Registered No. 1184193

ASPEN

ASPEN INSURANCE UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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THE COMPANY

Directors

Julian Cusack	Chairman, Non-Executive Director
Karen Green	Director
Emil Issavi	Director
Mark Dean	Director
Helen Rose	Director
Ann Haugh	Director
Dr. Karl Mayr	Non-Executive Director
Heidi Hutter	Non-Executive Director
Richard Bucknall	Non-Executive Director
Tim Leggett	Non-Executive Director
Peter Webster	Non-Executive Director
Gordon Ireland	Non-Executive Director

Secretary
Helen Lipscomb

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STRATEGIC REPORT

The directors present the Strategic Report for the year ended 31 December 2015.

Overview

The financial results of Aspen Insurance UK Limited (the "Company" or "AIUK") reflect underwriting performance broadly in line with our expectations for 2015.

The balance on the technical account for the year was a profit of $104,963,000 (2014: $60,207,000). Gross written premiums were comparable to 2014 at $1,523,417,000 (2014: $1,536,160,000). Our ceded reinsurance premiums decreased from $956,437,000 to $906,233,000, largely reflecting a change in our cession rate (from 50% on 2013 and prior to 60% on 2014 and 2015) on our whole account quota share reinsurance with Aspen Bermuda Limited ("ABL"), a fellow group subsidiary.

The Company's overall investment return has been unfavourable compared to 2014 due to higher unrealised losses being recognised on our investment portfolio compared with the prior year. The resulting overall investment return was $43,519,000 compared to $68,806,000 in 2014.

On 26 February 2015, the Company was sold to Aspen European Holdings Limited ("AEHL"), a wholly owned subsidiary of Aspen Insurance Holdings Limited ("AIHL") incorporated in Bermuda ("the Group"), the Company's ultimate parent. This was an internal reorganisation to optimise the Company's regulatory structure.

During the year the Company has paid $79,000,000 (2014: $33,000,000) of dividends to our parent company at that time, Aspen (UK) Holdings Limited ("AUKH") before 26 February 2015 and Aspen European Holdings Limited ("AEHL") since 26 February 2015. Prior to 26 February 2015, the Company was a direct subsidiary of Aspen (UK) Holdings Limited whose ultimate parent company is also AIHL. Please refer to the affiliate balances in notes 14 and 17 (on pages 43 and 44 respectively.)

For 2016 we will continue to execute on our strategy, seeking a positive return for our shareholder through focused underwriting in our chosen markets and client service.

Overview of the Business

The Company is authorised by the United Kingdom Prudential Regulation Authority to underwrite all eighteen classes of insurance and reinsurance business. The Company is rated A (Strong) by Standard & Poor's, A (Excellent) by AM Best and A2 (Good) by Moody's.

An analysis of the technical account by segment for the years ended 31 December 2015 and 2014 is set out below.

	For the Year Ended 31 December 2015		
	Reinsurance	**Insurance**	**Total**
		($ in thousands)	
Gross written premiums	1,075,717	447,700	1,523,417
Gross earned premiums	992,694	468,492	1,461,186
Net earned premium	415,729	131,434	547,163
Net incurred claims	(192,884)	(73,533)	(266,417)
Expenses	(185,786)	(46,162)	(231,948)
Underwriting profit before investment income	37,059	11,739	48,798
Investment return			43,519
Equalisation provision			12,646
Balance on technical account			**104,963**
Net claims ratio	46%	56%	49%
Expense ratio	45%	35%	42%
Combined ratio	91%	91%	91%

	For the Year Ended 31 December 2014		
	Reinsurance	Insurance	Total
		($ in thousands)	
Gross written premiums	1,007,039	529,121	1,536,160
Gross earned premiums	984,238	561,910	1,546,148
Net earned premium	427,139	174,082	601,221
Net incurred claims	(191,501)	(167,171)	(358,672)
Expenses	(188,706)	(55,077)	(243,783)
Underwriting profit/(loss) before investment income	46,932	(48,166)	(1,234)
Investment return			68,806
Equalisation provision			(7,365)
Balance on technical account			60,207
Net claims ratio	45%	96%	60%
Expense ratio	44%	32%	41%
Combined ratio	89%	128%	101%

Reinsurance Segment

Our reinsurance segment consists of property, casualty and specialty reinsurance. A more detailed analysis of the business written within these classes is as follows:

Property Catastrophe Reinsurance

Property catastrophe reinsurance is generally written on a treaty excess of loss basis where the Company provides protection to an insurer for an agreed portion of the total losses from a single event in excess of a specified loss amount. In the event of a loss, most contracts provide for coverage of a second occurrence following the payment of a premium to reinstate the coverage under the contract, which is referred to as a reinstatement premium. The coverage provided under excess of loss reinsurance contracts may be on a worldwide basis or limited in scope to selected regions or geographical areas.

Other Property Reinsurance

Other property reinsurance includes property, engineering and construction risks written on excess of loss and proportional treaties, facultative or single risk reinsurance. Risk excess of loss reinsurance provides coverage to a reinsured where it experiences a loss in excess of its retention level on a single "risk" basis. A "risk" in this context might mean the insurance coverage on one building or a group of buildings for fire or explosion or the insurance coverage under a single policy which the reinsured treats as a single risk. This line of business is generally less exposed to accumulations of exposures and losses but can still be impacted by natural catastrophes, such as earthquakes and hurricanes.

Proportional treaty reinsurance provides proportional coverage to the reinsured, meaning that, subject to event limits where applicable and ceding commissions, the Company pays the same share of the covered original losses as it receives in premiums charged for the covered risks. Proportional contracts typically involve close client relationships which often include regular audits of the cedants' data.

In addition to writing property facultative on a direct basis, the Company wrote business through an affiliated broker Rock Re, a dedicated brokered property facultative unit which focuses on the North American brokered property facultative marketplace. As a result of such initiatives and a greater focus on regional U.S. business, increases in premium in other property business contributed meaningfully to the reinsurance segment.

Casualty Reinsurance

Casualty reinsurance is written on an excess of loss, proportional and facultative basis and consists of U.S. treaty, international treaty and casualty facultative reinsurance. The Company's U.S. treaty business comprises exposures to workers' compensation (including catastrophe), medical malpractice, general liability, auto liability, professional liability and excess liability including umbrella liability. The Company's international treaty business reinsures exposures mainly with respect to general liability, auto liability, professional liability, workers' compensation and excess liability.

Specialty Reinsurance

Specialty reinsurance is written on an excess of loss and proportional basis and consists of credit and surety reinsurance, agriculture reinsurance and other specialty lines. The Company's credit and surety reinsurance business consists of trade credit, surety (mainly European, Japanese and Latin American risks) and political risks. The Company's agricultural reinsurance business is primarily written on a treaty basis covering crop and multi-peril business. Other specialty lines include reinsurance treaties and some insurance policies covering policyholders' interests in marine, energy, aviation liability, space, contingency, terrorism, nuclear and personal accident.

Reinsurance Segment - 2015 Performance

Property Catastrophe Reinsurance

Property Catastrophe Gross Written Premium was $137m in 2015 compared to $152m in 2014 which reflects reductions due to lower loss related additional premiums in 2015. This is included within "Reinsurance acceptances: Fire and other damage to property" in Note 3.

Other Property Reinsurance

Other Property Reinsurance Gross Written Premium was $366m in 2015 compared to $331m in 2014 and reflects growth in our pro rata business. This is included within "Reinsurance acceptances: Fire and other damage to property" in Note 3.

Casualty Reinsurance

Casualty Reinsurance Gross Written Premium was $280m in 2015 compared to $282m in 2014 and the reduction is a result of some premium estimate decreases and planned reductions in some casualty lines in line with the challenging market conditions. This is included within "Reinsurance acceptances: Motor (third-party liability) and Third-party liability" in Note 3.

Specialty Reinsurance

Specialty Reinsurance Gross Written Premium was $293m in 2015 compared to $242m in 2014. This is included within "Reinsurance acceptances: Fire and other damage to property, Marine, aviation and transport, Credit and suretyship, Third-party liability and Miscellaneous" in Note 3.

Insurance Segment

The Company's insurance segment consists of property and casualty insurance, marine, aviation and energy insurance and financial and professional lines insurance. A more detailed analysis of the business written within these classes is as follows:

Property and Casualty Insurance

The Company's property and casualty insurance line comprises U.S. and U.K. commercial property and construction business, commercial liability, U.S. specialty casualty, global excess casualty and environmental liability.

Property insurance provides physical damage and business interruption coverage for losses arising from weather, fire, theft and other causes. The U.S. commercial property and construction team covers mercantile, manufacturing, municipal and commercial real estate business. The U.K. commercial and construction team's client base is predominantly U.K. institutional property owners, small and middle market corporates and public sector clients.

The Company's casualty insurance line comprises U.K. commercial liability, U.S. specialty casualty, global excess casualty and environmental liability, written on a primary, excess, quota share, program and facultative basis.

- Commercial liability is primarily written in the U.K. and provides employers' liability coverage and public liability coverage for insureds domiciled in the U.K. and Ireland.
- The U.S. specialty casualty account consists primarily of lines written within the primary, excess and umbrella liability insurance sectors. Coverage on our general liability line is offered on those risks primarily in the real estate, hospitality, contractors, products liability and other general liability business in the upper middle market and commercial account market.
- The global excess casualty line comprises large, sophisticated and risk-managed insureds worldwide and covers broad-based risks at high attachment points, including general liability, commercial and residential construction liability, life science, railroads, trucking, product and public liability and associated types of cover found in general liability policies in the global insurance market. It also includes a portfolio of U.K. and other non-U.S. employers' liability and public liability coverage written through a managing general agent.
- The U.S. environmental account primarily provides contractors' pollution liability and pollution legal liability across industry segments that have environmental regulatory drivers and contractual requirements for coverage including: real estate and public entities, contractors and engineers, energy contractors and environmental contractors and consultants. The business is written in both the primary and excess insurance markets.

Marine, Energy and Construction Insurance

The Company's marine and energy insurance line comprises marine and energy liability, onshore energy physical damage, offshore energy physical damage, inland marine and ocean risks written on a primary, excess, quota share, program and facultative basis.

- The marine and energy liability business based in the U.K. includes marine liability cover mainly related to the liabilities of ship-owners and port operators, including reinsurance of Protection and Indemnity Clubs ("P&I Clubs"). It also provides liability cover globally (including the U.S.) for companies in the oil and gas sector, both onshore and offshore and in the power generation sector.
- Our marine, energy and construction property unit based in the U.S. underwrites a variety of worldwide onshore energy and construction sector classes of business with a focus on property covers.
- Offshore energy physical damage provides insurance cover against physical damage losses in addition to operators' extra expenses for companies operating in the oil and gas exploration and production sector.
- The inland marine and ocean cargo team writes business principally covering builders' construction risk, contractors' equipment, transportation and ocean cargo risks in addition to exhibition, fine arts and museum's insurance.

Financial and Professional Lines Insurance

The Company's financial and professional lines comprise professional liability, credit and political risks, written on a primary, excess, quota share, program and facultative basis.

The corporate risks account comprises D&O insurance for commercial insureds located outside of the U.S and a worldwide book of representations and warranties and tax indemnity business.

