	12	–
Airports liability	5	–	67	–	24	–
Products	5	–	67	–	24	–
Total Marine & Aviation	**345**	**119**				

At 31 December 2014	UK Gross written premium £m	Europe Gross written premium £m	UK Max line size £m	Europe Max line size £m	UK Average line size £m	Europe Average line size £m
(i) Hull	52	54	17	21	4	2
(ii) Cargo	41	37	20	21	7	1
(iii) Energy	66	–	53	–	8	–
(iv) War and terrorism	33	–	53	–	10	–
(v) Yacht	33	6	35	8	3	6
(vi) Marine Liability	40	48	62	67	14	14
(vii) Specie	15	–	24	–	6	–
(viii) Aviation						
Airline (hull & liability)	18	–	83	–	20	–
General aviation (hull & liability)	10	–	57	–	13	–
Risk excess	5	–	69	–	14	–
Airports liability	6	–	57	–	24	–
Products	4	–	50	–	22	–
Total Marine & Aviation	323	145				

13. Insurance liabilities and reinsurance assets continued
g) Underwriting risk continued
Property & Casualty portfolios

At 31 December 2015	UK Gross written premium £m	Europe Gross written premium £m	UK Max line size £m	Europe Max line size £m	UK Average line size £m	Europe Average line size £m
(i) Property						
Direct and facultative property	103	–	23	–	2	–
Binding authorities	46	–	2	–	1	–
UK/Europe property/package	127	90	100	83	1	4
Engineering	–	25	–	63	–	3
Bloodstock/livestock	18	–	7	–	1	–
(ii) Casualty						
International casualty	41	–	17	–	6	–
Casualty	48	–	10	–	1	–
Professional lines	32	11	13	–	2	–
Employers' liability	25	–	27	–	11	–
Liability	–	59	–	42	–	2
Public/products liability	21	–	12	–	5	–
Financial institutions fidelity and liability	10	–	15	–	3	–
Professional indemnity	39	3	10	–	2	–
(iii) Motor						
US/International auto	57	–	3	–	1	–
UK/Europe motor	138	54	Unlimited	Unlimited	Unlimited	Unlimited
(iv) Personal accident						
Accident and health	31	–	10	21	2	1
(v) Special risks						
Special risks	7	21	97	63	17	5
Total Property & Casualty	**743**	**263**				

At 31 December 2014	UK Gross written premium £m	Europe Gross written premium £m	UK Max line size £m	Europe Max line size £m	UK Average line size £m	Europe Average line size £m
(i) Property						
Direct and facultative property	122	–	23	–	2	–
Binding authorities	40	–	2	–	1	–
UK/Europe property/package	124	95	100	42	1	3
Engineering	–	22	–	21	–	3
Bloodstock/livestock	21	–	7	–	1	–
(ii) Casualty						
International casualty	33	–	17	–	6	–
Casualty	41	–	3	–	1	–
Professional lines	18	–	13	–	2	–
Employers' liability	22	–	27	–	10	–
Liability	–	81	–	21	–	2
Public/products liability	16	–	12	–	4	–
Financial institutions fidelity and liability	6	–	14	–	2	–
Professional indemnity	40	–	8	–	2	–
(iii) Motor						
US/International auto	51	–	1	–	1	–
UK/Europe motor	154	46	Unlimited	Unlimited	Unlimited	Unlimited
(iv) Personal accident						
Accident and health	24	–	3	–	2	–
(v) Special risks						
Special risks	6	20	97	21	6	4
Total Property & Casualty	718	264				

h) Reinsurance and other risk mitigation arrangements

Proportional reinsurance is purchased to supplement line size and to reduce exposure on individual risks, notably for large property risks. Part of the premium ceded under such facilities by Syndicate 2001 is placed with Amlin AG and Amlin Europe N.V.

The Group purchases a number of excess of loss reinsurances to protect its portfolio from severe frequency or size of losses. The structure of these programmes and type of protection bought will vary from year to year depending on the availability and price of cover.

On large risks, individual facultative reinsurance may be purchased to protect against a loss to that specific risk.

Specific risk excess of loss reinsurance is purchased for certain portfolios of business. The amount of cover bought depends upon the line size written for each class. The deductibles, or amounts borne prior to recovery, vary from class to class as do the amounts of co-reinsurance or unplaced protection. Specific programmes are purchased to protect against large individual risk losses, such as fire or large energy losses, and these programmes may be combined at a higher level into a general programme for larger losses.

The combined claims from several policies which may aggregate in a single catastrophe event are protected by catastrophe cover. UK and European direct property accounts are protected by a European property catastrophe programme. There is also a worldwide catastrophe programme protecting direct and facultative property business.

A separate retrocessional excess of loss programme is purchased by the Group to protect the excess of loss reinsurance portfolio written in London, Bermuda and Zurich against such losses. With effect from 1 January 2016, the programme deductible for all territories and perils is US$100.0 million for a first loss (other than Japan, Australia and New Zealand which are protected excess of US$75.0 million). A lower deductible applies for second and subsequent US windstorm losses. Aggregate protection has been renewed to provide lower level cover in the event of multiple losses to the portfolio.

Excess of loss protection is also purchased to protect the motor treaty reinsurance account written in UK and Zurich.

In July 2013, the Group acquired coverage for US and Canadian earthquake perils of up to US$75.0 million from a Bermudian special purpose insurer, Tramline Re II Ltd, which in turn placed a catastrophe bond into the capital markets. This transaction provides the Group with fully collateralised protection over a four-year period from 1 July 2013 and is in addition to the protection the Group purchases through the traditional reinsurance marketplace. The bond provides protection against a remote catastrophic event for the Group.

In December 2014, the Group acquired coverage for US hurricane, US earthquake and European windstorm perils of up to US$200.0 million from Tramline Re II Ltd, which in turn placed a second catastrophe bond into the capital markets. This transaction replaces the coverage provided by Tramline Re Ltd (which expired on 31 December 2014) and provides the Group with fully collateralised protection over a four-year period from 1 January 2015. This is in addition to the protection the Group purchases through the traditional reinsurance marketplace. The bond provides significant protection against remote but substantial catastrophe events for the Group.

There is no guarantee that reinsurance coverage will be available to meet all potential loss circumstances as, for very severe catastrophe losses, it is possible that the full extent of the cover bought is not sufficient. Any loss amount which exceeds the programme would be retained by the Group. It is also possible that a dispute could arise with a reinsurer which reduces the recovery made. The reinsurance programme is bought to cover the expected claims arising on the original portfolio. However, it is possible for there to be a mismatch, or a gap in cover, which would result in a higher than expected retained loss.

Many parts of the programme also have limited reinstatements and therefore the number of claims which may be recovered from second or subsequent major losses is limited. It is possible for the programme to be exhausted by a series of losses in one annual period and it may not be possible to purchase additional reinsurance at all or for an acceptable price. This would result in the Group bearing higher losses from further events occurring. It should also be noted that the renewal date of the reinsurance programmes does not necessarily correspond to that of the business written. Where business is not protected by risk attaching reinsurance (which provides coverage for the duration of all the policies written) this reinsurance protection could expire resulting in an increase in possible loss retained by the Group if renewal of the programme is not achieved.

Realistic disaster scenario (RDS) analysis

The Group has a defined event risk tolerance which determines the maximum net loss that the Group intends to limit its exposure with respect to major modelled catastrophe event scenarios. Currently this is a maximum of £300.0 million (2014: £300.0 million) for the Group. The Group Underwriting Risk team are responsible for aggregating potential scenarios and at 1 January 2016, levels of exposure were below the potential maximum tolerance, one of the largest being Gulf of Mexico windstorm at £254.0 million for the Group. At present the Group is not utilising the full extent of its risk tolerance.

These scenarios are extraordinary events – with an occurrence probability of less than 1 in 100 years estimated for natural peril or elemental losses. The Group also adopts risk tolerance maximum net limits for a number of other non-elemental scenarios, including aviation collision and North Sea rig loss.

The risk tolerance policy recognises that there may be circumstances in which the net event limit could be exceeded. Such circumstances include changes in rates of exchange, non-renewal or delay in renewal of reinsurance protection, reinsurance security failure, or regulatory and legal requirements which increase original claims levels.

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

- The data used reflects the information supplied to the Group by insureds and ceding companies. This may prove to be incomplete, 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;

13. Insurance liabilities and reinsurance assets continued

h) Reinsurance and other risk mitigation arrangements continued

- The reinsurance programme as purchased is applied – a provision for reinsurer counterparty failure is included in the analysis but may prove to be inadequate; and
- Reinstatement premiums both payable and receivable are included.

There is no guarantee that the assumptions and techniques deployed in calculating these event loss estimate figures are accurate.

Furthermore, there could also be a 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.

i) Claims reserving and IBNR

Insurance liabilities and reinsurance assets: Calculation of incurred but not reported (IBNR) and claims development
The Group adopts a rigorous process in the calculation of an adequate provision for insurance claim liabilities. The overriding aim is to establish reserves which are expected to be at least adequate and that there is consistency from year to year. Therefore, the reserves are set at a level above the mean actuarial "best estimate" position. However, there is a risk that, due to unforeseen circumstances, the reserves carried are not sufficient to meet insurance claim liabilities reported in future years on policy periods which have expired.

Process and methodology
The reserving process commences with the proper recording and reporting of premiums and claims information which consists of booked premiums and paid and notified or outstanding claims. For the London market business information is received through Xchanging plc (the London market bureau) and, in the case of MS Amlin UK service companies and Amlin Europe N.V., and Amlin AG, directly from brokers and policyholders. Claims records are maintained for each policy and class. For outstanding claims, a case reserve is established based on the views of underwriting management and claims managers, using external legal or expert advice where appropriate. This reserve is expected to be sufficient to meet the claim payment when it is finally determined. For some classes of business, particularly liability business, settlement may be several years after the initial notification of the claim, as it may be subject to complexities or court action. For claims received from Xchanging plc, the market reserve is generally set by the lead underwriter, but there are circumstances on larger claims where the Group will post higher reserves than those notified.

To assist with the process of determining the reserves, triangulation statistics for each class are produced which show the historical development of booked premium, as well as paid and incurred losses, for each underwriting year (accident year for Amlin Europe N.V.). In all cases, the different potential development of each class of business is fully recognised. The development period varies by class, by method of acceptance and is also determined by the deductible of each policy written. For casualty business, the policy form will determine whether claims can be made on a claims made (as advised) or on a losses occurring (determined by date of loss) basis. This has a significant impact on the reporting period in which claims can be notified.

IBNR
To establish a provision for IBNR claims, the local actuarial teams use their experience and knowledge of the classes of business to estimate the potential future development of the incurred claims for each class for every underwriting year (accident year for Amlin Europe N.V.). This is known as the "best estimate". In setting the IBNR provision, estimates are made for the ultimate premium and ultimate gross claims value for each underwriting year ('ultimate' earned claims for each accident year for Amlin Europe N.V.). Allowance is then made for anticipated reinsurance recoveries to reach a net claim position. Reinsurance recoveries are calculated for outstanding and IBNR claims, sometimes through the use of historical recovery rates or statistical projections, and provisions are made as appropriate for bad debt or possible disputes. The component of ultimate IBNR provision estimates and reinsurance recoveries that relates to future events occurring to the existing portfolio is removed in order to reflect generally accepted accounting practice.

Meetings are initially held in which underwriters and actuaries discuss the initial proposed estimates and revise them if it is felt necessary. At the next round of meetings, local management discuss reserving issues with the actuaries and underwriters and challenge the proposed estimates. At this meeting, local management propose the "margin" for risk to be added to the best estimate, assisted by diagnostics produced from the internal model. The margin is proposed on a net of reinsurance basis only. Further meetings are then held at which further review and challenge is provided by central teams, led by MS Amlin Risk.

Areas of uncertainty
The reserves established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR claims. The impact on profit before tax of a 1% improvement/deterioration in the total net claims reserves would be £26.2 million gain/loss (2014: £26.2 million).

Large loss case reserves are determined through careful analysis of the individual claim, often with the advice of lawyers. Claims arising from events such as the 11 September 2001 terrorist attacks in the US are examples of cases where there continues to be some uncertainty over the eventual value of claims.
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 Group. There is uncertainty over the adequacy of information and modelling of major losses for a period that can range from several months to a number of years after a catastrophe loss. Account should also be taken of factors which may influence the size of claims such as increased repair cost inflation or a change in law.

The long tail liability classes represent the most difficult classes to project because often claims are notified and settled several years after the expiry of the policy concerned. This is particularly the case for liability business written on a losses occurring basis.

The use of historical development data is fundamental to reserving these classes. It is used in conjunction with the advice of lawyers and third party claims adjusters on material single claims. Known changes to wordings or the claims environment are also considered.

The allocation of IBNR to the reinsurance programme is an uncertain exercise as there is limited knowledge of the size or number of future claims advices. The assumption over future reinsurance recoveries may be incorrect and unforeseen disputes could arise which would reduce recoveries made.

The estimated premium income in respect of facility contracts, for example, binding authorities and line slips, is deemed to be written in full at the inception of the contract but actual premium may exceed or fail to meet initial estimates. The magnitude of claims arising from such facilities may differ from estimates as a result of differences between estimated and actual premium.

j) Internal capital modelling of risk

To improve the Group's risk management capability, and assessment of capital requirements, the Group has developed a stochastic financial model. This enables standalone modelling for each entity as well as a consolidated Group total position. The output from the model includes a distribution of financial outcomes for all material risks. The main output of the model gives a full distribution of potential profit or loss scenarios allowing the future profitability of the business to be managed on a risk adjusted basis.

The model requires the input of a large number of explicit parameters. Those inputs are based on many different sources of information including detailed historical data on premium and claims, forecast income and exposures, estimated rating levels and catastrophe loss data from proprietary models applied to the Group's portfolio. It enables projection of an estimated mean ultimate loss ratio and the distribution of results around it. The model explicitly recognises diversification credit, since class results are not all strongly correlated and thus individual classes are unlikely to all produce losses (or profits) in the same year. Due to the inherent uncertainty of predicting the key drivers of business performance, including in particular the level of claims, any individual simulation of the model viewed in isolation cannot be relied upon as an accurate forecast. However, the output from many thousands of simulated results can provide a picture of the possible distribution of business results. This output is useful in developing an understanding of the losses which may be borne by the business at varying levels of probability.

There are a large number of uncertainties and difficulties in achieving accurate results from the model. Some of the key issues are:

- The model is based on a best estimate view of business volumes and rate expectations, which may not be borne out in practice;
- A significant change in the portfolio of business could result in the past not being a reliable guide to the future;
- Forecasting changes to external environmental factors may be incorrectly assessed;
- Model risk may be significant in such a complex and developing discipline;
- Key assumptions over levels of correlation between classes may over time prove to be incorrect; and
- Catastrophe model inputs, which estimate the severity and frequency of large catastrophes on the portfolio, may turn out to overstate or understate the risk.

The results reproduced in the table below represents the modelled capital amounts required to be able to absorb an extreme loss at the 1 in 200 year level (i.e. at the 0.5 percentile). This probability is the calculation benchmark required under Solvency II. However, it does not represent the level of capital required for the Group to support current and expected business levels.

Furthermore, the Group is required to carry higher levels of capital which are considered sufficient by the rating agencies and clients.

Forecast (unaudited)	2016 £m	2015 £m
Underwriting risk	**451**	340
Reserving risk	**367**	264
Credit (reinsurance counterparty risk)	**33**	35
Investment (market risk)	**39**	35
Liquidity risk	**1**	1
Operational risk	**54**	48
Currency risk	**43**	62
Diversified result	**988**	785

Notes:

1. All figures are based on business plan forecasts which are subject to regular review to take account of changes in the trading environment, interest rate outlook and movements in rates of exchange.
2. The 2016 figures are derived from the Group internal capital model and are based on data as at 31 December 2015 (2015 based on 31 December 2014 data).
3. Capital has been allocated to risk categories using the Percentile Layer Capital Allocation approach. It should be recognised that allocating capital has a number of limitations and different allocations can be obtained by using alternative allocation approaches.
4. No dividend is considered.
5. Investment (market) risk includes explicit modelling of currency risk.
6. Non-sterling amounts in the internal capital model have been converted using business planning rates of exchange as at 31 December 2015 (US$1.47: CAN$2.04: €1.36) (31 December 2014: US$1.66: CAN$1.83: €1.21).
7. Figures include an allowance for investment returns generated on assets backing the insurance liabilities (i.e. discounting).
8. Investment income includes Group corporate (surplus) assets.
9. No credit has been taken for carried reserve margins.

14. Property and equipment

	Note	Freehold land and buildings £m	Leasehold land and buildings £m	Motor vehicles £m	Computer equipment £m	Fixtures, fittings and leasehold improvements £m	Total £m
Cost							
At 1 January 2015		22.4	2.2	0.8	42.3	19.9	87.6
Additions		3.7	–	0.1	6.0	21.0	30.8
Disposals		(4.1)	–	(0.3)	(16.2)	(9.3)	(29.9)
Foreign exchange gains/(losses)		–	–	–	–	(0.1)	(0.1)
At 31 December 2015		**22.0**	**2.2**	**0.6**	**32.1**	**31.5**	**88.4**
Accumulated depreciation							
At 1 January 2015		0.6	0.1	–	37.6	13.4	51.7
Charge for the year	7(g)	0.1	0.1	0.2	2.4	2.6	5.4
Disposals		(0.5)	–	(0.2)	(16.2)	(9.2)	(26.1)
Foreign exchange gains		–	–	–	–	(0.1)	(0.1)
At 31 December 2015		**0.2**	**0.2**	–	**23.8**	**6.7**	**30.9**
Net book value							
At 31 December 2015		**21.8**	**2.0**	**0.6**	**8.3**	**24.8**	**57.5**
At 1 January 2015		21.8	2.1	0.8	4.7	6.5	35.9

	Note	Freehold land and buildings £m	Leasehold land and buildings £m	Motor vehicles £m	Computer equipment £m	Fixtures, fittings and leasehold improvements £m	Total £m
Cost							
At 1 January 2014		8.7	2.2	0.8	43.6	16.8	72.1
Additions		13.7	–	0.4	1.6	3.3	19.0
Disposals		–	–	(0.4)	(2.9)	–	(3.3)
Foreign exchange losses		–	–	–	–	(0.2)	(0.2)
At 31 December 2014		22.4	2.2	0.8	42.3	19.9	87.6
Accumulated depreciation							
At 1 January 2014		0.5	–	0.1	37.6	11.3	49.5
Charge for the year	7(g)	0.1	0.1	0.2	2.9	2.1	5.4
Disposals		–	–	(0.3)	(2.9)	–	(3.2)
At 31 December 2014		0.6	0.1	–	37.6	13.4	51.7
Net book value							
At 31 December 2014		21.8	2.1	0.8	4.7	6.5	35.9
At 1 January 2014		8.2	2.2	0.7	6.0	5.5	22.6

15. Goodwill and intangible assets

	Note	Goodwill £m	Syndicate participations £m	Broker and customer relationships £m	Computer software £m	Other intangibles £m	Total £m
Cost							
At 1 January 2015		106.5	63.2	83.6	55.7	3.0	312.0
Additions		–	–	–	14.1	–	14.1
Foreign exchange losses		(1.6)	–	(1.7)	(0.7)	–	(4.0)
At 31 December 2015		**104.9**	**63.2**	**81.9**	**69.1**	**3.0**	**322.1**
Accumulated amortisation							
At 1 January 2015		0.4	–	27.3	14.0	2.9	44.6
Charge for the year	7(g)	–	–	5.1	5.2	–	10.3
Foreign exchange gains		–	–	(0.8)	(0.2)	–	(1.0)
At 31 December 2015		**0.4**	**–**	**31.6**	**19.0**	**2.9**	**53.9**
Net book value							
At 31 December 2015		**104.5**	**63.2**	**50.3**	**50.1**	**0.1**	**268.2**
At 1 January 2015		106.1	63.2	56.3	41.7	0.1	267.4

	Note	Goodwill £m	Syndicate participations £m	Broker and customer relationships £m	Computer software £m	Other intangibles £m	Total £m
Cost							
At 1 January 2014		89.5	63.2	71.7	46.7	3.2	274.3
Additions		–	–	–	9.9	–	9.9
Acquisition through business combination		20.4	–	15.1	–	–	35.5
Adjustment to prior acquisition		–	–	–	0.1	(0.2)	(0.1)
Foreign exchange gains/(losses)		(3.4)	–	(3.2)	(1.0)	–	(7.6)
At 31 December 2014		106.5	63.2	83.6	55.7	3.0	312.0
Accumulated amortisation							
At 1 January 2014		0.4	–	24.2	7.9	2.7	35.2
Charge for the year	7(g)	–	–	4.3	6.3	0.2	10.8
Foreign exchange losses		–	–	(1.2)	(0.2)	–	(1.4)
At 31 December 2014		0.4	–	27.3	14.0	2.9	44.6
Net book value							
At 31 December 2014		106.1	63.2	56.3	41.7	0.1	267.4
At 1 January 2014		89.1	63.2	47.5	38.8	0.5	239.1

The amortisation charge for the year is included within ‘Other administrative expenses’ in note 7(b).

Syndicate participations represent the ongoing rights to trade on Syndicate 2001 within the Lloyd’s insurance market.

Goodwill and the intangible asset in relation to syndicate participations are considered to have an indefinite life. As such, they are tested for impairment annually. All other intangible assets are tested for impairment only if an indication exists that the asset may be impaired at the reporting date.

Broker and customer relationship intangibles include those acquired in relation to AUA Insolvency Risk Services Limited, Amlin Europe N.V., RaetsMarine Insurance B.V. and Leadenhall Capital Partners LLP; the net book value being £7.0 million (2014: £8.0 million), £13.0 million (2014: £15.4 million), £15.5 million (2014: £17.6 million) and £14.8 million (2014: £15.3 million) respectively. These intangibles are being amortised over a period of 13, 15, 15 and 12 years respectively, and their remaining amortisation life is eight, nine, 12 and 11 years respectively.

Included within the broker and customer relationship intangibles for Leadenhall Capital Partners LLP is £3.8 million (2014: £3.8 million) relating to the non-controlling interest’s share.

Computer software represents the costs that the Group has incurred on internally developed software and predominantly relates to current development of Group finance systems and to a new underwriting platform for Amlin Europe N.V. developed in 2012. The amortisation of the Group finance systems will commence at the point of completion. Costs relating to Amlin Europe N.V. are being amortised over 10 years, with seven years remaining.