- The Company's professional liability business is written out of the U.S. (including Errors and Omissions ("E&O")), the U.K. and Switzerland and is written on a primary and excess of loss basis. The Company insures a wide range of professions including lawyers, accountants, architects and engineers. This account also includes a portfolio of technology liability and data protection insurance. The data protection insurance covers firms for first party costs and third party liabilities associated with their breach of contractual or statutory data protection obligations.
- The credit and political risks team writes business covering the credit and contract frustration risks on a variety of trade and non-trade related transactions, as well as political risks (including multi-year war on land cover). The Company provides credit and political risks cover worldwide but with concentrations in a number of countries, such as China, Brazil, Russia (where we significantly reduced our exposures from 2014), the Netherlands and the U.S.

Insurance Segment - 2015 Performance

Property and Casualty Insurance

Property & Casualty Insurance Gross Written Premium was $288m in 2015 compared to $289m in 2014. This is included within "Direct insurance: Fire and other damage to property, Marine, aviation and transport, Third party liability" and "Reinsurance acceptances: Fire and other damage to property and Miscellaneous" in Note 3.

Marine, Energy and Aviation Insurance

Marine, Energy & Aviation Insurance Gross Written Premium was $98m in 2015 compared to $176m in 2014. This was primarily driven by the reduction in business written in the marine construction, marine hull and aviation lines which was transferred over to a fellow Aspen group entity in 2014. This is included within "Direct insurance: Marine, aviation and transport and Miscellaneous" in Note 3.

Financial and Professional Lines Insurance

Financial & Professional Insurance Gross Written Premium was $61m in 2015 compared to $64m in 2014. This is included within "Direct insurance: Credit and suretyship and Third party liability" in Note 3.

Reinsurance

The Company has reinsurance covers in place for most lines of insurance business, the majority of which are on an excess of loss basis. In 2015, the Company renewed much of the reinsurance protecting our insurance business that was bought in 2014 which is comprised of specific excess of loss reinsurance on portfolios of property insurance, casualty insurance, financial and professional insurance, aviation insurance, marine insurance, energy and liability insurance and property programs. These covers provide protection in various layers and excess of varying attachment points according to the scope of cover provided. The Company has a limited number of proportional treaty arrangements on specific lines of business. Natural perils catastrophe coverage was included within excess of loss programs purchased for two portfolios. The Company has the benefit, particularly for catastrophe exposures, of reinsurance programs shared with other Aspen companies, these arrangements result in an increase in the reinsurance purchasing power of the Aspen group, which ultimately benefits all Aspen companies, including the Company.

On 1 January 2015, the Company has entered into a new 50% proportional quota share arrangement with Aspen Managing Agency Limited ("AMAL"), a fellow subsidiary. The Company will cede its net losses and loss adjustment expenses on each Marine Liability policy issued by the Company.

The Company also has a net whole account proportional quota share with a fellow subsidiary. In 2014, the 2013 and prior reinsurance recoveries under these contracts were commuted, effective from 1 January 2014, and replaced with a loss portfolio transfer reinsurance contract for 50% of the net reserves on those years. As part of this transaction, a net settlement of $183m was due to the Company which was settled in quarter 1 2015.

Investments

The Company maintains all its investments in listed high quality fixed income bonds and liquidity funds. From January 2015, the Company has also invested in equities. These investments, including liquidity funds, are currently managed by the following fund managers and custodians:

Alliance Capital Management L.P.
Conning Asset Management Limited
Blackrock Financial Management, Inc
BNY Mellon Asset Servicing
Barclays Bank Plc
Citigroup Asset Management
Deutsche Investment Management Americas Inc.
Goldman Sachs Asset Management L.P.
UBS AG

The Company uses derivative financial instruments to manage foreign exchange risk and asset and liability matching as part of our strategy of efficient portfolio management.

Equalisation Provision

Under UK Company Law, the Company is required to establish an equalisation provision. These reserves are additional to the reserves required to meet the anticipated ultimate cost of settling outstanding claims at the balance sheet date. The calculation of the equalisation provision is based upon a prescribed formula, based on net written premiums and net reserves. The movement in equalisation provision during the year resulted in a credit to the general business technical account of $12,646,000 and $4,873,000 realised foreign exchange gain recognised within other charges (2014: $7,365,000).

Balance Sheet

The balance sheet of the Company shows total assets of $5,950,158,000 (2014: $5,729,143,000) and shareholder's equity of $945,071,000 (2014: $1,002,245,000). Of the total assets, $2,689,168 (2014: $2,585,176) is represented by financial investments.

Enterprise Risk Management and Control Framework

The Board ensures that the company operates an effective risk management and control framework, which includes risk management, compliance and internal control systems. The company maintains appropriate policies, procedures and internal controls to support the risk and control framework.

Principal Risks and Uncertainties

Risk management has been embedded in the management and culture of the Aspen Group since its formation in 2002. The Company, as an operating entity within the Aspen Group, benefits from the Group's established risk management practices.

We maintain a Risk Universe which defines the different types of risk that the Company faces and how they are monitored and measured. This framework has been applied and refined throughout the intervening years. The Company operates an integrated enterprise wide risk management strategy designed to deliver shareholder value in a sustainable and efficient manner while providing a high level of policyholder protection. During 2015 the Board implemented a Risk Commitee to enhance the oversight of the Company's risk management process. The execution of the Company's integrated risk management strategy is based on:

- the establishment and maintenance of an internal control and risk management system based on a three lines of defence approach to the allocation of responsibilities between risk accepting units (first line), risk management activity and oversight from other central control functions (second line) and independent assurance (third line);
- identifying material risks to the achievement of the Company's objectives including emerging risks;
- the articulation at Group and Company level of our risk appetite and a consistent set of key risk limits for each material component of risk;
- measuring, monitoring, managing and reporting risk positions and trends;

- the use, subject to an understanding of its limitations, of the Internal Model to test strategic and tactical business decisions and to assess compliance with the Risk Appetite Statement; and
- stress and scenario testing, including reverse stress testing, designed to help the Company better understand and develop contingency plans for the likely effects of extreme events or combinations of events on capital adequacy and liquidity.

On the 5 December 2015 the PRA approved the Company's Internal Model, which we use within our integrated risk management system, to calculate the SCR and the Solvency II Regulatory Capital Requirement.

The Risk Appetite Statement is a central component of the Company's overall risk management framework and is approved by the Board. It sets out, at a high level, how the Company thinks about risk in the context of the business model, Group objectives and strategy. It sets out boundary conditions for the level of risk the Company assumes, together with a statement of the reward the Company aims to receive for this level of risk.

The Risk Appetite statement approved as unchanged from 2014 by the Board articulates the Risk Appetite in terms of the following components:

Risk Preferences	a high level description of the types of risks we prefer to assume and avoid within the context of our objectives
Volatility Constraint	a basis for monitoring volatility of return
Capital Constraint	a minimum level of risk adjusted capital

In addition to the high level Risk Appetite statement the Company has established a set of Key Risk Limits covering exposures to natural and man- made catastrophe events, market risks, credit risks and operational risks.

These are monitored and reported against to the Board on a quarterly basis.

The main risks faced by the Company are defined as follows:

Core risks - those risks inherent in the running of the Company's business are listed below:

1) Insurance risk: The risk that underwriting results vary from their expected amounts, including the risk that reserves established in respect of prior periods are understated.
2) Market risk: The risk of variation in the fair value of our investment portfolio, cash and cash equivalents and derivative contracts including the effect of changes in foreign currency exchange rates.

Non-core risks are all risks other than core risks. These are quantified as far as possible and, wherever practical, minimised or avoided. These are listed below:

3) Credit risk: The risk of diminution in the value of insurance and reinsurance receivables as a result of counter-party default.
4) Liquidity Risk: The risk that the Company is unable to make payments or provide collateral when required.
5) Operational Risk: The risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.
6) Strategic Risk: The risk of adverse impact on shareholder value or income and capital of adverse business decisions, poor execution or failure to respond to market changes.
7) Emerging Risk: The risk that events not previously identified emerge and impact the profitability and / or balance sheet of the Company.

Operational risk is the most complex of the non-core risk classifications because it includes multiple risk scenarios arising from multiple processes and circumstances. Because of this we record identified operational risks and their related risk assessments, owners and identified controls in a separate 'Operational Risk Register' of the Company. The approach for the Company operational risk register was updated during 2015 and is monitored via a quarterly review process.

An annual Own Risk and Solvency Assessment (ORSA) report is produced summarising all of the risk management activities during the year. This is presented to and approved by the Board. The last ORSA report was approved by the AIUK Board in April 2015.

By order of the Board

Helen Rose

Helen Rose
Director
31 March 2016

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 31 December 2015.

Principal Activity and Review of the Business

The principal activity of the Company continues to be the transacting of general insurance and reinsurance business in the U.K. and through branches in France, Switzerland, Ireland, Canada, Singapore, Australia, and Germany. A review of the business and future prospects of the Company is contained within the Strategic Report on pages 4 to 9.

Results and Dividends

The results for the year are set out in the accompanying Income Statement. The net profit for the year after tax is $59,488,000 (2014: profit $36,613,000). The directors regard the current state of affairs of the Company and its future prospects as satisfactory. Dividends of $79,000,000 (2014: $33,000,000) were paid during the year to the Company's only shareholder at the time, AUKH before 26 February 2015 and AEHL since 26 February 2015.

Reporting Currency

As the majority of the Company's transactions are in U.S. Dollars and currencies linked to it, the Board considers that U.S. dollar reporting best reflects the Company's financial position and performance.

Financial Instruments

Details of financial instruments are provided in the Strategic Report.

Management

The Company has a service agreement with Aspen Insurance UK Services Limited, a fellow subsidiary of AIHL, which employs the personnel engaged in the Company's business. The Company has a coverholder agreement with Aspen Re America Inc and Aspen Specialty Management Inc, both fellow subsidiaries.

Fixed Assets

Details of the Company's tangible fixed assets together with changes during 2015 are set out in Note 12 to the financial statements.

Share Capital

The issued share capital $614,900,000 has remained unchanged throughout 2015.

Directors and Directors' Interests

The directors of the Company at the date of this report are set out on page 3. Changes in directors during 2015 and up to the date of this report are as follows:

	Date of appointment	Date of resignation
Rupert Villers		4 June 2015
Nigel Terry		19 November 2015
Emil Issavi	25 February 2015	
Mark Dean	29 May 2015	
Dr. Karl Mayr	25 June 2015	
Ann Haugh	20 October 2015	
Helen Rose	3 February 2016	
Gordon Ireland	30 March 2016	

According to the Register of Directors' interests, no director had a disclosable interest in the shares of the Company, and no director had been granted or had exercised any right to subscribe for such shares during the period under review.

Company Secretary

The Secretary of the Company at the date of this report is set out on page 3.

Directors' and Officers' Liability Insurance

The Company has maintained insurance to cover directors' and officers' liability as defined by section 236 of the Companies Act 2006.

Financial Risk Management

The Company's business involves the acceptance and management of risk. The Company has in place a risk management process, which is undertaken in accordance with the Aspen Group Risk Management Framework. This is explained in more detail in the Strategic Report.

Research and Development

The Company has not undertaken any research and development activities during the year.

Employees

The Company has no employees of its own. All of the personnel employed in the Company's business are employed by Aspen Insurance UK Services Limited ("AIUKS").