15. Goodwill and intangible assets continued

For the purpose of impairment testing, goodwill and intangible assets are allocated to the Group's cash generating units (CGUs) identified according to how assets are managed in the Group. This has been identified at legal entity level, and aggregated by geographical area. A full listing of the Group's legal entities can be found in note 18.

The analysis of goodwill and indefinite life intangible assets by CGU is shown below.

	2015			2014		
	Goodwill £m	Syndicate participations £m	Total £m	Goodwill £m	Syndicate participations £m	Total £m
UK entities						
Amlin Corporate Member Limited	–	63.2	63.2	–	63.2	63.2
Lead Yacht Underwriters Limited	11.5	–	11.5	11.5	–	11.5
Other CGUs	12.1	–	12.1	12.1	–	12.1
	23.6	63.2	86.8	23.6	63.2	86.8
Europe entities						
Amlin Europe N.V.	47.2	–	47.2	49.4	–	49.4
RaetsMarine Insurance B.V.	11.5	–	11.5	12.1	–	12.1
	58.7	–	58.7	61.5	–	61.5
Other entities						
Leadenhall Capital Partners LLP	22.2	–	22.2	21.0	–	21.0
	22.2	–	22.2	21.0	–	21.0
Total goodwill and indefinite life intangible assets	104.5	63.2	167.7	106.1	63.2	169.3

When testing for impairment, the recoverable amount of a CGU is determined based on value in use calculations. Value in use is calculated for each CGU using a discounted cash flow projection based on business plans and growth assumptions approved by management and discounted at an appropriate discount rate.

Key assumptions used in the calculation are as follows:

- Cash flow projections are based on the budgeted profit before tax for each CGU contained within the most recent business plans approved by management, adjusted for non-cash items such as depreciation. As such, these forecasts reflect the best estimate of future cash flows based on historical trends and expected growth rates. The period covered by the projections is five years. The most significant assumptions used to derive the operating profit include an assessment of the market cycle, retention rates, claims inflation, outwards reinsurance expenditure and long-term investment return;
- In order to extrapolate future cash flows beyond the business plan period, a long-term average growth rate of 2.5% (2014: 2.5%) has been assumed for all CGUs, based on historical growth rates and management's estimates of future growth; and
- A risk adjusted pre-tax discount rate of 7.5% (2014: 8.5%), has been applied to each CGU's cash flow projection, which reflects a combination of factors including the Group's expected cost of equity, expected cost of borrowing, and different risk factors attaching to each CGU.

In each case, the results of this exercise indicate that the recoverable amount exceeds the intangible asset's carrying value and would not be sensitive to reasonable possible changes in assumptions.

16. Retirement benefit obligations

The Group participates in a number of pension arrangements, including defined contribution schemes, defined benefit schemes and personal pension schemes.

a) Defined benefit schemes

The Group participates in four funded defined benefit schemes, the Lloyd's Superannuation Fund located in the United Kingdom, Amlin Europe N.V. schemes located in the Netherlands and Belgium and the Amlin AG scheme in Switzerland.

Scheme descriptions

Lloyd's Superannuation Fund – United Kingdom

The scheme is operated as part of the Lloyd's Superannuation Fund (the Fund). The Fund is administered by an entity which is legally separate from the Group. The board of the pension fund, the board of trustees, is made up by a majority of independent directors, an MS Amlin employers' director and an MS Amlin members' director. The trustees are required by legislation and by its articles of association to act in the interests of the pension scheme and the plan participants. The trustees are responsible for the investment strategy of the Fund, in accordance with the Statement of Investment Principles. The trustees are also responsible for the appointment of custodians and actuaries for the Fund, in addition to consulting with the employers of the Fund.

Historically the Fund has catered for a number of employers in the Lloyd's market. As a consequence of market consolidation, employers closing final salary schemes and some companies failing, MS Amlin is the only active employer in the Fund.

Prior to MS Amlin becoming the sole participating employer, the trustees operated separate notional accounts for the scheme of each contributing employer and also a section relating to former employees of the employers no longer contributing to the fund (known as the orphans' section). Since becoming the sole participating employer, the trustees has stopped notionally segregating the assets and therefore the Company continues to be ultimately responsible for the assets and liabilities of the Fund, including 100% of the orphan liabilities (2014: 100%).

Following the exit of the remaining other employer during 2013, the trustees entered into a contract with an insurance company to secure the liabilities relating to the employers exiting the Fund and to some of the liabilities of the orphans' section. During 2014 and 2015, the trustees subsequently decided that they would not be securing nine (2014: seven) members of the exiting employer outside the Fund under this insurance contract. Instead the trustees opted to retain them in the Fund as orphan section members and maintain their cover with the insurance contract. There is an allowance in the defined benefit obligation for the liability in respect of these members, and a corresponding (and equal) allowance in the scheme assets of the Fund as at 31 December 2015 for the value of this insurance contract for these members. The increase in defined benefit obligation and scheme assets over the year has been treated as an experience loss/gain as appropriate.

Amlin Europe N.V. schemes – Netherlands and Belgium

Amlin Europe N.V. operates two defined benefit pension schemes covering the majority of its employees. These plans are governed by the Amlin Europe N.V. board in accordance with Dutch and Belgian legislation. Under these schemes, benefits are based on years of service and level of salary. Benefits also include other post-employment benefits which continue to be granted to employees after retirement. These plans are insured and are funded partly by means of employee contributions.

During 2015 specific budgets in relation to the defined benefit scheme in the Netherlands for future indexation of accrued pension rights up to 2015 of both inactive and active pension members were agreed with the Worker's Council, as well as specific indexation principles for accrued pension rights from 1 January 2016. Additionally on 31 December 2015 a new agreement with the insurance company was signed and the old contract was closed. This has resulted in a release of the net defined benefit liability of €16.0 million (£11.6 million) and is recognised in the consolidated statement of profit or loss as a non-operating gain.

The new pension plan as from 1 January 2016 qualifies as a defined contribution plan under IAS 19, 'Employee Benefits'.

Amlin AG scheme – Switzerland

Amlin AG operates a pension scheme which meets the classification of a defined benefit scheme under IAS 19. In accordance with Swiss legislation, Amlin AG provides for occupational pension insurance, the regulations of which, as may be amended from time to time, apply to both Amlin AG and the employee. The pension scheme's management board (equally consisting of employer as well as employee representatives) retains overall responsibility for deciding on such fundamental aspects as the level and structure of plan benefits.

The insured salary is based on the agreed compensation exclusive of bonus and/or other benefits granted by Amlin AG. The employees pay a portion of the premium determined in the applicable pension fund regulations.

Net defined benefit liability

Amount recognised in the consolidated statement of financial position in respect of the Group's defined benefit schemes is as follows:

	2015 £m	2014 £m
Present value of defined benefit obligation	**(542.0)**	(572.3)
Fair value of scheme assets	**521.5**	535.1
Deficit in schemes	**(20.5)**	(37.2)
Restriction to defined benefit asset due to asset ceiling	**(9.0)**	(4.2)
Net defined benefit liability	**(29.5)**	(41.4)

16. Retirement benefit obligations continued

a) Defined benefit schemes continued

The movement in the net defined benefit liability is as follows:

	Present value of obligation £m	Fair value of scheme assets £m	Deficit in schemes £m	Effect of asset ceiling £m	Net defined benefit liability £m
At 1 January 2015	(572.3)	535.1	**(37.2)**	(4.2)	**(41.4)**
Interest (expense)/income	(18.2)	17.5	**(0.7)**	(0.2)	**(0.9)**
Current service cost	(5.4)	–	**(5.4)**	–	**(5.4)**
Past service cost	12.4	–	**12.4**	–	**12.4**
Administration expenses	0.3	(1.3)	**(1.0)**	–	**(1.0)**
(Charged)/credited to consolidated statement of profit or loss	**(10.9)**	**16.2**	**5.3**	**(0.2)**	**5.1**
Re-measurements:					
Actuarial gains and losses arising from:					
– changes in financial assumptions	15.6	–	**15.6**	–	**15.6**
– changes in experience	(3.0)	4.2	**1.2**	–	**1.2**
Return on plan assets, excluding amounts included in interest (expense)/income	–	(11.8)	**(11.8)**	–	**(11.8)**
Changes in asset ceiling, excluding amounts included in interest (expense)/income	–	–	**–**	(4.6)	**(4.6)**
Credited/(charged) to consolidated statement of other comprehensive income	**12.6**	**(7.6)**	**5.0**	**(4.6)**	**0.4**
Exchange differences	5.5	(3.9)	**1.6**	–	**1.6**
Participant contributions	(1.1)	1.1	**–**	–	**–**
Benefits paid	22.6	(22.6)	**–**	–	**–**
Employer contributions	–	4.8	**4.8**	–	**4.8**
At 31 December 2015	**(543.6)**	**523.1**	**(20.5)**	**(9.0)**	**(29.5)**

Included in the past service costs line above is the £11.6 million relating to the limiting of the obligation on the Amlin Europe N.V. defined benefit scheme in the Netherlands as described above. All other past service costs are included within Other operating expenses in the Consolidated statement of profit or loss.

	Present value of obligation £m	Fair value of scheme assets £m	Deficit in Schemes £m	Effect of asset ceiling £m	Net defined benefit liability £m
At 1 January 2014	(470.3)	468.1	(2.2)	(30.4)	(32.6)
Interest (expense)/income	(19.3)	19.6	0.3	(1.3)	(1.0)
Current service cost	(5.1)	–	(5.1)	–	(5.1)
Past service cost	0.9	–	0.9	–	0.9
Administration expenses	0.4	(1.6)	(1.2)	–	(1.2)
(Charged)/credited to consolidated statement of profit or loss	(23.1)	18.0	(5.1)	(1.3)	(6.4)
Re-measurements:					
Actuarial gains and losses arising from:					
– changes in demographic assumptions	(8.6)	–	(8.6)	–	(8.6)
– changes in financial assumptions	(66.5)	11.5	(55.0)	–	(55.0)
– change in experience	(26.4)	5.8	(20.6)	–	(20.6)
Return on plan assets, excluding amounts included in interest (expense)/income	–	46.9	46.9	–	46.9
Changes in asset ceiling, excluding amounts included in interest (expense)/income	–	–	–	27.5	27.5
(Charged)/credited to consolidated statement of other comprehensive income	(101.5)	64.2	(37.3)	27.5	(9.8)
Exchange differences	5.8	(4.1)	1.7	–	1.7
Participant contributions	(1.1)	1.1	–	–	–
Benefits paid	17.9	(17.9)	–	–	–
Employer contributions	–	5.7	5.7	–	5.7
At 31 December 2014	(572.3)	535.1	(37.2)	(4.2)	(41.4)

Funding arrangements
Lloyd's Superannuation Fund
Contributions are paid to provide for the cost of benefit accrual. The rate of contribution agreed with the trustees is 16% (2014: 16%) paid by the employer plus 5% (2014: 5%) member contributions, in each case of pensionable earnings, and additional contributions as agreed with the trustees. Contributions totalled £2.0 million at 31 December 2015 (2014: £2.6 million).