AIUKS encourages its employees to develop their full potential by providing opportunities for training and professional development. Such opportunities, as well as career development and promotion, are equally available to disabled employees, whether newly recruited or existing employees who become disabled whilst in AIUKS's employment.

AIUKS's equal opportunities policy aims to ensure that no potential or existing employee receives less favourable treatment because of his / her sex, actual or perceived sexual orientation, gender (including gender reassignment), marital or family state, age, ethnic origin, disability, race, colour, nationality, national origin, creed, political affirmation, part-time status, or any other condition, unless it can be shown to be legally justifiable.

Supplier Payment Policy

The Company's current policy concerning the payment of creditors, excluding amounts due in respect of the settlement of insurance and reinsurance claims, is to:

a) agree the terms of payment with those suppliers when negotiating the terms of each transaction;
b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
c) pay in accordance with the Company's contractual and other legal obligations.

The payment policy applies to all such payments to creditors for revenue and capital supplies of goods and services without exception.

Going Concern

The directors confirm that they are satisfied that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Charitable and Political Donations

The Company made charitable donations during the year of $751,526 (2014: $609,220). The donations were to organisations engaged in cancer research, children with disability, providing food to the underprivileged, ex-service men and women with disabilities and to a community project in Uganda. There were no political donations made during the year.

Future Developments

The directors aim to continue with the strategic plan that has resulted in the Company's growth over the recent years.

Events Since the Reporting Date

There have been no material events since the reporting date.

Statement of Disclosure of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By Order of the Board

Helen Rose
Director
31 March 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ASPEN INSURANCE UK LIMITED

We have audited the financial statements of Aspen Insurance UK Limited for the year ended 31 December 2015 set out on pages 15 to 49. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, having regard to the statutory requirement for insurance companies to maintain equalisation provisions. The nature of equalisation provisions during the year on shareholder's equity, the balance on the general business technical account and disclosed in Note 21.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 13, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Timothy Butchart (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

31 March 2016

Income Statement: Technical Account - General Business

	Notes	For the Year Ended 31 December 2015	2014
		($ in thousands)	
Gross premiums written	3	1,523,417	1,536,160
Outward reinsurance premiums		(906,233)	(956,437)
Net premiums written		617,184	579,723
Change in gross provision for unearned premiums	20	(62,231)	9,988
Change in provision for unearned premiums reinsurers' share	20	(7,790)	11,510
Earned premiums net of reinsurance		547,163	601,221
Allocated investment return transferred from the non-technical account		43,519	68,806
Total technical income		590,682	670,027
Claims incurred net of reinsurance			
Claims paid			
Gross amount		(704,975)	(865,718)
Reinsurers' share		390,467	766,585
		(314,508)	(99,133)
Change in the provision for claims			
Gross amount	20	2,469	22,492
Reinsurers' share	20	45,622	(282,031)
Claims incurred net of reinsurance	4	(266,417)	(358,672)
Net operating expenses	6	(231,948)	(243,783)
Change in equalisation provision	21	12,646	(7,365)
Total claims and expenses		(485,719)	(609,820)
Balance on the technical account - General business		**104,963**	**60,207**

The results for the year end 31 December 2015 and 2014 are derived from continuing operations.

Income Statement: Non-Technical Account

	Notes	For the Year Ended 31 December 2015	2014
		($ in thousands)	
Balance on technical account general business		104,963	60,207
Investment income	7	53,053	53,691
Realised gains on investments	7	13,833	2,746
Unrealised (losses)/gains on investments	7	(22,239)	13,881
Investment expenses and charges	7	(1,128)	(1,512)
Allocated investment return transferred to the general business technical account	7	(43,519)	(68,806)
Other charges	5	(28,908)	(21,833)
Profit on ordinary activities before tax	8	76,055	38,374
Tax on profit on ordinary activities	10a	(16,567)	(1,761)
Profit for the financial year		**59,488**	**36,613**

The results for the year ended 31 December 2015 and 2014 are derived from continuing operations.

Statement of Comprehensive Income

	Notes	For the Year Ended 31 December 2015	2014
		($ in thousands)	
Profit for the financial year	22	59,488	36,613
Loss on foreign exchange translation	11	(37,662)	(8,793)
Total comprehensive income for the year		**21,826**	**27,820**

Statement of Changes in Equity

	Notes	For the Year Ended 31 December 2015	2014
		($ in thousands)	
Opening shareholder's equity		1,002,245	1,006,449
Prior year adjustments	22	—	976
Opening shareholder's equity as restated		1,002,245	1,007,425
Profit for the financial year	22	59,488	36,613
Dividends paid	22	(79,000)	(33,000)
Other recognised losses for the year	22	(37,662)	(8,793)
Closing shareholder's equity		**945,071**	**1,002,245**

Balance Sheet

	Notes	2015	2014
		For the Year Ended 31 December ($ in thousands)	
ASSETS			
Investments			
Other financial investments	13	2,689,168	2,585,176
Deposits with ceding undertakings		10,258	9,633
Reinsurers' shares of technical provisions			
Provision for unearned premiums	20	70,919	79,849
Claims outstanding	20	1,917,757	1,878,073
Debtors			
Debtors arising out of direct insurance operations - intermediaries		118,077	121,685
Debtors arising out of reinsurance operations		598,235	556,842
Other debtors	14	172,601	194,198
Other assets			
Tangible fixed assets	12	59,516	47,530
Cash at bank and in hand		116,107	87,818
Prepayments and accrued income			
Accrued interest and rent		15,754	15,446
Deferred acquisition costs	19	181,766	152,893
Total Assets		**5,950,158**	**5,729,143**
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	24	614,900	614,900
Capital contribution reserve	25	470,000	470,000
Profit and loss account	22	(139,829)	(82,655)
Shareholder's equity		**945,071**	**1,002,245**
Technical provisions			
Provision for unearned premiums	20	705,365	649,727
Claims outstanding	20	3,319,377	3,392,984
Equalisation provision	21	150,381	167,900
Creditors			
Creditors arising out of reinsurance operations	16	636,456	347,651
Other creditors including taxation and social security	17	100,778	71,007
Accruals and deferred income		92,730	97,629
Total Liabilities		**5,005,087**	**4,726,898**
Total Equity and Liabilities		**5,950,158**	**5,729,143**

These financial statements were approved by the Board of Directors on 30 March 2016 and signed on its behalf:

Helen Rose

Helen Rose
Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

1. Accounting Policies

1.1 Statement of Compliance

Aspen Insurance UK Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The Registered Office is 30 Fenchurch Street, London EC3M 3BD.

These financial statements were prepared in accordance with Financial Reporting Standard 102 ("FRS 102") and Financial Reporting Standard 103 ("FRS 103"), being applicable UK GAAP accounting standards and in accordance with Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

In the transition to FRS 102 from old UK GAAP, the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note Note 29.

These financial statements are prepared under historical cost convention except for certain financial instruments which are measured at fair value.

1.2 Basis of Preparation

The financial statements for the year ended 31 December 2015 were approved for issue by the Board of Directors on 31 March 2016 .

The presentation currency of these financial statements is US dollars. All amounts in the financial statements have been rounded to the nearest $1,000. An explanation of how the transition to FRS 102 and FRS 103 has affected financial position and financial performance of the Company is provided in Note 29 to the financial statements.

As permitted by FRS 103 the Company continues to apply the existing accounting policies that were applied prior to this standard, for its insurance contracts.

The Company's ultimate parent undertaking, Aspen Insurance Holdings Limited ("AIHL") includes the Company in its consolidated financial statements. The consolidated financial statements of AIHL are prepared in accordance with US GAAP, available to the public and may be obtained from 141 Front Street, Hamilton, Bermuda. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes;
- Requirements of Related Party Disclosures;
- Key Management Personnel compensation;
- Certain disclosures required by FRS 102.26 Share Based Payments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.3 Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for accounting estimates. The following are the Company's key sources of estimation uncertainty:

Insurance contract technical provisions

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty, and for some type of policies IBNR claims form the majority of the liability in the statement of financial position. The estimation of IBNR is discussed further under section 1.5.1 - Insurance Contracts: Technical Provisions.

Estimates of future premiums

For certain insurance contracts, premium is initially written based on estimates of ultimate premiums. Estimates are derived from underwriter experience, historical data and broker estimation. These estimates are judgemental and could result in misstatements of revenue recorded in the financial statements.

The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Taxation

The company 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 with previous tax audits and differing interpretations of tax regulations by the tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

1.4 Change in Accounting Policy

At 1 January 2015, the Company adopted FRS 102/103 which requires Provisions for Unearned Premiums and Deferred Acquisition Costs to be treated as monetary assets and hence revalued at the closing rates.

An explanation of how the transition has affected the financial position and performance of the Company is provided in Note 29.

1.5 Significant Accounting Policies

1.5.1 Insurance contracts

Gross Premiums

Gross written premiums, gross of commissions payable to intermediaries, comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods, exclusive of taxes and duties levied on premiums. Premiums are recognised proportionately over the coverage period. In respect of binders, line slips and quota share arrangements, the assessment of premiums is in respect of the underlying premiums entered into by the balance sheet date under such contracts.

Adjustment and additional premiums are premiums charged which relate to experience during the policy term. Premiums payable under proportional treaty contracts and delegated underwriting authorities are generally not reported to the Company until after the reinsurance coverage is in force. As a result, an estimate of these "pipeline" premiums is recorded. The Company estimates pipeline premiums based on projections of ultimate premium taking into account reported premiums and expected development patterns.

Reinstatement premiums on assumed excess of loss reinsurance contracts are provided for based on experience under such contracts. Reinstatement premiums are the premiums charged for the restoration of the reinsurance limit of an excess of loss contract to its full amount after payment by the reinsurer of losses as a result of an occurrence and are recognized as revenue in full at the date of loss, triggering the payment of the reinstatement premiums.

Under some policies, written premiums are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is deferred until the additional amount can be ascertained with reasonable certainty. Where written premiums are subject to a reduction, a remeasurement taking account of such a reduction is made as soon as there is an obligation to the policyholder.

Reinsurance Premiums

Reinsurance premiums relating to reinsurance placed by the Company are accounted for using the same accounting methodology used for inwards premiums.

Acquisition Costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance and reinsurance contracts.

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Technical Provisions

Technical provisions comprise claims outstanding, provisions for unearned premiums, provisions for unexpired risk and equalisation provisions.

Claims provision

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability is not discounted for the time value of money.

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported to the Company, at the reporting date (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

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

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

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

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the class and the extent of the development of each accident year. The main projection methodologies that are used are:

- Initial expected loss ratio ("IELR") method: This method calculates an estimate of ultimate losses by applying an estimated loss ratio to an estimate of ultimate earned premium for each accident year. The estimated loss ratio may be based on pricing information and/or industry data and/or historical claims experience revalued to the year under review.
- Bornhuetter-Ferguson ("BF") method: The BF method uses as a starting point an assumed IELR and blends in the loss ratio implied by the claims experience to date by using benchmark loss development patterns on paid claims data ("Paid BF") or reported claims data ("Reported BF"). Although the method tends to provide less volatile indications at early stages of development and reflects changes in the external environment, this method can be slow to react to emerging loss development and if IELR proves to be inaccurate can produce loss estimates which take longer to converge with the final settlement value of loss.

- Loss development ("Chain Ladder"): This method uses actual loss data and the historical development profiles on older accident years to project more recent, less developed years to their ultimate position.
- Exposure-based method: This method is used for specific large typically catastrophic events such as a major hurricane. All exposure is identified and we work with known market information and information from our cedants to determine a percentage of the exposure to be taken as the ultimate loss.

In addition to these methodologies, our actuaries may use other approaches depending upon the characteristics of the line of business and available data.

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date computed separately for each insurance contract. Written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unearned premiums are deemed monetary items and are valued using the closing rate.

Unexpired risks

A liability adequacy provision (the unexpired risks provision) is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date, is expected to exceed the provision for unearned premiums, net of deferred acquisition costs, and premiums receivable.

The assessment of whether a provision is necessary is made by considering separately each category of business on the basis of information available at the reporting date, after offsetting surpluses and deficits arising on products which are managed together. Investment income is taken into account in calculating the provision.

Equalisation provision

An equalisation provision is recognised in accordance with the rules in the PRA Regulations. The amounts provided are not liabilities because they are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the reporting date. However, notwithstanding this, the equalisation provision required by Schedule 3 to the Regulations is to be included within technical provisions. The movement in the equalisation provision for the year is taken to the technical account - general business.

Deferred acquisition costs

The proportion of acquisition costs incurred that corresponds to the proportion of gross premiums written which are unearned at the balance sheet date and are classified as deferred acquisition costs. With the exception of profit commissions, these expenses are incurred when a policy is issued, and only the costs directly related to the successful acquisition of new and renewal insurance and reinsurance contracts are deferred and amortized over the same period as the corresponding premiums are earned. Profit commissions are estimated based on the related performance criteria evaluated at the balance sheet date, with subsequent changes to those estimates recognised when they occur.

The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement.

Deferred acquisition costs are deemed to be monetary items and are valued using the closing rate.

Reinsurance assets

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

1.5.2 Financial Instruments

As permitted by FRS 102, the Company has elected to apply the recognition and measurement provisions of IAS 39 Financial Instruments to account for all of its financial instruments.

The Company classifies its financial assets into the following categories: Equity instruments and other variable-yield securities and units in unit trusts - at fair value through profit or loss; Debt securities and other fixed-income securities - held to maturity; and Deposits with credit institutions - loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit or loss

A financial asset is classified into this category at inception if they are acquired principally for the purpose of selling in the short term, if they form part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities.

Financial assets designated as at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Company's entity's key management personnel. The Company's investment strategy is to invest in listed and unlisted fixed interest rate debt securities, and derivatives designated upon initial recognition at fair value through profit or loss.

The fair values of financial instruments traded in active markets are based on quoted bid prices on the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair values of financial instruments that are not traded in an active market (for example over-the-counter derivatives), are established by the directors using valuation techniques which seek to arrive at the price at which an orderly transaction would take between market participants.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the Income Statement within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the period in which they arise.

Debt securities and other fixed-income securities - held to maturity

Redeemable fixed interest securities, in respect of which there is a positive intention to hold to maturity, are valued at amortised cost. The amortisation is calculated so as to write off the difference between the purchase price and the maturity value over the life of the security, using the effective interest method. There are currently no assets classified as held to maturity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at fair value through profit or loss. When a financial liability is recognised initially it is measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability. Loans and receivables are subsequently measured at amortised cost using the effective interest method. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the directors as having prudent regard to the likely realisable value.

Impairment of financial assets

For financial assets not at fair value through profit or loss, the Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
    - adverse changes in the payment status of issuers or debtors in the group; or
    - national or local economic conditions that correlate with defaults on the assets in the group.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables or held-to-maturity investments carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Income Statement for the period. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Company's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed through the income statement for the period.

Financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowing using the effective interest rate method.

Other financial liabilities relate to derivatives which are designated at fair value through profit and loss, and classified in Accruals and deferred Income. Creditors are also financial liabilities and are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost, using the effective interest rate method. For short term creditors (due within one year), no discounting is applied.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investment return

Investment return comprises all investment income (which includes the interest income for financial assets carried at amortised cost, using the effective interest method), realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest payable on financial liabilities carried at amortised cost, using the effective interest method.

Dividends are recognised when the investments to which they relate are declared 'ex-dividend' and include the imputed tax. Interest income is recognised on a time proportionate basis taking into account effective interest method.

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. In the case of investments included at amortised cost, realised gains and losses are calculated as the difference between sale proceeds and their latest carrying value. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated equity is made from the non-technical account to the technical account. Investment return related to non-insurance business and shareholder's equity is attributed to the non-technical account.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1.5.3 Foreign currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates. The US Dollar is the functional currency and presentational currency of the Company. However, the Company also operates through a number of discreet overseas branches in Europe, Australia, Singapore, Switzerland and Canada that have separate functional currencies.

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities (which include unearned premiums and deferred acquisition costs) denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the Non-technical Income Statement.

The results and financial position of the overseas branches are translated into the presentational currency as follows:

- Assets and liabilities are translated at the closing rate at the balance sheet date;
- Income and expenses are translated at the average rate of exchange during the year; and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in equity.

1.5.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the Income Statement at rates calculated to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

• Furniture, fittings and office equipment	25% per annum
• Hardware and Software[1]	33.3% per annum
• Underwriting Platform, Subscribe	20% per annum
• Leasehold improvement	Lesser of 15 years or remaining life of lease

Depreciation for software commences on the date that the software is brought into use.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.5.5 Intangible assets

Internally developed software

Intangible assets are recognised on internally developed software. The internally developed software principally relates to cost directly attributable to the development of new 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.

Assets which are developed over time are categorised under projects and are held on the register without depreciation until the project goes live date. On this date they are re-categorised out of projects and into one of the other classifications and depreciation will commence from this date. Projects costs should include all costs of external service providers. Internal costs of project teams may be included in certain circumstances where labour costs of own employees have arisen directly from the construction of the asset or system.

Intangible assets are tested for impairment in accordance with Section 1.5.6 Impairment of non- financial assets when there is an indication that an intangible asset may be impaired.

The results of the impairment test may result in the value of the intangible being impaired in the current period.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software development costs 3 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

1.5.6 Impairment

Non-financial assets

The carrying amounts of the Company's internally developed software, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.5.7 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement in the periods during which services are rendered by employees.

Share-based payment transactions

Directors and certain senior personnel (mainly employed by fellow subsidiary AIUKS) receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity related instruments (equity settled transactions) in AIHL, the Company's ultimate parent company.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense (calculated using the Black-Scholes option pricing model methodology) over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are met. When an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the Income Statement for the award is expensed immediately.

Share based payments are recognised as an expense, with a corresponding increase to reserves for share related awards accounted for as equity settled. AIHL recharges the share option at 100% of the fair value at the date of grant, when the Company settles the obligation with AIHL. Direct taxes on all share related awards are recognised in the balance sheet, as an accrual, at the expected future tax rate payable by the Company.

1.5.8 Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the Income Statement on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease on a straight line basis.

1.5.9 Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the shareholder. Interim dividends are deducted from equity when they are paid.

1.5.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in branch to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.6 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 4 to 9 with the Company's policies and processes for managing capital; financial risk; financial instruments; and its exposures to credit risk.

The Company has considerable financial resources. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.7 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

2. Financial Risk Management

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

(a) Risk Governance and Risk Management Strategy

The Board of Directors of the Company ("the Board") considers effective identification, measurement, monitoring, management and reporting of the risks facing our business to be key elements of its responsibilities. The Board ensures that the company operates an effective risk management and control framework which includes risk management, compliance and internal control systems. As already stated during 2015 the Board implemented a Risk Committee to enhance the oversight of the Company's risk management processes.

The Company, as an operating entity within the Aspen Group, benefits from the Group's established risk management practices. The Group's risk management policies are established to identify and analyse the risks faced by the Group and the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Further details on the Group wide risk management strategy can be found in the consolidated financial statements of AIHL which are available to the public.

Other than the introduction of the Risk Committee, the Company has not materially changed the processes used to manage its risks from the previous periods.

(b) Capital Management Objective, Policies and Approach

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholder and policyholders, meets regulatory capital requirements and support's the Company's aim of maintaining a single 'A' rating.

In line with its Risk Appetite the company measures capital on three basis (internal, rating agency and regulatory).

The company met its capital requirements on all three bases throughout 2015.

(c) Insurance Risk

Insurance risk is defined as the risk that underwriting results vary from their expected amounts, including the risk that reserves established in respect of prior periods are understated.

Insurance risk includes the following:

(a) Underwriting risk: The variation of accident year technical result from its expected value. Underwriting risk can be further split into sub-categories including:

- Catastrophe accumulation risk: The risk that losses from natural catastrophes exceed expected levels.
    - Pricing calibration risk: The risk that actual technical results differ from expected values as a result of invalid assumptions, methodology or parameters used in the pricing process.
    - Large claims risk: The risk that losses from a single man-made event, or group of related events, exceed the expected levels.
    - Attritional risk: The risk that the total of all losses other than catastrophe and large losses exceeds the expected level.
    - Reinsurance mitigation risk: The risk that gross losses are not reduced by reinsurance recoveries to the extent expected.

(b) Reserving risk: The variation in policyholder reserves for prior accident years.

Processes for addressing risk

We model our exposure to underwriting and reserving risks using the Internal Model to measure the associated capital requirements on both an internal basis, on the ICA regulatory basis and the new Solvency II SCR regulatory basis which applies from 1 January 2016. As already stated the PRA has approved our internal model for use to calculate the SCR requirement. Modelling of insurance risk exposures is the key process for monitoring and managing insurance risk.

The Reserving policy and Aspen Group Underwriting Risk Policy evidence how Aspen manages the risk of loss or of adverse change in the values of insurance and reinsurance liabilities, resulting from inadequate pricing and provisioning assumptions.

The Underwriting Risk Policy requires and defines the use of Aspen Underwriting Principles (AUPs) for each underwriting team, and similarly the Group Pricing Standard establishes the requirements that must be addressed by the Pricing Policy

Document (PPD) for each portfolio. AUPs set out a series of key principles translated into specific guidelines, requirements, processes and management controls, the compliance of which is mandatory for all Underwriters. The PPDs set out a series of standards and principles to apply to the pricing of all business underwritten.

The Group Claims risk policy sets out the core risk management requirements for the Claims process. The UK Platform Claims Procedures apply to claims handling in respect of AIUK claims. It covers the full claims cycle and is supported by a range of detailed procedures. It includes specific considerations in respect of the handling of AIUK claims.

The Reinsurance Mitigation Policy defines Aspen's approach to managing the risk that gross losses are not reduced by reinsurance recoveries to the extent expected. The Insurance Accumulation Risk policy defines Aspen's approach to categorise, set tolerances and limit, measure, monitor, report and escalate Natural Catastrophe and Non Natural Catastrophe accumulations.