The funding position of the Fund is assessed every three years by an independent qualified actuary. Contributions are made at the funding rates recommended by the actuary and typically include adjustments to amortise any funding surplus or shortfall over a period. Amounts paid under the scheme are charged to Syndicate 2001 or other Group companies. The last completed formal valuation of the Fund was as at 31 March 2013 and was completed in June 2014 by Mr D Wilding, Fellow of the Institute of Actuaries, and used the projected unit credit actuarial method.

On 20 June 2014, the Group agreed a schedule of contributions with the Trustee, to run over 10 years. The schedule requires four separate payments of £2.0 million to the Fund, followed by six separate payments of £1.2 million to the Fund. The present value of the future payments attributable to past service has been recognised as a liability at 31 December 2015, to the extent that the contributions will not be available after they are paid into the Fund through a refund or a reduction in future contributions.

The Group has also entered into an agreement with the trustees to hold certain funds within an escrow account. The Group has made payments totalling £14.0 million to the escrow account, and it is fully funded. Following the 2013 triennial actuarial valuation, the escrow account is being held as security against certain of the assumptions used in the valuation. Further details are provided in note 12(j).

Other schemes
Funding for the other schemes in operation is in accordance with related insurance arrangements and regulations described above.

Restriction to defined benefit asset due to asset ceiling
The Lloyd's Superannuation Fund's rules do not allow the Group to receive a refund of contributions in any circumstances. Therefore, the present value of the future payments has been recognised as a liability at 31 December 2015, to the extent that the contributions will not be available after they are paid into the Fund. A restriction to the defined benefit asset has therefore been recognised.

Risks to which the Group is exposed through its defined benefit schemes
The defined benefit schemes expose the Group to the following risks:

- Changes in bond yields – The discount rate used in calculating the present value of the defined benefit obligation is based upon the yield of high-quality debt instruments issued by blue-chip companies, with maturities consistent with those of the defined benefit obligations. A decrease in bond yields is likely to increase the defined benefit obligation.
- Asset volatility – There is a risk that the return on the plan assets underperforms the yield on corporate bonds, thereby reducing the surplus or increasing the deficit.
- Inflation risk – The defined benefit obligation is linked to inflation and therefore should the inflation rate increase, there will be an increase in the plan obligation.
- Life expectancy – The present value of the defined benefit obligation is calculated based on certain mortality assumptions as stated below. An increase in the life expectancy of the plan participants will result in an increase in the defined benefit obligation.
- Risk of insurer default – Where the schemes have entered into an insurance arrangement, if the insurer is unable to meet its obligations, or if the contract is cancelled by either party, it will fall to the Group to provide the benefits to members in accordance with the relevant scheme assets.

Significant actuarial assumptions
The significant actuarial assumptions used as at 31 December 2015 were:

	UK % pa	The Netherlands % pa	Belgium % pa	Switzerland % pa
Discount rate for pension benefits	**3.7**	**2.6**	**1.3**	**0.8**
Price inflation (CPI/RPI for UK)	**2.1/3.1**	**1.9**	**1.9**	**1.3**
Expected salary increases – general	**–**	**1.5-2.0**	**1.9**	**2.3**
Indexation for active and formerly active employees	**–**	**1.0-1.5**	**–**	**–**

For the Lloyd's Superannuation Fund, there are nil expected salary increases (2014: nil) because the plan participants' salaries have been capped at the date of buy out. They continue to accrue additional years' service but do not benefit from salary increases.

The significant actuarial assumptions used as at 31 December 2014 were:

	UK % pa	The Netherlands % pa	Belgium % pa	Switzerland % pa
Discount rate for pension benefits	3.6	2.1	1.4	1.0
Price inflation (CPI/RPI for UK)	2.1/3.1	2.0	1.9	1.3
Expected salary increases – general	–	1.5-2.0	1.9	2.3
Indexation for active and formerly active employees	–	1.0-1.5	–	–

16. Retirement benefit obligations continued

a) Defined benefit schemes continued

The mortality assumptions used in the 31 December 2015 valuation included the following life expectancies:

Life expectancy (years) at age 60 for a member currently:	UK		The Netherlands		Belgium		Switzerland	
	Male	Female	Male	Female	Male	Female	Male	Female
Aged 60	28.3	30.1	26.8	27.9	26.7	30.9	26.5	29.1
Aged 45	29.8	31.7	28.0	28.8	26.7	30.9	27.8	30.4

The mortality assumptions used in the 31 December 2014 valuation included the following life expectancies:

Life expectancy (years) at age 60 for a member currently:	UK		The Netherlands		Belgium		Switzerland	
	Male	Female	Male	Female	Male	Female	Male	Female
Aged 60	28.2	30.0	26.8	28.0	26.7	30.9	26.4	29.0
Aged 45	29.7	31.6	27.9	28.8	26.7	30.9	27.7	30.3

Significant actuarial assumptions – sensitivities

The table below shows the impact on the defined benefit obligation that a change in certain key assumptions would have:

Assumption change	2015 £m	2014 £m
(Increase)/decrease in discount rate by 0.25%	(20.0)/22.6	(22.9)/25.5
(Decrease)/increase in inflation rate by 0.25%	(7.3)/8.4	(9.7)/12.1
(Decrease)/increase in salary rate by 0.5%	(0.5)/0.4	(1.3)/1.5
(Decrease)/increase in indexation rate by 0.5%	(2.0)/3.5	(9.4)/11.5
(Decrease)/increase in life expectancy by one year	(17.2)/17.1	(19.0)/19.0

The above sensitivities of the significant actuarial assumptions have been calculated by changing each assumption in turn whilst all remaining assumptions are held constant. The limitation of this sensitivity analysis is that in practice assumptions may be correlated and therefore are unlikely to change in isolation.

Analysis of scheme assets

The analysis of the scheme assets at the reporting date is as follows:

	31 December 2015				31 December 2014			
	Quoted £m	Unquoted £m	Total £m	Total %	Quoted £m	Unquoted £m	Total £m	Total %
Cash and cash equivalents	–	18.0	18.0	3.4	–	13.7	13.7	2.6
Equity instruments								
United Kingdom	78.1	–	78.1	14.9	77.0	–	77.0	14.5
Europe	13.5	–	13.5	2.6	12.0	–	12.0	2.2
North America	31.0	–	31.0	5.9	30.6	–	30.6	5.7
Asia	6.7	–	6.7	1.3	6.6	–	6.6	1.2
Rest of World	5.4	–	5.4	1.1	6.6	–	6.6	1.2
Bonds								
Government	166.9	–	166.9	31.9	167.6	–	167.6	31.3
Corporate	98.0	–	98.0	18.7	111.8	–	111.8	20.9
Property								
United Kingdom	31.4	–	31.4	6.0	32.1	–	32.1	6.0
Total directly managed scheme assets – United Kingdom	431.0	18.0	449.0	85.8	444.3	13.7	458.0	85.6
The Netherlands			59.0	11.3			64.2	12.0
Belgium			3.5	0.7			3.6	0.7
Switzerland			11.6	2.2			9.3	1.7
Insured scheme assets			74.1	14.2			77.1	14.4
Total scheme assets			523.1	100.0			535.1	100.0

The analysis of the scheme assets by asset class are not provided for the Amlin AG and Amlin Europe N.V. defined benefit schemes as the investment decisions are at the discretion of the third parties to whom Amlin AG and Amlin Europe N.V. have ceded investment risk under the insurance policies taken out to meet their obligations. These scheme assets are shown as insured scheme assets in the table above.

Asset-liability matching strategies
In accordance with the governance arrangements set out above, investment strategies are in place to maintain long-term investments which are aligned to the obligations under the defined benefit pension schemes. The Group actively monitors how the duration and expected yield of the investments match the expected cash outflows arising from the pension obligations.

In addition, for the scheme in the UK, a proportion of the Fund's assets are invested in a liability driven investment portfolio. The objective of this portfolio is to match these assets to a proportion of the Fund's liabilities.

The Group has not changed the processes used to manage its risks from prior period.

Maturity profile of the defined benefit obligations
The weighted average duration of the defined benefit obligation (years) is as follows:

	2015	2014
UK	**17**	17
The Netherlands	**26**	26
Belgium	**12**	13
Switzerland	**18**	18

The expected maturity analysis of the undiscounted pension benefits is as follows:

	UK £m	**The Netherlands £m**	**Belgium £m**	**Switzerland £m**
Less than a year	**22.1**	**1.3**	**0.2**	**0.7**
Between 1-2 years	**22.5**	**1.4**	**0.4**	**0.7**
Between 2-5 years	**70.5**	**4.7**	**2.0**	**2.1**
Over 5 years	**854.9**	**217.2**	**12.7**	**39.5**
Total as at 31 December 2015	**970.0**	**224.6**	**15.3**	**43.0**

	UK £m	The Netherlands £m	Belgium £m	Switzerland £m
Less than a year	16.1	1.3	0.3	0.5
Between 1-2 years	16.5	1.4	0.3	0.6
Between 2-5 years	51.5	4.8	1.5	1.7
Over 5 years	905.9	213.9	14.3	34.0
Total as at 31 December 2014	990.0	221.4	16.4	36.8

Expected contributions
The effect of the defined benefit plans on the Group's future cash flows as a result of the expected contributions for the year ending 31 December 2016 is as follows:

	UK £m	**The Netherlands £m**	**Belgium £m**	**Switzerland £m**
Contributions from the Group	**2.4**	**8.0**	**0.4**	**0.9**
Contributions from plan participants	**0.1**	**–**	**–**	**0.4**
Total contributions to the schemes	**2.5**	**8.0**	**0.4**	**1.3**

The cash flows in respect of the Netherlands scheme relate to the settlement of the outstanding obligations related to indexation of inactive pension members. After the payment only the obligation for future indexation of active employees of accrued pension rights up to 31 December 2015 remains.

b) The stakeholder defined contribution schemes
The defined contribution schemes operated by the Group are stakeholder arrangements. The total contributions to the schemes for the year ended 31 December 2015 are £9.2 million (2014: £8.3 million).

c) Other arrangements
In addition to the defined benefit schemes and defined contribution schemes, the Group has an occupational money purchase scheme which provides death in service protection for all employees. Regular contributions, expressed as a percentage of employees' earnings, are paid into this scheme and are allocated to accounts in the names of the individual members, which are independent of the Group's finances. There were nil outstanding contributions at 31 December 2015 (2014: £nil).

17. Capital & reserves

a) Share capital

	2015 Number	2015 £m	2014 Number	2014 £m
Allotted, called up and fully paid ordinary shares				
At 1 January issued ordinary shares of 28.125p each	**504,865,900**	**142.0**	504,799,359	142.0
Ordinary shares of 28.125 pence each issued in the year	**1,311,151**	**0.4**	66,541	–
At 31 December issued ordinary shares of 28.125p each	**506,177,051**	**142.4**	504,865,900	142.0

The Company transferred 702,695 shares out of treasury during the year at a cost of £1.8 million (2014: 756,372 shares at a cost of £1.9 million). The shares have been transferred to meet exercises of employee share options leaving 2,793,018 shares in treasury at 31 December 2015 (2014: 3,495,713 shares). This number does not include shares held by the trustee of the Group's Employee Share Ownership Trust as disclosed in note 7(d).

Following the acquisition of all shares in the Company by Mitsui Sumitomo Insurance Company Limited, per note 22, the balance of shares in treasury was transferred out in full. Therefore, at the date these accounts were signed, the balance of shares in treasury was nil.