The Company has limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposures, including to catastrophic events (e.g. hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based and other insurance risk accumulations to be within key risk limits determined by management and approved by the Board. The current key risk limits include:

- the impact of a single 1 in 100 year catastrophic event to be limited to 17.5% of shareholder's equity on a net basis.
- other non-natural catastrophe accumulations to limit accumulated exposure in stress scenarios to 10% of shareholder's equity on a net basis.
- a limit on the level of held reserves in relation to the modelled distribution of Reserving Risk from our internal model

Catastrophe Risk Management

To help assess the Company's exposure to losses from natural catastrophes, the Group uses third party computer-based Catastrophe risk models, which simulate multiple scenarios using a variety of assumptions. These models are operated validated, blended and adjusted by in-house experts.

Their effectiveness relies on the numerous inputs and assumptions contained within them, including, but not limited to, scientific research, historical data, exposure data provided by insureds and reinsureds, data on the terms and conditions of insurance policies and the professional judgment of our employees and other industry specialists. While the models have evolved considerably over time, they do not necessarily accurately measure the statistical distribution of future losses due to the inherent limitations of the inputs and assumptions on which they rely. These limitations are evidenced by significant variation in the results obtained from different models, material changes in model results over time due to refinement of the underlying data elements and assumptions and the uncertain predictive capability and performance of models over longer time intervals. The effect of these limitations is that future losses from catastrophic events may be larger and more frequent than expected or reported in our financial statements to date based on model assumptions.

Sensitivities

The following analysis is performed for possible movements in key assumptions with all other assumptions held constant, showing the impact on net claims incurred. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	2015		2014	
	5% Increase	*5% Decrease*	*5% Increase*	*5% Decrease*
	($ in thousands)		($ in thousands)	
Reinsurance Segment				
Property Catastrophe Reinsurance	3	(3)	—	—
Other Property Reinsurance	4,276	(4,276)	2,337	(2,337)
Casualty Reinsurance	2,945	(2,945)	3,675	(3,675)
Specialty Reinsurance	2,404	(2,404)	3,569	(3,569)
	9,628	**(9,628)**	**9,581**	**(9,581)**
Insurance Segment				
Property and Casualty Insurance	2,258	(2,258)	2,347	(2,347)
Marine, Energy and Construction Insurance	1,667	(1,667)	4,955	(4,955)
Financial and Professional Lines Insurance	(232)	232	1,050	(1,050)
	3,693	**(3,693)**	**8,353**	**(8,353)**
	13,321	**(13,321)**	**17,934**	**(17,934)**

Claims development table

Reserves are required owing to the time between the occurrences, reporting and eventual settlement of a loss, which, for some lines of business, can be several years. Since reserves are an estimate of the likely outcome of these future events, they are subject to a degree of volatility. That is, the actual emergence of ultimate losses can be expected to differ, perhaps materially, from any estimate of such losses. Therefore, while this claims development table will provide additional insight into the diversity and loss characteristics of many areas of the Company business, it is by necessity summary information. The users should be aware that loss payment and loss reporting patterns are not the only considerations in establishing loss reserves.

In setting claims provisions the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to US Dollars at the rate of exchange that applied at the end of the accident year. The impact of exchange differences is shown at the bottom of the table.

The Company has taken advantage of the transitional rules of FRS 103 that permit only five years of information to be disclosed upon adoption. The claims development information disclosed is being increased from five years to ten years over the period 2016-2021.

Gross insurance contract outstanding claims provisions as at 31 December 2015:

Accident year	Before 2011 $000	2011 $000	2012 $000	2013 $000	2014 $000	2015 $000	Total $000
Estimate of cumulative claims incurred							
At end of accident year		708,813	854,613	863,085	822,626	836,157	
One year later		946,426	888,355	823,317	781,540		
Two years later		900,763	886,473	790,876			
Three years later		868,982	849,483				
Four years later		835,438					
Current estimate of cumulative claims incurred		835,438	849,483	790,876	781,540	836,157	
Cumulative claims paid							
At end of accident year		288,275	517,433	559,951	565,247	596,282	
One year later		573,023	576,346	565,721	557,333		
Two years later		584,396	609,117	563,990			
Three years later		597,099	605,784				
Four years later		595,769					
Cumulative payments to date		595,769	605,784	563,990	557,333	596,282	
Gross outstanding claims provision at 31 December 2015 at original exchange rates	1,811,603	239,669	243,698	226,885	224,207	239,876	
Foreign exchange adjustment	202,301	26,764	27,214	25,336	25,037	26,787	
Total gross outstanding claims provision per the statement of financial position	2,013,904	266,433	270,912	252,221	249,244	266,662	3,319,377

Net insurance contract outstanding claims provisions as at 31 December 2015:

Accident year	Before 2011 $000	2011 $000	2012 $000	2013 $000	2014 $000	2015 $000	Total $000
Estimate of cumulative claims incurred							
At end of accident year		326,767	541,710	562,852	568,753	586,216	
One year later		599,908	579,332	569,231	547,924		
Two years later		587,424	612,896	554,470			
Three years later		600,803	595,558				
Four years later		585,712					
Current estimate of cumulative claims incurred		585,712	595,558	554,470	547,924	586,216	
Cumulative claims paid							
At end of accident year		154,686	401,249	460,824	467,637	499,404	
One year later		444,356	474,317	468,029	466,783		
Three years later		480,942	503,931	472,359			
Four years later		493,989	507,363				
Cumulative payments to date		498,975	507,363	472,359	466,783	499,404	
Net outstanding claims provision at 31 December 2015 at original exchange rates	655,626	86,737	88,195	82,111	81,141	86,812	
Foreign exchange adjustment	194,754	25,765	26,199	24,390	24,103	25,787	
Total net outstanding claims provision per the statement of financial position	850,380	112,502	114,394	106,501	105,244	112,599	1,401,620

(d) ***Market Risk***

Market risk is the risk of variation in income generated by, and the fair value of, our investment portfolio, cash and cash equivalents and derivative contracts including the effect of changes in foreign currency exchange rates. Within our Risk Universe we define six categories of market risk:

(i) foreign currency risk

(ii) fixed income security risk which sub-divides into

- interest rate risk
- spread risk

(iii) equity risk

(iv) market risk mitigation risk

(v) asset concentration risk

(vi) risk assets

Processes for addressing risk

As with Insurance risk, we model our exposure to market risks using the Internal Model to measure the associated capital requirements on both an internal basis, on the ICA regulatory basis and the new Solvency II SCR regulatory basis which applies from 1 January 2016. As already stated the PRA has approved our internal model for use to calculate the SCR requirement. Modelling of market risk exposures is the key process for monitoring and managing market risk.

The Investment Risk policy describes the investment strategy in the context of the annual business plan, asset allocation and concentration limits at group and entity levels.

The Investment Risk Policy describes the measurement of market risks, and specifically describes what is permissible with regards to the use of derivatives in order to manage currency positions, portfolio duration and hedge interest rate risk in the investment portfolio.

Use of derivatives is limited to interest rate swaps, forward rate transactions, bond options, interest rate futures, foreign exchange spot and forward transactions and currency options. As at 31 December 2015 AIUK has only entered into foreign exchange forward transactions. The Company has no off balance sheet exposures.

The Asset and Liability Management Policy defines Aspen's approach to duration and currency matching. Management monitors the value, currency and duration of cash and investments held by the Company to ensure that the Company is able to meet the insurance and other liabilities as they become due. The following components of both cash matching and duration matching are employed to manage the investment portfolio:

- The average duration of liabilities;
- The outlook for interest rates and the yield curve;
- The need for cash to pay claims;
- Total return.

As with Insurance risks as well as modelling our exposures and the capital required to address potential market risks using our internal model we define and monitor a number of key Risk limits to measure and manage our Market risk exposure.

Key Risk limits regarding the shape (in terms of limits on asset type concentrations), overall credit rating and volatility of our investment portfolio have been defined by management and approved by the Board. The AIUK Investment Guidelines are reviewed and approved annually by the AIUK Board and define additional investment limits for the Company.

In order that AIUK can manage the currency mismatch risk limits within the regulatory parameters required, a Key Risk Limit approved by the Board limits the mismatch between assets and liabilities where there are material positions in currencies other than our functional currency i.e. US Dollars.

The Key Risk limits are monitored and reported in the Chief Risk Officer's ("CRO's") report to the AIUK Risk Committee or AIUK Board.

(i) Foreign currency risk

The Company manages its foreign exchange risk against its functional currency. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Company is primarily exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than the U.S. Dollar. The Company operates through a number of foreign branches which creates an additional source of foreign currency risk. Other significant currencies to which the Company is exposed are the Pound Sterling, Australian Dollars, Canadian Dollars and the Euro. The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. The Company also uses foreign exchange spot and forward transactions and currency options.

At 31 December 2015, if the U.S. Dollar had weakened / strengthened by 10% with all other variables held constant, profit for the year would have been $2.3m (2014: $3.7m) higher / lower, mainly as a result of foreign exchange gains / losses on the translation of non U.S. Dollar denominated financial assets, and foreign exchange losses / gains on translation of non U.S. Dollar denominated insurance liabilities.

(ii) Fixed income securities - Interest rate risk

The Company's investment portfolio consists primarily of fixed income securities. Fluctuations in interest rates have a direct impact on the market valuation of these securities. The Company manages interest rate risk by maintaining a short to medium duration financial assets to reduce the effect of interest rate changes on fair value, and taking out interest rate swaps where appropriate.

The table below shows the estimated impact of a 100 basis points change in the U.S., U.K., Euro, Canadian, Australian or Switzerland interest rates on the market value of investments, impacting the Company's profit before tax and equity by:

	For the Year Ended 31 December			
	Impact on profit before tax		Impact on equity*	
	2015	2014	2015	2014
	($ in thousands)		($ in thousands)	
1% increase in U.S. interest rates	(57,361)	(47,265)	(45,745)	(37,103)
1% increase in U.K. interest rates	(12,869)	(11,958)	(10,263)	(9,387)
1% increase in Euro interest rates	(2,200)	(2,562)	(1,754)	(2,011)
1% increase in Canadian interest rates	(1,489)	(1,930)	(1,187)	(1,515)
1% increase in Australian interest rates	(2,957)	(4,286)	(2,358)	(3,365)
1% increase in Switzerland interest rates	(286)	(297)	(228)	(233)
1% decrease in U.S. interest rates	56,581	47,534	45,123	37,314
1% decrease in U.K. interest rates	13,495	12,544	10,762	9,847
1% decrease in Euro zone interest rates	2,276	2,650	1,815	2,080
1% decrease in Canadian interest rates	1,519	1,979	1,211	1,554
1% decrease in Australian interest rates	3,117	4,542	2,486	3,565
1% decrease in Switzerland interest rates	296	312	236	245

**Impact on equity reflects adjustments for tax.*

The method used for deriving sensitivity information and significant variables did not change from the previous period.

(iii) Fixed income securities - Spread risk

The yield of a non-government fixed income security can be divided into two parts:

- The 'risk free' rate, being the yield of the treasury security issued by the country in which the issuer operates which is closest to it in maturity
- The 'spread' of the yield over the risk free rate (= total yield -risk free rate)

The spread is normally positive because it represents the extra consideration required by the market to compensate for the greater risk (compared to the Government issuer) of default on interest or redemption. The spread may also be influenced by the actual or perceived liquidity or marketability of the security.

The spread of a bond also adjusts over time to reflect the spread required on similar new issues. This movement up or down in spread therefore also contributes to overall market risk and we call this 'spread risk'. We also include within spread risk the risk that a security falls in value as a result of being downgraded by a rating agency as this will also cause the spread to increase. We also include the risk of actual default on interest or redemption as a special case of spread risk. This default risk is actually a type of credit risk but it is convenient to deal with it here under market risk because of the way we model it in the Internal Model as an extreme case of downgrade risk.

We manage spread risk by limiting the overall credit quality of our investment portfolio and the concentrations of investments with specific issuers of investments. This risk is mitigated by limiting exposure to any single counterparty.

(iii) Equity risk

We define Equity risk as the risk of adverse movements in the market price of investments (or their derivatives) other than fixed income securities. Unlike fixed income Securities the value of equities is not directly linked to interest rates and spreads, there are many factors that affect the value of investments.

The total value of AIUK's equities as at 31 December 2015 was $118m. Therefore a 10% shock would reduce the value of AIUK's assets by $12m.

(iv) Market risk mitigation risk

We define Market risk mitigation risk as the risk of variation in the value or effectiveness of hedging positions. AIUK currently only uses FX instruments to hedge market risk.

(v) Asset concentration risk

The aggregate value of our investment portfolio may be at greater risk if it is over exposed to the same asset or a group of similar assets with similar risk dynamics.

Concentrations which we seek to manage for this reason include types of asset (e.g. mortgage backed securities), economic sector of issuer and securities of the same issuer.

(vi) Risk assets

Risk assets are those assets we consider inherently more volatile, in terms of value, and we limit our exposure to such assets as a proportion of our investment portfolio. We define risk assets as Emerging Market Debt, (EMD) below investment grade securities, (high yield & bank loans), equities and hedge funds. The only risk assets currently invested in by AIUK are equities.

(e) Credit risk

Credit risk is the risk of loss to the Company if counterparty to a financial instrument or reinsurance agreement fails to meet its contractual obligations. The Company is exposed to credit risk through its investment holdings (cash, debt securities and other fixed income securities), its reinsurers' shares of insurance liabilities and amounts due from reinsurers in respect of claims already paid. As already stated within our Internal Model and our management process we treat credit risk relating to our fixed Income security investments as part of Market risk.

The Company is also exposed to credit risk through the diminution in the value of insurance receivables as a result of counterparty default. This principally comprises default and concentration risks relating to amounts receivable from intermediaries, policyholders and reinsurers. Reinsurance and retrocession does not isolate the Company from its obligations to policyholders. In the event that a reinsurer or retrocessionaire fails to meet its obligation, the Company's obligations remain.

Processes for addressing risk

As with Insurance risk, we model our exposure to credit risks using the Internal Model to measure the associated capital requirements on both an internal basis, on the ICA regulatory basis and the new Solvency II SCR regulatory basis which applies from 1 January 2016. As already stated the PRA has approved our internal model for use to calculate the SCR requirement. Modelling of credit risk exposures is the key process for monitoring and managing credit risk.

The processes for addressing credit risk in relation to financial Instruments has already been dealt with as part of the explanation of our processes to address Market risk. This Group Insurance Credit Risk policy defines the processes for assessing, monitoring and managing credit exposure to intermediaries, policyholders and reinsurance counterparties. The Company manages the levels of credit risk by placing limits on its exposure to a single counterparty, or groups of counterparty. Such risks are subject to regular review. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. The Company has risk limits for the amount of exposure to related reinsurers and any breaches of those limits is reported to the Risk Committee and Board.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the balance sheet, with analysis by credit ratings of the counterparties issued by Standard and Poor's. AAA is the highest possible rating. Debtors are included in the table below (within 'other' in the second table).

The concentration of credit risk is substantially unchanged compared to the prior year. No credit limits were exceeded during the period. The financial assets below are neither past due nor impaired at the end of the reporting period.

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Reinsurers' share of claims outstanding	1,917,757	1,878,073
Debtors arising out of direct insurance operations	118,077	121,685
Debtors arising out of reinsurance operations	598,235	556,842
Cash at bank and in hand	116,107	87,818
Deposits with ceding undertakings	10,258	9,633
Other financial investments		
debt securities and other fixed income securities	2,272,025	2,128,674
short term investments	290,198	448,500
equity investments	118,174	—
Derivatives financial assets	8,771	8,002
Loans and receivables	188,355	209,644
Total assets bearing credit risk	**5,637,957**	**5,448,871**
AAA	385,052	473,789
AA	1,374,064	1,258,626
A	567,779	799,263
BBB	86,983	45,815
Below BBB or non-rated	38,804	7,684
Other	3,185,275	2,863,694
Total assets bearing credit risk	**5,637,957**	**5,448,871**

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Credit risk is also mitigated by entering into collateral agreements. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

At 31 December 2015, the fair value of such collateral held was $266m (2014: $227m). No collateral received from the counterparty has been sold or repledged (2014: Nil).

(f) Liquidity risk

Liquidity risk is defined as the risk of failing to maintain sufficient liquid financial resources to meet liabilities as they fall due or to provide collateral as required for commercial or regulatory purposes.

Liquidity risk includes the following:

(a) Payment default risk: The risk that there is insufficient cash to make payments when due and that no additional cash can be made available by borrowing, sale of assets or capital raising.
(b) Risk of unplanned asset realisation losses: The risk that securities are required to be sold at a loss to meet liquidity requirements.
(c) Risk of failure of credit facility: The risk that advances from the credit facility are unavailable.
(d) Group liquidity risk: The risk that liquidity cannot be secured for a Group company from elsewhere in the Group.
(e) Collateral risk: The risk that the company is unable to provide collateral to a third party when contractually required doing so.

Processes for addressing risk

Unlike Insurance, Market and Credit Risk we do not model and manage liquidity risk using our internal model. This is because it is not a risk that is mitigated by holding capital against it.

AIUK's annual Stress & Scenario Testing (SST) process is used to determine the basis of the Key Liquidity risk limit. The Liquidity Risk policy provides further details of how Liquidity risks are identified, monitored, managed and modelled. This includes details of an escalation process for a breach of the minimum free funds limit.

The Liquidity Risk Policy highlights the measures that Aspen have put in place in order to maintain an agreed amount of assets in cash and cash equivalents. These measures include concentration limits to ensure the liquidity of assets, appropriateness of the marketability or realisability of assets and a liquidity contingency funding plan.

Liquidity stress testing is carried out against AIUK's & the Group's risk profile at least annually by the Risk Management and Analytics function as part of the Stress and Scenario Testing programme. This allows management to identify the potential strains on AIUK's liquidity as a result of the scenarios assessed as well as gaining understanding of the Group's ability to support the liquidity needs of entities such as AIUK as the need arises.

The table below analyses the Company's monetary assets into their relevant maturity groups based on the period remaining at the year end to their contractual maturities or expected settlement dates:

31 December 2015	Up to 1 year	1-3 years	3-5 years	5-10 years	Over 10 years	Total
			($ in thousands)			
Outstanding claims liabilities	673,811	1,109,642	635,043	656,497	244,384	3,319,377
Provision for unearned premiums	143,184	235,798	134,946	139,505	51,932	705,365
Creditors arising out of reinsurance operations	636,456	—	—	—	—	636,456
Other creditors including taxation and social security	100,778	—	—	—	—	100,778
Accruals and deferred income	92,730	—	—	—	—	92,730
Total	**1,646,959**	**1,345,440**	**769,989**	**796,002**	**296,316**	**4,854,706**

31 December 2014	Up to 1 year	1-3 years	3-5 years	5-10 years	Over 10 years	Total
			($ in thousands)			
Outstanding claims liabilities	688,753	1,134,249	649,125	671,054	249,803	3,392,984
Provision for unearned premiums	131,890	217,199	124,302	128,501	47,835	649,727
Creditors arising out of reinsurance operations	347,651	—	—	—	—	347,651
Other creditors including taxation and social security	71,007	—	—	—	—	71,007
Accruals and deferred income	97,629	—	—	—	—	97,629
Total	**1,336,930**	**1,351,448**	**773,427**	**799,555**	**297,638**	**4,558,998**

3. Segmental Information

	For the Year Ended 31 December 2015					
	Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Underwriting Result
			($ in thousands)			
Direct insurance:						
Fire and other damage to property	133,806	131,846	(101,451)	(37,103)	4,726	**(1,982)**
Third party liability	*156,974*	*156,886*	*(41,418)*	*(55,195)*	*(48,048)*	**12,225**
Marine, aviation and transport	105,235	127,155	(82,218)	(24,864)	(20,810)	**(737)**
	396,015	**415,887**	**(225,087)**	**(117,162)**	**(64,132)**	**9,506**
Reinsurance acceptances:						
Credit and suretyship	150,251	104,239	(58,182)	(50,156)	(7,552)	**(11,651)**
Fire and other damage to property	541,205	518,411	(212,931)	(182,811)	(80,256)	**42,413**
Miscellaneous	11,663	6,581	(482)	(1,605)	(1,941)	**2,553**
Marine, aviation and transport	74,116	69,736	(31,050)	(15,077)	(11,122)	**12,487**
Motor (third-party liability)	29,103	27,385	(14,028)	(7,028)	(1,304)	**5,025**
Third party liability	321,064	318,947	(160,746)	(124,704)	(45,032)	**(11,535)**
	1,127,402	**1,045,299**	**(477,419)**	**(381,381)**	**(147,207)**	**39,292**
	1,523,417	**1,461,186**	**(702,506)**	**(498,543)**	**(211,339)**	**48,798**

	For the Year Ended 31 December 2014					
	Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Underwriting Result
			($ in thousands)			
Direct insurance:						
Fire and other damage to property	131,404	128,618	(48,842)	(39,749)	(41,179)	**(1,152)**
Third party liability	159,139	145,063	(93,039)	(55,322)	(23,836)	**(27,134)**
Marine, aviation and transport	188,100	243,032	(190,747)	(42,034)	(20,999)	**(10,748)**
	478,643	**516,713**	**(332,628)**	**(137,105)**	**(86,014)**	**(39,034)**
Reinsurance acceptances:						
Credit and suretyship	103,508	87,834	(38,133)	(36,433)	(21,173)	**(7,905)**
Fire and other damage to property	516,872	495,248	(207,352)	(185,120)	(43,778)	**58,998**
Miscellaneous	6,435	5,423	(1,344)	(1,043)	(2,405)	**631**
Marine, aviation and transport	74,532	75,117	(23,104)	(14,499)	(28,518)	**8,996**
Motor (third-party liability)	31,249	29,548	(31,803)	(5,911)	10,977	**2,811**
Third party liability	324,921	336,265	(208,862)	(135,208)	(17,926)	**(25,731)**
	1,057,517	**1,029,435**	**(510,598)**	**(378,214)**	**(102,823)**	**37,800**
	1,536,160	**1,546,148**	**(843,226)**	**(515,319)**	**(188,837)**	**(1,234)**

The underwriting result represents the balance on the technical account before investment income and equalisation provision. The reinsurance balance is the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions including items recorded as reinsurance commissions and profit participation as noted in Note 6.