The Group issued 144,000 ordinary shares on 1 June 2015 in conjunction with the acquisition of Leadenhall Capital Partners LLP. The Group also issued 1,167,151 shares on 31 July 2015 in settlement of the deferred consideration of RaetsMarine Insurance B.V. The shares issued have the same rights as all other shares in issue. The fair value of the shares issued was £0.7 million (487.0 pence per share) and £4.8 million (411.15 pence per share) respectively.

b) Other reserves

All items of other comprehensive income in 2015 and 2014 are charged to 'Other reserves'. Other reserves are as follows:

	Defined benefit pension reserve £m	Foreign operations translation reserve £m	Employee share option reserve £m	Hedge accounting reserve £m	Capital redemption reserve £m	Merger reserve £m	Pre-1999 goodwill write-off £m	Other reserves £m	Tax relating to other reserves £m	Total £m
At 1 January 2015	(49.9)	(8.1)	11.3	(41.1)	123.1	87.7	(45.7)	1.0	30.8	109.1
Defined benefit pension fund gains	0.4	–	–	–	–	–	–	–	0.9	1.3
Foreign exchange gains on translation of foreign operations, net of designated hedges	–	17.8	–	7.4	–	–	–	–	(2.5)	22.7
Movement in share-based payment reserve	–	–	4.4	–	–	–	–	–	0.4	4.8
At 31 December 2015	**(49.5)**	**9.7**	**15.7**	**(33.7)**	**123.1**	**87.7**	**(45.7)**	**1.0**	**29.6**	**137.9**
At 1 January 2014	(40.1)	(9.6)	9.3	(43.0)	123.1	87.7	(45.7)	1.2	29.5	112.4
Defined benefit pension fund losses	(9.8)	–	–	–	–	–	–	–	2.4	(7.4)
Foreign exchange gains on translation of foreign operations, net of designated hedges	–	1.5	–	1.9	–	–	–	–	(0.6)	2.8
Net unrealised losses on assets designated as available for sale	–	–	–	–	–	–	–	(0.1)	0.1	–
Movement in share-based payment reserve	–	–	2.0	–	–	–	–	–	(0.6)	1.4
Changes in non-controlling interests in subsidiaries	–	–	–	–	–	–	–	(0.1)	–	(0.1)
At 31 December 2014	(49.9)	(8.1)	11.3	(41.1)	123.1	87.7	(45.7)	1.0	30.8	109.1

c) Net assets per share

Net assets and tangible net assets per share are as follows:

	Note	2015 £m	2014 £m
Net assets		**1,848.9**	1,785.9
Non-controlling interests		**(2.8)**	(3.1)
Equity attributable to owners of the Parent Company		**1,846.1**	1,782.8
Adjustments for goodwill and intangible assets (excluding non-controlling interest's share)	15	**(264.4)**	(263.6)
Tangible net assets		**1,581.7**	1,519.2
Number of shares in issue at end of the year (millions)		**506.2**	504.9
Adjustment for ESOT and treasury shares (millions)		**(3.7)**	(5.3)
Basic number of shares after ESOT and treasury shares adjustment (millions)		**502.5**	499.6
Basic net assets per share		**367.4p**	356.8p
Basic tangible net assets per share		**314.8p**	304.1p

18. Subsidiaries and associates

a) Subsidiaries consolidated in the financial statements

The subsidiaries at 31 December 2015 which are consolidated in these financial statements are detailed below. Unless otherwise stated, the Group owns 100% of ordinary share capital and voting rights in these entities:

Subsidiaries	Principal activity	Incorporated in	Status	Audited
Amlin Asia Pacific Pte Limited	Lloyd's service company	Singapore	Active	Yes
Allied Cedar Insurance Group Limited	Intermediate holding company	England and Wales	Active	Yes
Allied Underwriting Agencies Limited	Regulated broker	England and Wales	Active	Yes
Amlin AG	Intermediate holding company	Switzerland	Active	Yes
Amlin Bermuda Holdings Limited	Finance company	Bermuda	Active	No
Amlin Corporate Member Limited	Corporate member at Lloyd's	England and Wales	Active	Yes
Amlin Corporate Services Limited	Group service and intermediate holding company	England and Wales	Active	Yes
Amlin (Dubai) Limited	Service company	Dubai	Active	Yes
Amlin Europe N.V.[1]	Insurance company	The Netherlands	Active	Yes
Amlin France Legacy Services	Service company	France	Active	Yes
Amlin Insurance (UK) plc[1]	Insurance company	England and Wales	Active	Yes
Amlin Investment Management Limited	Investment advisor and fund manager	England and Wales	Active	Yes
Amlin Investments Limited	Investment advisor and fund manager	England and Wales	Active	Yes
Amlin Labuan Limited	Service company	Malaysia	Active	Yes
Amlin Netherlands Holding BV	Intermediate holding company	The Netherlands	Active	No
MS Amlin (Overseas Holdings) Limited	Intermediate holding company	England and Wales	Active	Yes
Amlin Plus Limited	Lloyd's coverholder	England and Wales	Non-trading	Yes
MS Amlin Reinsurance Managers, Inc.	Service company	United States of America	Active	No
Amlin UK Limited	Service company	England and Wales	Active	Yes
Amlin Underwriting Limited	Lloyd's managing agency	England and Wales	Active	Yes
Amlin Underwriting Services Limited	Lloyd's coverholder	England and Wales	Active	Yes
AUA Insolvency Risk Services Limited	Regulated broker	England and Wales	Active	Yes
AUT Holdings Limited	Intermediate holding company	England and Wales	Active	Yes
AUT (No.1) Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
AUT (No.2) Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
AUT (No.3) Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
AUT (No.4) Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
AUT (No.5) Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
AUT (No.6) Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
AUT (No.7) Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
AUT (No.8) Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
AUT (No.9) Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
AUT (No.10) Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes

Subsidiaries	Principal activity	Incorporated in	Status	Audited
Crowe Livestock Underwriting Limited	Service company	England and Wales	Non-trading	Yes
Delian Alpha Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
Delian Beta Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
Delian Delta Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
Delian Epsilon Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
Delian Gamma Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
Delian Kappa Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
Delian Lambda Limited	Corporate member at Lloyd's	England and Wales	Dormant	Yes
Haven Knox-Johnston Limited	Lloyd's service company	England and Wales	Dormant	No
JR Clare Underwriting Agencies Limited	Lloyd's coverholder	England and Wales	Active	Yes
Just Law Limited	Service company	England and Wales	Dormant	No
Lead Yacht Underwriters Limited	Lloyd's coverholder	England and Wales	Non-trading	Yes
Leadenhall Capital Partners LLP[2]	Investment advisor and fund manager	England and Wales	Active	Yes
RaetsMarine Asia P&I Services Pte Limited	Service company	Singapore	Active	Yes
RaetsMarine France Sarl	Service company	France	Active	No
RaetsMarine Insurance B.V.	Service company	The Netherlands	Active	Yes
RaetsMarine UK Limited	Service company	England and Wales	Non-trading	Yes
SBA Underwriting Limited	Service company	England and Wales	Active	Yes
Serviceline (UK) Limited	Service company	England and Wales	Active	Yes
Stace Barr Angerstein Limited	Service company	England and Wales	Active	Yes
St. Margaret's Insurance Services Limited	Intermediate holding company	England and Wales	Dormant	No
Summit Insurance Group Limited	Service company	England and Wales	Dormant	No
Toro Prism plc	Investment advisor and fund manager	Ireland	Dormant	No

Notes:
1. Per note 22, Amlin Insurance (UK) plc and Amlin Europe N.V. merged to form Amlin Insurance S.E. on 4 January 2016
2. Amlin Group has a 75% share in Leadenhall Capital Partners LLP

b) Investments in associates

The investments in associates balance reflects the Group's shareholdings in entities that are greater than 20% but less than 50% of the shares in issue, as defined in IFRS 12 'Disclosure of Interests in Other Entities'. Other investments not meeting these criteria are included as equity investments in note 12.

The Group owns interests in two associates as detailed below, both incorporated in England and Wales.

Holding	Principal activity	Class of share held	Shareholding held
Miles Smith Holdings Limited	Regulated broker	Ordinary	25.8%
Manchester Underwriting Management Limited	Regulated broker	Ordinary	30.0%

The aggregate amount of the Group's share of profit after tax from investments in associates during the year is as follows:

	2015 £m	2014 £m
Share of profit after tax of associates	**0.7**	3.7
Total comprehensive income	**0.7**	3.7
Investment in associates	**7.7**	7.0
Total assets	**7.7**	7.0

Note:
Share of profit after tax of associate, includes the Group's share of profit from its investment in Leadenhall Capital Partners LLP of £nil (2014: £3.4 million) prior to the Group acquiring a controlling interest.

At 31 December 2015, the Group had an aggregate balance receivable from associates, excluding loans as detailed below, of £2.9 million (2014: £4.2 million). No amounts were provided for doubtful recovery of outstanding balances and no expense was recognised during the year in respect of bad or doubtful debts due from associates.

Convertible loan stock of £nil (2014: £0.7 million) had been issued by Miles Smith Holdings Limited to the Group, and was repaid on 15 January 2015.

The Group has a loan to Manchester Underwriting Management Limited of £1.7 million (2014: £2.2 million). The loan is repayable in full on dates between 1 January 2015 and 21 November 2018. Interest is charged at rates between 5.0% and 5.5% above the Bank of England base rate.

18. Subsidiaries and associates continued

c) Interests in unconsolidated structured entities

As per note 12(b), the Group holds financial investments in certain pooled vehicles which are typically sub-funds of umbrella structures. These sub-funds meet the definition of structured entities under IFRS 10, 'Consolidated Financial Statements', as voting and similar rights, which are not substantive and are protective in nature, are not the dominant factor in determining who controls the entity. Decision making at the sub-fund level is typically restricted to administrative tasks only, and instead it is the voting rights at the umbrella level which determines the control of the sub-funds.

The investments which meet the definition of structured entities are certain of the Group's investments in pooled vehicles – bonds and LIBOR plus funds, as provided in the footnote on page 102. The funds under management with each of the fund managers in these pooled vehicles are also included within the same note. These amounts are recorded within financial assets on the Group's consolidated statement of financial position.

The maximum exposure to loss from the Group's interests in unconsolidated structured entities is 100% of the funds invested in those entities, should the fair value of the assets held deteriorate to nil.

The Group has provided no financial or other support to any unconsolidated structured entities in the period outside of transactions in the ordinary course of investment management, and has no current intentions to do so.

19. Contingent liabilities

Aside from the escrow account entered into with the Trustee of the Lloyd's Superannuation Fund defined benefit pension scheme, as described in note 16(a), the Group has no material contingent liabilities at 31 December 2015 (2014: £nil).

20. Commitments

a) Capital commitments

Following completion of the construction of a new building (Victoria Road, Chelmsford), the Group no longer has a commitment at 31 December 2015 (2014: £3.6 million).

The Group has also made commitments to subscribe to property funds at 31 December 2015 of £41.7 million (2014: £68.6 million) in the normal course of investment activities.

b) Operating lease commitments

The Group leases various offices, as a lessee, under operating lease agreements. The Group is required to give notice for the termination of these agreements. The lease expenditure charged to the consolidated statement of profit or loss during the year is £13.4 million (2014: £9.9 million), as disclosed in note 7(g).