Geographical analysis

Business is written through the London Market, regional offices and branches as follows:

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
United Kingdom	736,495	773,873
USA	394,274	361,624
Switzerland	208,557	215,695
Republic of Ireland	75,693	69,972
Canada	16,759	28,695
Australia	32,798	34,212
Singapore	53,855	46,501
France	2,938	3,120
Germany	2,048	2,468
	1,523,417	**1,536,160**

4. Net Claims Incurred

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Current year claims movement	(343,589)	(392,672)
Prior years' claims movement	77,172	34,000
	(266,417)	**(358,672)**

5. Other Charges

Other charges consist of foreign exchange gains and losses on monetary assets and liabilities, arising from translation into US Dollars at the exchange rate prevailing at the balance sheet date.

6. Net Operating Expenses

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Acquisition costs	382,386	347,911
Change in gross deferred acquisition costs	(30,671)	(3,772)
	351,715	344,139
Administrative expenses	146,828	171,180
Gross operating expenses	498,543	515,319
Reinsurance commission and profit participation	(266,595)	(271,536)
	231,948	**243,783**

Commissions in respect of direct insurance business amounted to $65,976,000 (2014: $72,747,000).

7. Investment Returns

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Income from other financial investments	53,053	53,691
Net gains on realisation of investments:		
Fair value through profit or loss designated upon initial recognition	13,833	2,746
Total investment income	66,886	56,437
Net unrealised (losses)/gains on investments:		
Financial instruments at fair value through profit or loss	(22,239)	13,881
Investment expenses and charges	(1,128)	(1,512)
Total investment return	**43,519**	**68,806**

8. Profit and Loss Accounts

Profit on ordinary activities before tax is stated after charging:

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Depreciation of tangible fixed assets (Note 12)	10,601	11,762
Share based payments made to directors and employees (Note 26)	16,025	19,769
Auditor's remuneration		
Audit of these financial statements	364	351
Amounts receivable by the auditors and their associates in respect of:		
Other services pursuant to such legislation	225	218
Other assurance services	143	159
Tax compliance services	12	—
Other services	—	9

9. Directors' Remuneration

The aggregate emoluments of the directors were as follows:

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Aggregate emoluments	7,077	5,593
Aggregate contributions to pension schemes	213	241
	7,290	**5,834**

3 (2014: 3) directors exercised share options in respect of qualifying services under long term incentive schemes.

Nil (2014: nil) advances or credits granted to any director subsisted during the year. Also, no (2014: no) guarantees on behalf of any director subsisted during the year.

Highest Paid Director

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Aggregate emoluments and benefits (excluding shares) under long-term incentive schemes	2,723	1,776
Aggregate contributions to pension scheme	66	12

In respect of the highest paid director share options in respect of qualifying services under long term incentive schemes were received in the year and shares were receivable in respect of qualifying services under long term incentive schemes.

10a. Taxation

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
U.K. corporation tax		
Current tax charge on result for the year	(18,805)	(10,477)
Adjustments in respect of prior periods	579	2,848
Total current tax charge	**(18,226)**	**(7,629)**
Deferred tax		
Origination / reversal of timing differences	3,682	2,026
Adjustments in respect of prior periods	(1,137)	4,029
Impact of rate change	(886)	(187)
Total deferred tax credit	**1,659**	**5,868**
Tax charge on profit on ordinary activities	**(16,567)**	**(1,761)**

The current tax prior period credit of $0.6m should be viewed in conjunction with the deferred taxation prior period charge of $1.1m as the two adjustments are related. The net prior period adjustment of $0.6m predominately relates to the eligibility of fixed assets per capital allowances.

The tax charge (2014: charge) for the period is higher (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below.

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Tax reconciliation		
Profit on ordinary activities before tax	76,055	38,374
Current tax charge at 20.25% (2014: 21.5%)	(15,401)	(8,250)
Effects of:		
Non-taxable dividends receivable	812	—
Non-deductible expenses	(115)	(839)
Restricted double tax relief	(648)	—
Foreign exchange	127	407
Impact of rate change	(887)	(110)
Adjustments in respect of prior periods	(558)	6,877
Other	103	154
Total tax charge (see above)	**(16,567)**	**(1,761)**

In November 2015, reductions were enacted in the corporation tax rates to 19% with effect from April 2017, and 18% from April 2020 respectively. The impact of these rate changes are reflected in the financial statements for the year ended 31 December 2015.

10b. Deferred Taxation

The deferred tax asset recognised in the financial statements is as follows:

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Temporary differences related to fixed assets	7,715	8,887
Temporary differences related to foreign tax	10,505	12,431
Temporary differences related to overseas branches	4,675	—
Temporary differences related to FRS 102 transitional adjustments	(677)	(759)
	22,218	**20,559**

11. Currency Translation

The currency translation loss of $37,662,000 (2014: $8,793,000 loss) represents unrealised losses arising from the translation into U.S. Dollars of the Company's branch operations. The functional currencies of the Company's branches are Euros, Australian Dollars, Singaporean Dollars and Canadian Dollars. Assets and liabilities of foreign operations are translated into U.S. Dollars at the exchange rate prevailing at the balance sheet date. The exchange differences arising from this translation are included in the Statement of Comprehensive Income.

12. Tangible Assets

Details of tangible asset net book values as at the balance sheet date by major category are given below:

	Office and Other Equipment	Leasehold Improvements	Hardware and Software	Total Assets
		($ in thousands)		
Cost				
At 1 January 2015	5,369	18,425	107,533	131,327
Additions	338	489	22,529	23,356
Disposals	—	(1,123)	(69)	(1,192)
At 31 December 2015	5,707	17,791	129,993	153,491
Depreciation				
At 1 January 2015	3,537	10,282	69,978	83,797
Charge for the year	153	1,580	8,868	10,601
Disposals	—	(362)	(61)	(423)
At 31 December 2015	3,690	11,500	78,785	93,975
Net Book Value				
At 31 December 2014	1,832	8,143	37,555	47,530
At 31 December 2015	**2,017**	**6,291**	**51,208**	**59,516**

13. Other Financial Investments

	For the Year Ended 31 December 2015		For the Year Ended 31 December 2014	
	Cost	Market Value	Cost	Market Value
	($ in thousands)		($ in thousands)	
Financial Assets at fair value				
Derivative assets held at fair value through profit and loss	—	8,771	—	8,002
Debt securities and other fixed income securities	2,248,396	2,272,025	1,959,608	2,128,674
Equity Investments	120,800	118,174	—	—
Short term investments	290,212	290,198	464,486	448,500
Financial assets at fair value through profit and loss	**2,659,408**	**2,689,168**	**2,424,094**	**2,585,176**

Listed Investments

Included in the carrying values above are amounts in respect of listed investments as follows:

	For the Year Ended 31 December 2015		For the Year Ended 31 December 2014	
	Cost	Market Value	Cost	Market Value
	($ in thousands)		($ in thousands)	
Financial Assets at fair value				
Debt securities and other fixed income securities	2,138,679	2,219,460	1,929,670	2,097,144
Short term investments	157,973	121,979	259,288	243,303
Total financial assets	**2,296,652**	**2,341,439**	**2,188,958**	**2,340,447**

There was no material change in fair value for financial instruments held at fair value (other than derivatives) attributable to own credit risk in the current or comparative period.

Derivative financial instruments, at fair value through profit or loss

The Company uses limited forward foreign currency contracts to mitigate some adverse movements associated with changes in foreign exchange rates in respect of changes in the foreign currency rate form the collection of premiums to the payment of claims by fixing the rate of any material payments in a foreign currency.

	For the Year Ended 31 December		For the Year Ended 31 December	
	2015	2014	2015	2014
	Fair Value Asset ($ in thousands)		Contract/Notional Amount ($ in thousands)	
Total financial assets	**8,771**	**8,002**	**357,799**	**361,042**

Fair Value Estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1	Quoted market prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Company's assets and liabilities measured at fair value at 31 December 2015 and 31 December 2014:

	For the Year Ended 31 December 2015			
	Level 1 ($ in thousands)	Level 2 ($ in thousands)	Level 3 ($ in thousands)	Total ($ in thousands)
Financial Assets at fair value				
Debt securities and other fixed income	970,454	1,301,571	—	2,272,025
Short term investments	285,598	4,600	—	290,198
Equity Investments	118,174	—	—	118,174
Derivatives	—	8,771	—	8,771
	1,374,226	**1,314,942**	—	**2,689,168**
Financial Liabilities at fair value				
Derivatives	—	(2,703)	—	(2,703)
	1,374,226	**1,312,239**	—	**2,686,465**

	For the Year Ended 31 December 2014			
	Level 1 ($ in thousands)	Level 2 ($ in thousands)	Level 3 ($ in thousands)	Total ($ in thousands)
Financial Assets at fair value				
Debt securities and other fixed income	1,003,858	1,124,816	—	2,128,674
Short term investments	447,815	685	—	448,500
Derivatives	—	8,002	—	8,002
	1,451,673	**1,133,503**	—	**2,585,176**
Financial liabilities at fair value				
Derivatives	—	(6,673)	—	(6,673)
	1,451,673	**1,126,830**	—	**2,578,503**

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date as described in the accounting policy. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed debt securities.

The Company closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. Where it is determined that there is no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information available and reflect appropriate adjustments for credit and liquidity risks. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement.

If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Company has no level 3 instruments (2014: none).

14. Other Debtors

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Other debtors	(7)	2,072
Amounts due from ultimate parent	12,759	—
Amounts due from intermediate parent	—	3,552
Amounts due from fellow group undertakings	137,631	168,015
Deferred tax asset (Note 10b)	22,218	20,559
	172,601	**194,198**

15. Financial Liabilities

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Derivatives, at fair value through profit or loss (Note 17)	2,703	6,673
	2,703	**6,673**
Other financial liabilities, at amortised cost		
Creditors arising out of reinsurance operations (Note 16)	636,456	347,651
Other creditors (Note 17)	100,778	71,007
Total financial liabilities, at amortised cost	**737,234**	**418,658**

16. Creditors Arising Out of Reinsurance Operations

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Underwriting creditors	52,746	42,409
Amounts due to fellow group undertakings	583,710	305,242
	636,456	**347,651**

17. Other Creditors Including Taxation and Social Security

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Fair value in respect of derivative	2,703	6,673
Amounts due to fellow group undertakings	80,228	48,591
Amounts due to ultimate parent	—	1,704
Amounts due to intermediate parent	1,495	—
Outstanding claims advances	5,120	5,340
Corporation tax	10,582	7,491
Other indirect taxes	650	1,208
	100,778	**71,007**

18. Contingencies and Other Liabilities

At 31 December 2015 and 2014 the Company had granted charges over various of its assets in the ordinary course of business in respect of potential future insurance liabilities and as collateral for letters of credit and U.S. and Canadian Trust funds. The charged assets comprised the following categories:

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
U.S. Surplus Lines Trust	119,000	115,000
U.S. Reinsurance Trust Fund	939,000	928,000
Australia Branch	100,000	154,000
Canadian Branch	242,000	295,000
Other	266,000	227,000
	1,666,000	**1,719,000**

The Company had no other contingencies or other liabilities at the reporting date.