The future aggregate minimum lease payments under the non-cancellable portion of the Group's operating leases are as follows:

	2015 £m	2014 £m
No later than 1 year	**5.2**	9.0
Later than 1 year and no later than 5 years	**25.9**	23.6
Later than 5 years	**53.7**	59.0
	84.8	91.6

21. Related party transactions

a) Transactions and balances with related parties

i) Associates

The Group enters into transactions with its associates in the normal course of business. The sales to, and purchases from, associates are made at normal market prices. Details of the Group's associates are given in note 18(b).

ii) Syndicate 6106

For the 2013 underwriting year of account Special Purpose Syndicate (S6106), managed by Amlin Underwriting Limited, wrote a 10.0% quota share contract of the excess of loss reinsurance account of Syndicate 2001. The transactions provide external members' capital to support 2013 underwriting, enabling Syndicate 2001 to take advantage of opportunities in peak zones in the US, Japan and Europe. All transactions with S6106 are undertaken on an arm's length basis. This quota share contract was not renewed for the 2014 underwriting year of account and was fully commutated 1 January 2016.

iii) Funds managed by Leadenhall Capital Partners LLP

Leadenhall Capital Partners LLP (LCP), a partnership controlled by the Group, is an investment fund manager wholly focused on managing insurance linked investment portfolios for institutional investors. The total funds under management at 31 December 2015 were US$2,412.0 million (£1,733.8 million equivalent) (2014: US$1,880.8 million; £1,206.3 million equivalent). For the year to 31 December 2015, LCP earned £16.5 million in management and performance fees (23 October 2014 to 31 December 2014, £2.4 million) as per note 6. At 31 December 2015, LCP had net receivables due of £7.3 million from the funds it manages in outstanding management and performance fees.

iv) Transactions by the Funds managed by Leadenhall Capital Partners LLP

At 31 December 2015, funds managed by LCP held US$10.4 million (2014: $1.0 million) in the catastrophe bonds issued by Tramline Re II Ltd. LCP's investments in the catastrophe bonds issued by Tramline Re Ltd were unwound as the bonds matured during the year (2014: $5.5 million).

Details of the Group's transaction with Tramline Re II Ltd can be found in note 13(h).

Syndicate 2001 and Amlin AG (through its branches in Zurich and Bermuda) participate in fronting arrangements whereby they write inwards reinsurance contracts which are 100% reinsured by Horseshoe Re Limited on behalf of its segregated accounts. Funds managed by LCP have invested within these segregated accounts. During the year Syndicate 2001 and Amlin AG wrote £39.6 million (2014: £25.1 million) of gross premium and received £2.2 million (2014: £1.7 million) of commission through this arrangement. At 31 December 2015, £4.0 million was net payable to (2014: £10.2 million net receivable from) Horseshoe Re, of which £5.6 million (2014: £4.8 million) was reinsurance receivables on paid and outstanding claims, £13.2 million (2014: £13.0 million) was reinsurers' share of insurance liabilities and £22.8 million (2014: £7.6 million) was reinsurance payables.

v) Transactions with the Funds managed by Leadenhall Capital Partners LLP

At 31 December 2015, Amlin AG (through its branch in Bermuda) holds investments of £69.1 million (2014: £63.7 million) in funds managed by LCP. The return on this investment, as included in note 5, is £0.5 million in realised gains and £2.4 million in unrealised gains (2014: £1.7 million realised losses and £4.8 million unrealised gains).

b) Compensation of key management personnel

Key management personnel are those MS Amlin plc Board Directors and MS Amlin Management Committee members responsible for planning and control of the activities of the Group. Key management comprises 13 Executive Directors and employees six Non-Executive Directors (2014: 13 and six respectively). Compensation during the year to key management personnel is analysed below:

	2015 £m	2014 £m
Short-term employee benefits	**7.6**	9.4
Long-term employee benefits	**0.2**	2.7
Post-employment benefits	**0.3**	0.5
Equity-settled share-based payments	**1.9**	1.7
Cash-settled share-based payments	**0.5**	1.0
	10.5	15.3

c) Transactions with companies with common directors

Certain Directors of the Company are also directors of other companies. Such other companies (and/or their subsidiaries) may, and in some cases do, conduct business with companies in the MS Amlin Group. In all cases transactions between the MS Amlin Group and such other companies are carried out on normal arm's length commercial terms.

22. Events after the reporting period

The following significant events have been identified between the date of the consolidated statement of financial position and the date on which the financial statements were authorised.

Merger of Amlin Europe N.V. and Amlin Insurance UK plc

On 4 January 2016 Amlin Europe N.V. merged into Amlin Insurance (UK) plc (AIUK) pursuant to the European SE Directive. As a result of the merger, a new Societas Europaea (SE) entity, Amlin Insurance S.E., will be the corporate successor of both Amlin Europe N.V. and AIUK. The new entity will be subject to prudential supervision by the UK's PRA and conduct supervision by the UK's FCA and branch country regulators.

Acquisition by Mitsui Sumitomo Insurance Company, Limited

On 8 September 2015, the Boards of Directors of the Company and of Mitsui Sumitomo Insurance Company, Limited ("MSI"), a wholly owned subsidiary of MS&AD Insurance Group Holdings, Inc., announced that they had reached agreement on the terms of a recommended cash offer for the entire issued and to be issued share capital of the Company by MSI, to be effected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the "Scheme").

On 28 January 2016, the High Court of Justice made an order sanctioning the Scheme under section 899 of the Companies Act 2006. On 1 February all the shares in the Company were acquired by MSI and on 2 February 2016 the Company delisted from the London Stock Exchange as part of the Scheme. On 29 February 2016 the Company changed its name to MS Amlin plc.

Independent auditors' report
To the member of MS Amlin plc

Report on the Parent Company financial statements
Our opinion
In our opinion, MS Amlin plc's Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 31 December 2015 and of its cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements, included within the Annual Report, comprise:

- the Parent Company statement of financial position as at 31 December 2015;
- the Parent Company statement of cash flows for the year then ended;
- the Parent Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Opinion on additional disclosures
Directors' Remuneration Report
The parent company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The directors have requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the parent company were a quoted company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception
Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 60, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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 parent company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the group financial statements of MS Amlin plc for the year ended 31 December 2015.

James Bichard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 March 2016

Parent Company statement of financial position

At 31 December 2015

	Note	2015 £m	2014 £m
Assets			
Cash and cash equivalents	27(a)	**19.1**	15.0
Financial assets	27(b)	**15.3**	29.8
Loans and receivables	28	**10.4**	11.0
Amounts due from subsidiaries	28	**97.8**	367.9
Current income tax assets		**16.0**	10.0
Deferred tax assets		**–**	7.1
Investments in subsidiaries	30	**1,737.4**	1,372.5
Property and equipment	29	**18.6**	6.8
Total assets		**1,914.6**	1,820.1
Equity			
Share capital	17(a)	**142.4**	142.0
Share premium		**317.0**	311.7
Other reserves		**139.1**	134.8
Treasury shares		**(11.0)**	(16.1)
Retained earnings		**553.3**	703.0
Total equity and reserves		**1,140.8**	1,275.4
Liabilities			
Other payables	31	**12.7**	9.8
Amounts due to subsidiaries	31	**380.0**	263.7
Financial liabilities	27(b)	**7.9**	9.7
Borrowings	27(c)	**373.1**	261.5
Deferred tax liabilities		**0.1**	–
Total liabilities		**773.8**	544.7
Total equity, reserves and liabilities		**1,914.6**	1,820.1

The attached notes form an integral part of these financial statements.

The financial statements on pages 146 to 148 were approved by the Board of Directors and authorised for issue on 4 March 2016. They were signed on its behalf by:

Charles Philipps
Chief Executive

Richard Hextall
Chief Finance & Operations Officer

Parent Company statement of changes in equity
For the year ended 31 December 2015

For the year ended 31 December 2015	Note	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m	Total equity and reserves £m
Balance at 1 January 2015		142.0	311.7	134.8	(16.1)	703.0	**1,275.4**
Profit and total other comprehensive income for the year		–	–	–	–	63.2	**63.2**
Employee share option schemes:							
– share-based payment reserve		–	–	4.3	0.4	–	**4.7**
– proceeds from shares issued		–	0.2	–	4.7	(1.0)	**3.9**
Dividends paid	26	–	–	–	–	(211.9)	**(211.9)**
Issue of new shares		0.4	5.1	–	–	–	**5.5**
Transactions with the owners of the Company for the year		0.4	5.3	4.3	5.1	(212.9)	**(197.8)**
At 31 December 2015		142.4	317.0	139.1	(11.0)	553.3	**1,140.8**

For the year ended 31 December 2014	Note	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m	Total equity and reserves £m
Balance at 1 January 2014		142.0	311.3	132.7	(18.8)	634.0	1,201.2
Profit and total other comprehensive income for the year		–	–	–	–	200.6	200.6
Employee share option schemes:							
– share-based payment reserve		–	–	3.4	0.7	–	4.1
– proceeds from shares issued		–	0.1	–	2.0	(0.4)	1.7
Net purchase of employee share ownership trust		–	–	(1.3)	–	–	(1.3)
Dividends paid	26	–	–	–	–	(131.2)	(131.2)
Issue of new shares		–	0.3	–	–	–	0.3
Transactions with the owners of the Company for the year		–	0.4	2.1	2.7	(131.6)	(126.4)
At 31 December 2014		142.0	311.7	134.8	(16.1)	703.0	1,275.4

The attached notes form an integral part of these financial statements.

Parent Company statement of cash flows

For the year ended 31 December 2015

	Note	2015 £m	2014 £m
Profit before tax		**56.3**	192.1
Adjustments:			
Depreciation charge		**0.2**	–
Finance costs		**18.9**	22.0
Dividend income		**(147.5)**	(277.2)
(Gains)/losses on investments realised and unrealised		**(3.9)**	11.3
Foreign exchange losses on revaluation		**6.8**	0.5
Other non-cash movements		**0.3**	0.3
Movement in operating assets and liabilities:			
Net sales/(purchases) of financial investments		**15.5**	(8.3)
(Increase) in loans and receivables		**(0.1)**	(8.3)
Decrease in amounts due from subsidiaries		**263.4**	76.7
(Decrease)/increase in amounts due to subsidiaries		**(205.0)**	103.7
Increase/(decrease) in other payables		**2.1**	(2.7)
Cash generated from/(utilised in) operations		**7.0**	110.1
Interest received		**–**	0.3
Dividend received		**147.5**	164.8
Income tax (paid)/received		**(0.5)**	13.2
Net cash inflows from operating activities		**154.0**	288.4
Cash flows from investing activities			
Investment in subsidiary		**(36.3)**	(0.1)
Investment in associate		**0.8**	–
Sale/(purchase) of property and equipment		**4.0**	(0.5)
Net cash outflows from investing activities		**(31.5)**	(0.6)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares, including treasury shares		**6.4**	1.5
Dividends paid to owners of the Parent Company	26	**(211.9)**	(131.2)
Interest paid		**(18.1)**	(21.4)
Net drawdown/(repayment) of borrowings	12(e)	**105.3**	(131.8)
Purchase of ESOT and treasury shares		**(0.4)**	(4.0)
Net cash outflows used in financing activities		**(118.7)**	(286.9)
Net increase in cash and cash equivalents		**3.8**	0.9
Cash and cash equivalents at beginning of year		**15.0**	14.1
Effect of exchange rate changes on cash and cash equivalents		**0.3**	–
Cash and cash equivalents at end of year	27	**19.1**	15.0

The attached notes form an integral part of these financial statements.