19. Deferred Acquisition Costs

	For the Year Ended 31 December 2015	2014
	($ in thousands)	
At 1 January	152,893	153,985
Movement in the year (Note 6)	30,671	3,772
Exchange adjustments	(1,798)	(4,864)
At 31 December	**181,766**	**152,893**

20. Technical Provisions

	Claims Reserves	Unearned Premium Reserves
	($ in thousands)	
Gross of reinsurance		
At 1 January 2015	3,392,984	649,727
Movement in the year	(2,469)	62,231
Exchange adjustments	(71,138)	(6,593)
At 31 December 2015	**3,319,377**	**705,365**
Reinsurance		
At 1 January 2015	1,878,073	79,849
Movement in the year	45,622	7,790
Exchange adjustments	(5,938)	(16,720)
At 31 December 2015	**1,917,757**	**70,919**

21. Equalisation Provision

An equalisation provision has been recognised in accordance with the PRA Regulations. These reserves, which are in addition to the reserves required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date, are included within the technical provisions in the balance sheet, notwithstanding that they do not represent liabilities at the balance sheet date. Notwithstanding this, they are required by Schedule 3 to the Regulations to be included within technical provisions. The cumulative effect of the equalisation provision is a reduction in shareholder's equity of $150,381,000 (2014: $167,900,000). The movement in equalisation provision during the year resulted in a credit to the general business technical account of $12,646,000 and $4,873,000 realised foreign exchange gain recognised within other charges (2014: $7,365,000 charge).

22. Profit and Loss Account Reserves

	For the Year Ended 31 December 2015	2014
	($ in thousands)	
At 1 January	(82,655)	(78,451)
Prior year adjustments	—	976
At 1 January as restated	(82,655)	(77,475)
Profit for the financial year	59,488	36,613
Dividends paid	(79,000)	(33,000)
Loss on foreign exchange currency translation for the year	(37,662)	(8,793)
At 31 December	**(139,829)**	**(82,655)**

The prior year adjustments of $976,000 in 2014 resulted from recognising the retranslation of unearned premiums and deferred acquisition costs at the reporting date due to the adoption of FRS 102 and FRS 103 (Note 29).

23. Commitments

The Company has no capital commitments authorised or contracted for at the year-end.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Within one year	8,117	7,023
Between one and five years	24,977	23,585
After five years	9,999	12,083
	43,093	**42,691**

24. Share Capital

The paid up capital is set out below.

	For the Year Ended 31 December 2015		For the Year Ended 31 December 2014	
	(£ in thousands)	($ in thousands)	(£ in thousands)	($ in thousands)
Allotted, issued and fully paid up				
410,000,000 (2014: 410,000,000) ordinary shares of £1 each	**410,000**	**614,900**	**410,000**	**614,900**

25. Capital Contributions

The Company received capital contributions of $150m and $320m from its immediate holding company. (Aspen (UK) Holdings Limited) on 23 March 2006 and 22 March 2011, respectively. As previously noted, the Company was sold to Aspen European Holdings Limited (AEHL) on 26 February 2015 through an internal reorganisation to optimise the Company's regulatory structure. The capital contributions are distributable.

26. Share Based Payments

AIHL the Company's ultimate parent has issued options, performance shares and restricted share units under the 2003 and 2013 Share Incentive Plans. In addition, AIHL approved the 2008 Sharesave Scheme as part of AIHL's Employee Share Purchase Plan.

Details of the schemes in place and the method of estimating the fair value of the equity instruments are detailed below. The cost of Directors' awards is apportioned to the Company. Full details of the schemes in place across the Group can be obtained in AIHL's Annual Report on Form 10-K.

The expense recognised for employee services during the year is shown in the following table:

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Expense arising from equity-settled share based payment transactions	14,082	17,372
Direct employee taxes on share related rewards	1,943	2,397
Total expense arising from share based payment transactions	**16,025**	**19,769**

The net movement included in Shareholder's Equity arising from Share Based Payment transactions is shown in the following table:

	For the Year Ended 31 December	
	2015	2014
	($ in thousands)	
Expense arising from equity-settled share based payment transactions	16,025	19,769
Settlement of expense arising from share based payment transactions	(16,025)	(19,769)
Net movement included in Shareholder's equity during the year	—	—

The plans are described below:

Employee Share Purchase Plan

Employee Share Purchase Plans. On 30 April 2008, the shareholders of AIHL approved the Employee Share Purchase Plan (the "ESPP"). For the Company, the ESPP consists of the U.K. Share save Plan which is granted annually under the HMRC approved Save As You Earn share option schemes in the U.K. and Ireland. It allows AIHL to offer employees of the Group the opportunity to acquire AIHL ordinary shares on preferential terms, and to acquire those shares in the most tax efficient manner. Employees can save up to £250 per month over a three-year period (increased to £500 per month effective 6 April 2014). At maturity employees receive their accumulated savings balance and a tax free bonus which can be used to either elect to purchase AIHL ordinary shares at a discounted price or receive cash equal to the accumulated savings balance and the tax free bonus. The purchase price will be eighty-five percent of the fair market value of a share on the offering date which may be adjusted upon changes in capitalisation of AIHL.

Grant date	4th November 2008	23rd November 2009	22nd December 2010	13th December 2011	20th March 2013	26th September 2014	25th March 2015
Per share weighted average fair value	$ 3.18	$ 3.76	$ 4.24	$ 4.20	$ 7.79	$ 6.61	$ 8.17
Risk free interest rate	0.48%	0.01%	0.13%	0.05%	0.38%	1.06%	0.94%
Dividend yield	2.70%	2.28%	2.07%	2.80%	1.88%	1.87%	1.78%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Share price volatility	68.0%	22.0%	14.0%	26.2%	2.8%	6.2%	16.0%

An expense is recognised in the financial statements over the service period in respect of the fair value of the outstanding options at the balance sheet date, with a corresponding increase in liabilities. The fair values of the options are calculated using the Black-Scholes option pricing model.

Stock Options

Stock options are granted with an exercise price equivalent to the current value of the share on the grant date. The weighted average value at grant date is determined using the Black-Scholes option pricing model. Stock options vest over a three-year period with a ten-year contract period with vesting dependent on time and performance conditions established at the time of grant.

	2015	Weighted Average Exercise Price	2014	Weighted Average Exercise Price
	(Number in thousands)	($)	(Number in thousands)	($)
Outstanding options, beginning of period	147	24.36	254	25.12
Exercised	(136)	24.42	(107)	26.07
Forfeited or expired	—	—	—	—
Transferred in	—	—	—	—
Outstanding options, end of period	11	23.65	147	24.36

The exercise price for options outstanding at the end of the period is $23.65.

Restricted Share Units

Restricted share units vest equally over a two or three-year period. Some of the grants vest at year-end, while some other grants vest on the anniversary of the date of grant. The fair value of the restricted share units is based on the closing price on the date of the grant. The fair value is expensed through the income statement evenly over the vesting period.

One-twelfth of the restricted share units will vest on each one month anniversary of the date of grant, with 100% of the restricted share units becoming vested and issued on the first anniversary of the grant date, or on the date of departure of a director (for the amount vested through such date). Restricted share units entitle the holder to receive one ordinary share unit for each unit that vests. Holders of restricted share units are not entitled to any of the rights of a holder of ordinary shares, including the right to vote, unless and until their units vest and ordinary shares are issued but they are entitled to receive dividend equivalents with respect to their units. Dividend equivalents will be denominated in cash and paid in cash if and when the underlying units vest.

	2015	Weighted Average Exercise Price	2014	Weighted Average Exercise Price
	(Number in thousands)	($)	(Number in thousands)	($)
Outstanding restricted stock, beginning of period	277	35.77	265	31.95
Granted	138	41.32	141	38.88
Transferred in	(2)	—	—	—
Exercised	(135)	34.53	(119)	31.17
Forfeited or expired	(21)	39.02	(10)	31.08
Outstanding restricted stock, end of period	257	40.18	277	35.77

Performance Share Awards

Performance shares vest over a three or four-year period with vesting dependent on the achievement of performance targets at the end of specified periods as established at the time of grant. The fair value of performance share awards is based on the value of the average of the high and low of the share price on the date of the grant less a deduction for expected dividends which would not accrue during the vesting period.

	2015	Weighted Average Exercise Price	2014	Weighted Average Exercise Price
	(Number in thousands)	($)	(Number in thousands)	($)
Outstanding performance share awards, beginning of period	468	31.55	758	21.66
Granted	171	38.92	195	38.46
Transferred in	15	—	—	—
Earned	(140)	23.7	(291)	28.22
Forfeited	—	—	(193)	27.89
Outstanding performance share awards, end of period	514	21.31	469	31.55

27. Related Parties Transactions

The Company is a subsidiary of Aspen European Holdings Limited whose ultimate parent company is Aspen Insurance Holdings Limited (AIHL) incorporated in Bermuda. Therefore, the Company is exempt from disclosing related party transactions with fellow subsidiaries which are also wholly owned by AIHL.

During the period the Company entered into transactions, in the ordinary course of business, with related parties which are not wholly owned by Aspen Insurance Holdings Limited. Transactions entered into, and balances outstanding at 31 December 2015, are as follows:

Aspen Risk Management Limited

The Company assumes premium from Aspen Risk Management Limited net of 15% agent's commission.

As at 31 December 2015 the Company had a balance owed by Aspen Risk Management Limited of $9,118,000 (2014: $8,073,000) in respect of net premium.

28. Ultimate Holding Company

On 26 February 2015, the ownership of the Company was transferred to Aspen European Holdings Limited whose ultimate parent company is Aspen Insurance Holdings Limited (AIHL) incorporated in Bermuda. Prior to this, the Company was a direct subsidiary undertaking of Aspen (UK) Holdings Limited whose ultimate parent company is AIHL incorporated in Bermuda.

The largest and smallest group in which the results of the Company are consolidated is that headed by AIHL. The consolidated accounts of this company are available to the public and may be obtained from The Company Secretary, Aspen Insurance Holdings Limited, c/o 30 Fenchurch Street, London, EC3M 3BD.

29. Transition to FRS 102 and FRS 103

The Company transitioned to FRS 102 and FRS 103 from previous UK GAAP as at 1 January 2014.

The impact from the transition to FRS 102 and FRS 103 is as follows:

Reconciliation of shareholder's equity at 1 January 2014	**2014**
	($ in thousands)
Shareholder's equity at 1 January 2014 under previous UK GAAP	1,006,449
Foreign exchange	976
Shareholder's equity at 1 January 2014 under FRS 102 and FRS 103	**1,007,425**

Reconciliation of shareholder's equity at 31 December 2014	**2014**
	($ in thousands)
Shareholder's equity at 31 December 2014 under previous UK GAAP	998,963
Foreign exchange	3,282
Shareholder's equity at 31 December 2014 under FRS 102 and FRS 103	**1,002,245**

Foreign exchange

Under previous UK GAAP, the Company deemed unearned premium provision and deferred acquisition costs as non-monetary items for the purposes of reporting foreign currency transactions in the functional currency. As a result the Company held these balances at historical rates. Under FRS 103, the Company is required to treat all assets and liabilities, including unearned premium provision and deferred acquisition costs, as monetary items, and as a result of applying the requirements of FRS 103 unearned premium provision and deferred acquisition costs are retranslated at the reporting date.

As a result of the requirement to treat unearned premium provision and deferred acquisition costs as monetary items, there is a credit of $2,306,078 to the income statement for the year ended 31 December 2014, recognising the revaluation of unearned premium provision and deferred acquisition costs at the reporting date.