23. Accounting policies

Basis of preparation

MS Amlin plc (the Company), domiciled in the United Kingdom, is the ultimate Parent Company for the MS Amlin Group (the Group).

The separate financial statements of the Company are prepared as required by the Companies Act 2006. The statement of financial position of the Company has also been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRICs), as adopted for use in the European Union (EU). In accordance with the exemption permitted under section 408 of the Companies Act 2006, the statement of profit or loss and statement of other comprehensive income of the Company are not presented as part of these financial statements. The profit after taxation for the year of the Company was £63.2 million (2014: £200.6 million).

The financial statements have been prepared on the historical cost basis except for financial assets and liabilities, share options and cash and cash equivalents, which are measured at their fair value.

The accounting policies that are used in preparation of these statements are consistent with the accounting policies used in the preparation of the consolidated financial statements of the Group as set out in those financial statements. This includes the Group policies on critical accounting judgements and key sources of estimation uncertainty.

The additional accounting policies that are specific to the separate financial statements of the Company are set out below.

Investment in subsidiaries

Other financial investments in Group undertakings are stated at cost and are reviewed for impairment when events, or changes in circumstances, indicate the carrying value may be impaired.

Dividend income

Dividend income from investments in subsidiaries is recognised when the right to receive payment is established.

24. Parent Company risk disclosures

The business of the Company is managing its investments in subsidiaries. The Company also holds, on behalf of the Group, various instruments to hedge exposures arising from its investments in subsidiaries. In the Company, gains and losses arising from such investments are taken to the profit or loss. Details of such instruments are given in note 9(c).

The Company's risks are considered to be the same as those in the operations of the Group itself. Full details of the risks faced by the Group and the Group's risk management policies are given in notes 9, 12 and 13.

25. Employees and Directors

All MS Amlin employees within the UK are employed by the Group service company, Amlin Corporate Services Limited. Overseas employees are employed by the relevant foreign entities. Therefore, the persons employed by the Company are nil (2014: nil).

The aggregation of the Company's Directors' remuneration is in note 7(e) to the Group financial statements. Details of Directors' remuneration, pension benefits and gains on the exercise of share options, including those of the highest paid Director, are included in the Remuneration report in the Governance section of the Annual Report.

The aggregation of the Company's key management personnel remuneration is in note 21(b) to the Group financial statements.

26. Dividends

The amounts recognised as distributions to equity holders are as follows:

	2015 £m	2014 £m
Final dividend for the year ended:		
– 31 December 2014 of 18.9 pence per ordinary share	**94.6**	–
– 31 December 2013 of 18.2 pence per ordinary share	**–**	90.8
Special dividend for the year ended:		
– 31 December 2014 of 15.0 pence per ordinary share	**75.1**	–
Interim dividend for the year ended:		
– 31 December 2015 of 8.4 pence per ordinary share	**42.2**	–
– 31 December 2014 of 8.1 pence per ordinary share	**–**	40.4
	211.9	131.2

A final ordinary dividend has not been declared.

27. Financial assets and financial liabilities
a) Cash and cash equivalents

	2015 £m	2014 £m
Cash and cash in hand	**19.1**	15.0

The cash and cash in hand balance includes £14.2 million (2014: £14.2 million) held in an escrow account in accordance with the funding requirements set out in the agreement with the Trustee of the Lloyd's Superannuation Fund defined benefit pension scheme. Details of the arrangement are in note 16(a).

As per the fair value methodology described in note 12(f), cash and cash equivalents above are classified as Level 1 in the fair value hierarchy.

b) Net financial investments
The cost and valuation of the Company's investments are as follows:

	At valuation 2015 £m	At valuation 2014 £m	At cost 2015 £m	At cost 2014 £m
Assets				
Financial assets held for trading at fair value through profit or loss				
Debt and other Fixed Income Securities	**4.1**	0.4	**4.1**	0.4
Derivative instruments	**7.5**	11.1	**–**	–
Other financial assets at fair value through profit or loss				
Participation in investment pools	**3.7**	18.3	**3.7**	18.3
Total financial assets	**15.3**	29.8	**7.8**	18.7
Liabilities				
Financial liabilities held for trading at fair value through profit or loss				
Derivative instruments	**(7.9)**	(9.7)	**–**	–
Total financial liabilities	**(7.9)**	(9.7)	**–**	–
Net financial assets	**7.4**	20.1	**7.8**	18.7

As per the fair value methodology described in note 12(f), the net financial assets above, excluding derivative instruments, are classified as Level 1 in the fair value hierarchy. Derivative instruments are classified as Level 2.

c) Borrowings

	2015 £m	2014 £m
Subordinated debt	**229.7**	261.5
Revolving credit facility	**143.4**	–
	373.1	261.5

The current and non-current portions are expected to be as follows:

	2015 £m	2014 £m
Current portion	**373.1**	32.1
Non-current portion	**–**	229.4
	373.1	261.5

For further details of the Company's borrowings, including fair value information, refer to note 12(e). As per the fair value methodology described in note 12(f), borrowings are classified as Level 3 in the fair value hierarchy.

28. Other loans and receivables

	2015 £m	2014 £m
Loans and receivables	**10.4**	11.0
Amounts due from subsidiaries	**97.8**	367.9
	108.2	378.9

	2015 £m	2014 £m
Current portion	**16.9**	37.2
Non-current portion	**91.3**	341.7
	108.2	378.9

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

29. Property and equipment

	Freehold land and buildings £m	Fixtures, fittings and leasehold improvements £m	Total £m
Cost			
At 1 January 2015	4.1	3.2	7.3
Additions	–	16.1	16.1
Disposals	(4.1)	–	(4.1)
At 31 December 2015	**–**	**19.3**	**19.3**
Accumulated depreciation			
At 1 January 2015	0.5	–	0.5
Charge for the year	–	0.7	0.7
Disposals	(0.5)	–	(0.5)
At 31 December 2015	**–**	**0.7**	**0.7**
Net book value			
At 31 December 2015	**–**	**18.6**	**18.6**
At 1 January 2015	3.6	3.2	6.8

Freehold land and buildings, representing an office building in Chelmsford, UK, were sold to a third party on 24 December 2015, for £4.0 million.

30. Investments in subsidiaries

	2015 £m	2014 £m
At 1 January	**1,372.5**	1,265.6
Additions during the year	**364.9**	106.9
At 31 December	**1,737.4**	1,372.5

Additions during the year include the acquisition of Amlin Europe N.V. and Amlin Insurance UK plc, from MS Amlin (Overseas Holdings) Limited and Allied Cedar Insurance Group Limited respectively. These two subsidiaries were subsequently merged to form Amlin Insurance S.E. Please refer to note 22 of the Group financial statements for further details.

The Company increased investments in the following subsidiaries during the year by a total of £7.5 million (2014: £6.8 million) to account for costs in providing share-based payments to employees:

- Amlin Corporate Services Limited;
- Amlin AG;
- Amlin Asia Pacific Pte Limited;
- Amlin Europe N.V.;
- MS Amlin Reinsurance Managers Inc.;
- RaetsMarine Insurance B.V.; and
- Amlin (Dubai) Limited

For further details of investments in subsidiaries refer to note 18.

31. Other payables

	2015 £m	2014 £m
Trade payables and accrued expenses	**12.7**	9.8
Amounts due to subsidiaries	**380.0**	263.7
	392.7	273.5

	2015 £m	2014 £m
Current portion	**387.6**	273.5
Non-current portion	**5.1**	–
	392.7	273.5

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

32. Contingent liabilities
The Company has no material contingent liabilities at 31 December 2015 (2014: £nil), other than that in respect of a funding arrangement entered into with the Trustee of the Lloyd’s Superannuation Fund defined benefit pension scheme. Further details are provided in note 16(a).

33. Commitments
Operating lease commitments
The future aggregate minimum lease payments under the non-cancellable portion of the Parent Company’s operating leases are as follows:

	2015 £m	2014 £m
Later than 1 year and no later than 5 years	**16.8**	10.7
Later than 5 years	**51.4**	57.5
	68.2	68.2

34. Related party transactions

Purchases of goods and services

The Company has purchased goods and services at cost from fellow Group company Amlin Corporate Services Limited to the value of £46.6 million (2014: £32.8 million).

Year end balance with related parties

Cash resources are held centrally within the Group. This eliminates the need for many of the Group's subsidiaries to maintain bank accounts and optimises the management of cash resources. As a result of this practice, many transactions within the Group are accounted for through intercompany accounts.

The following table shows the balances outstanding at the year end between the Company and fellow subsidiaries of the Group. The balances are all unsecured and no provisions are required for bad or doubtful debts.

	2015 £m	2014 £m
Balances outstanding at the year end:		
– Syndicate 2001	**(26.6)**	10.4
– Amlin Investments Limited	**(149.0)**	(149.0)
– St Margaret's Insurance Services Limited	**1.3**	1.3
– Amlin Corporate Services Limited	**83.8**	87.5
– Amlin Corporate Member Limited	**6.8**	3.1
– AUT Holdings Limited and AUT (1 – 10) Limited companies	**(4.5)**	(4.5)
– Delian (A – L) Limited companies	**(2.0)**	1.0
– MS Amlin (Overseas Holdings) Limited	**(86.0)**	9.2
– Amlin Bermuda Holdings Limited	**(1.7)**	251.3
– Amlin Insurance (UK) plc	**2.0**	2.0
– Amlin AG	**(106.4)**	(106.7)
– Amlin Europe N.V.	**1.0**	(1.4)
– Allied Cedar Insurance Group Limited	**(1.1)**	–
– Lead Yacht Underwriters Limited	**0.3**	–
– MS Amlin Reinsurance Managers Inc.	**(0.1)**	–
	(282.2)	104.2

With the exception of specific loans which have a fixed repayment date, all of the above intra Group debt is repayable on demand and corporation tax provisions reflect arm's length prices for the transactions between the Company and its subsidiaries.

The Company had redeemable loan stock issued by Miles Smith Holdings Limited, an associate of the Group. The values of these are disclosed below:

	2015 £m	2014 £m
Loan stock issued by associate	**–**	0.7
	–	0.7

Glossary

Accident year
The calendar or accounting year in which a loss occurs.

Actuarial best estimate
An estimate produced by MS Amlin's in-house actuarial team using statistical methods overlaid with judgement and intended to represent the probability-weighted average of all possible future outcomes with the exception of unforeseen events and the emergence of new types of claims. The estimate therefore intentionally does not include any "risk margin" to allow for the uncertainties within the claims process. Actual claims experience will not develop exactly as projected and may, in fact, vary significantly from the projections. No allowance is made for discounting except where explicitly highlighted.

AIR
Service providing up-to-date information and loss estimates for major natural catastrophes worldwide.

Beurs
The Dutch corporate co-insurance market.

Binders/binding authority
An authority granted by an active underwriter to an intermediary whereby that intermediary is entitled to accept, within certain limits, insurance business on behalf of members.

Box at Lloyd's
Accommodation in the underwriting room at Lloyd's from which business may be transacted with Lloyd's brokers.

Capacity
The maximum amount of business which may be accepted by a Lloyd's syndicate.

Carried reserves
Management's best estimate of the appropriate amount of reserves to hold at the balance sheet date. The carried reserves take account of specific uncertainties in the reserves and are higher than the actual best estimate.

Catastrophe bonds
Risk-based securities that pay high interest rates and provide insurance companies with a form of reinsurance to pay losses from a catastrophe. They allow insurance risk to be sold to institutional investors in the form of bonds, thus spreading the risk. Other financial instruments used to transfer catastrophe risk to capital markets include catastrophe swaps and industry loss warrants.

Collateralised debt obligations (CDOs)
Entities owning cash generating assets, which sell the rights to the cash flows from those assets along with associated risks.

Cede
To transfer risk from a direct insurer to his reinsurers.

Claims ratio
Net claims plus claims expenses divided by net earned premium.

Co-insurance
In the context of the European insurance market, co-insurance is the joint assumption of risk between a number of insurers.

Combined ratio
Claims ratio plus expense ratio.

Commercial combined
Also known as "Package". Policies where several different types of insurance cover are combined into one policy.

Contingent capital
Contingent capital arrangements provide the option to raise capital during a defined commitment period based upon the occurrence of a qualifying event, such as a defined insurance loss.

Coverholder
A company authorised by a Lloyd's syndicate to enter into contracts of insurance and/or issue insurance documentation on their behalf.

Dynamic financial analysis (DFA)
Detailed modelling assessment of the key risks facing an insurer to help assess its financial position. Key areas of use include the assessment of capital requirements and understanding the possible impact of future plans and strategies.

Direct and facultative
Direct property insurance and facultative reinsurance of property.

Earned premium
Proportion of insurance premium recognised in the income statement based on the estimated risk period falling in the financial year.

Endorsement
Any addition to a policy, or addition to the printed wording, which changes or varies terms of, or parties to, the contract.

Excess of loss reinsurance (XL)
A reinsurance that covers that part of a loss paid by the reinsured which is in excess of an agreed amount and then pays up to the limit of the policy.

Expense ratio
Underwriting expenses divided by net earned premium.

Facultative
Where the insurer accepts risks on an individual basis.

'Gross' and 'net' underwriting
When referring to premium written or earned, losses or underwriting results, these terms denote before (gross) and after (net) the application of reinsurance.

Gross written premium (GWP)
Total premium written before deductions for reinsurance and commission.

Incurred but not reported (IBNR)
An estimate of claims or losses which have been incurred but not yet reported to the insurer.

Insurance linked securities (ILS)
Insurance linked securities are financial instruments linked to insurance loss events.

Incurred loss
Paid claims plus claims advised by a policyholder but not paid. Does not include IBNR.

Incurred loss ratio
Incurred losses divided by earned premium.

Lead/non-lead
"Lead" denotes an underwriter in the subscription market who sets the terms and price of a policy. Following underwriters accept the policy on the same terms.

Letter of credit (LOC)
Written undertaking by a financial institution to provide funding if required.

Line size
The monetary limit of a policy for a first claim accepted by an underwriter.

Line slip
A facility operated by a Lloyd's broker whereby risks can be bound to a panel of insurers through the agreement of a leading underwriter plus one or two following markets (as specified on the slip at placement).

Loss ratio
See "incurred loss ratio" and "ultimate loss ratio".

Non-life
General insurance companies which sell policies other than life insurance, annuities or pension products.

Non-monetary assets & liabilities
Assets and liabilities that are accounting entries and are not expected to be exchanged for cash, such as unearned premium reserves.

Outstanding claims
Losses which have been reported to the insurer but not yet paid.

Package
See "commercial combined".

Personal lines
Property/casualty insurance products that are designed for and bought by individuals, including homeowners and automobile policies.

Proportional reinsurance
A type of reinsurance where the ceding insurer cedes to its reinsurer a predetermined proportion of the premium and liability of those policies subject to the reinsurance agreement.

Quota share
A form of proportional reinsurance where the reinsurer receives a percentage of every risk, as defined by the reinsurance contracts, written by the ceding company.

Rating agency
Credit agencies which determine insurers' financial strength and company debt ratings.

Realistic disaster scenario (RDS)
Modelling of the probable loss which may arise from a defined catastrophic event.

Reinsurance
Insurance bought by insurers. A reinsurer assumes part of the risk and part of the premium originally taken by the insurer, known as the primary company.

Reserves
Funds that have been set aside to meet outstanding claims and IBNR.

Retention ratio
The percentage of the previous year's premium that is renewed.

Retrocession
The reinsurance of liability accepted by way of reinsurance.

Return on capital employed (ROCE)
After-tax profit divided by opening shareholders' equity plus debt, adjusted for any capital raisings or returns.

Return on equity (ROE)
After-tax profit divided by opening shareholders' equity, adjusted for any capital raisings or returns.

Return on net tangible assets (RONTA)
After-tax profit divided by opening net tangible assets, adjusted for any non-controlling interests.

Risk-based capital
Risk-based capital is a method used to measure the minimum amount of capital that an insurance company needs to support its overall business operations, taking into account the size and type of risk taken by the insurer.

Risk Management Solutions (RMS)
Provider of catastrophic modelling software.

Service company
A company set up to operate a binding authority on behalf of the Syndicate to write business from non-Lloyd's brokers or policyholders directly.

Sidecars
Specialty reinsurance companies designed to provide additional capital to a specific reinsurance company. Investors, such as hedge funds, invest in a reinsurance company, the sidecar, to reinsure specific risks for a specific reinsurance company.

Solvency II
A proposed EU-wide regulatory regime which intends to align solvency capital to an insurer's risk profile.

Special purpose vehicle (SPV)
Corporate entity designed to isolate financial risk, often to allow other investors to participate in that risk.

Specie
The insurance of high value items including deposits, bullion and fine art.

Subordinated debt
Subordinated debt is debt that takes a lower priority than other debt. If an issuer is liquidated then subordinated debt holders will only be paid after senior creditors have been fully paid.

Subscription market
Insurance market, such as Lloyd's, whereby underwriters subscribe to proportions of risks.

Surplus
The amount by which the gross sum insured accepted by the insurance company exceeds its own retention.

Surplus lines
A reinsurance where the surplus of the reinsured's retention is ceded up to an agreed amount. Once accepted, both parties pay their proportion of losses arising.

Total shareholder return (TSR)
Returns combining share price performance and dividend payments.

Treaty
A reinsurance contract covering entire portfolios of risks.

Ultimate loss ratio (ULR)
Total forecast claims divided by total forecast premium expected to arise from a policy or class of business. Losses include those paid, those notified and IBNR.

Underwriting year
The year to which a policy is allocated and to which all premiums and claims in respect of that policy are attributed. Allocation is determined by the inception date of the policy.

Unearned premium
Proportion of insurance premium covering periods after the end of the financial year. Held in the unearned premium reserve.

Value at Risk (VaR)
A statistical measure which calculates the possible loss over a year in normal market conditions. As VaR estimates are based on historical market data this should not be viewed as an absolute gauge of the level of risk to the investments.

Year of account (YOA)
The year for Lloyd's syndicates to which a policy is allocated and to which all premiums and claims in respect of that policy are attributed. Allocation is determined by the inception date of the policy.

Directors and advisers (as at date of signing)

Directors
Richard Davey (Chairman)*
Simon Beale (Chief Underwriting Officer)
Julie Chakraverty*
Marty Feinstein* (retired 1 February 2016)
Richard Hextall (Chief Finance & Operations Officer)
Shonaid Jemmett-Page* (Deputy Chairman)
Oliver Peterken*
Charles Philipps (Chief Executive)
Sir Mark Wrightson Bt* (retired 21 May 2015)
Kenichi Fukuhara* (appointed 1 February 2016)
Hironori Morimoto* (appointed 1 February 2016)
Robin Adam* (appointed 1 February 2016)
Kiyotaka Shuto (appointed 1 February 2016)
James Illingworth (appointed 1 February 2016) (Chief Risk Officer)

Audit Committee
Shonaid Jemmett-Page (Chairman)
Julie Chakraverty
Marty Feinstein (retired 1 February 2016)
Oliver Peterken
Robin Adam (appointed 1 February 2016)
Hironori Morimoto (appointed 24 February 2016)

Remuneration Committee
Julie Chakraverty (Chairman)
Shonaid Jemmett-Page
Oliver Peterken (appointed 1 March 2015)
Sir Mark Wrightson Bt (Chairman) (retired 21 May 2015)
Kenichi Fukuhara (appointed 1 February 2016)

Risk & Solvency Committee
Oliver Peterken (Chairman) (appointed 1 February 2016)
Julie Chakraverty
Richard Davey
Marty Feinstein (Chairman) (retired 1 February 2016)
Shonaid Jemmett-Page
Robin Adam (appointed 1 February 2016)
Hironori Morimoto (appointed 24 February 2016)

Nomination Committee
Richard Davey (Chairman)
Julie Chakraverty
Marty Feinstein (retired 1 February 2016)
Shonaid Jemmett-Page
Charles Philipps
Oliver Peterken
Sir Mark Wrightson Bt (retired 21 May 2015)
Robin Adam (appointed 1 February 2016)
Kenichi Fukuhara (appointed 24 February 2016)
Hironori Morimoto (appointed 24 February 2016)

Company Secretary
Mark Stevens

Registered Office
The Leadenhall Building
122 Leadenhall Street
London
EC3V 4AG

Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Corporate Lawyers
Linklaters LLP
1 Silk Street
London
EC2Y 8HQ

Principal Bankers
Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Notes:
* Non-Executive

FSC www.fsc.org MIX Paper from responsible sources FSC® C016486

The paper and board used for this Report are manufactured from fibre approved by the Forest Stewardship Council and are fully recyclable and biodegradable. The printer and paper mill are certified to the environmental management system ISO 14001. The printer is also carbon neutral.

Designed and produced by Gather
www.gather.london

Printed by CPI Colour.

MS Amlin plc is the holding Company of the MS Amlin Group of companies (the "Group"), which is registered in England and Wales with the registered number 02854310, and has its registered office at The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AG.

The Strategic Report has been prepared to provide the Company's shareholders with a fair review of the business of the Group and a description of the principal risks and uncertainties it faces. It may not be relied upon by anyone, including the Shareholders of the Company, for any other purpose. The Strategic Report only focuses on material issues and facts and the omission of reporting on any specific topic should not be taken as implying that it is not being addressed. The Strategic Report should be read in conjunction with the Directors' Report which contains information which cannot be included in the Strategic Report on the grounds that it is not material. The Strategic Report, and the other sections of the Annual Report and Accounts, contains certain forward-looking statements which are subject to assumptions, risks and uncertainties; actual future results may differ materially from those expressed in or implied in such statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond MS Amlin's ability to control or estimate precisely. The forward-looking statements reflect the knowledge and information available at the date of preparation of the Annual Report, and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast. Shareholders should note that certain parts of this Annual Report and Accounts have not been audited or otherwise independently verified.

Pages 01 to 43 contain the Strategic Report and pages 58 to 59 contain the Directors' Report in accordance with English law. The liabilities of each director in respect of these sections are subject to the limitations and restrictions of such law. These sections contain additional information required by these laws and regulations to be included by the Directors in the Annual Report.

MS Amlin plc (formerly Amlin plc)
Company number: 02854310
The Leadenhall Building
122 Leadenhall Street
London EC3V 4AG
T 020 7746 1000
F 020 7746 1696
www.amlin.com