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RenaissanceRe Syndicate 1458

Syndicate Annual Report and Accounts
For the year ended 31 December 2014

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Managing agent's report

The directors of RenaissanceRe Syndicate Management Limited ("RSML" or the "Agency") present their report for the year ended 31 December 2014.

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

Principal activity and review of the business

The principal activity of the Syndicate continues to be the underwriting of general insurance and reinsurance business in the Lloyd's market. The Syndicate commenced operations in May 2009 for business incepting on or after 1 June 2009, with a capacity of £70.3m provided by Renaissance Reinsurance Ltd, on behalf of RenaissanceRe Corporate Capital (UK) Limited ("RRCCL"). The Syndicate capacity had increased to £169.3m for the 2014 year of account. The Syndicate underwrites insurance and reinsurance business across property and casualty lines.

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

	2014	*2013*	*Change*
	£	£	%
Gross written premiums	164,755,086	141,424,793	16%
Profit for the financial year	14,807,839	4,677,908	217%
Combined ratio	90%	96%	

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

Results

During the year ended 31 December 2014, the Syndicate generated an underwriting profit before deduction of administrative expenses and addition of investment return of £7.9m, £17.1m and £10.5m for the 2012, 2013 and 2014 years of account, respectively. However, after the inclusion of administrative expenses, profits/losses on exchange and investment income, the overall result is a profit of £7.9m, £17.1m and a loss of £10.2m for the 2012, 2013 and 2014 years of account, respectively.

Gross premium written for the year was £164.8m. This represented a 16% increase on 2013 gross premium written, which is consistent with the growth expectations forecast for the Syndicate for the year, its fifth full year of operations. The growth is evident across most lines of business the Syndicate writes, but most notable in the property and casualty lines.

Outward reinsurance premium for the year was £23.5m. This represented a 52% increase on 2013 outward reinsurance spend. The growth in outward reinsurance premium is largely driven by a new casualty quota share ceded deal written in the third quarter. This deal provides coverage for 27.5% of the Syndicate's assumed casualty book, insurance and reinsurance, for deals incepting from 1 July 2014 onwards. The Syndicate's outward reinsurance spend is largely made up of its ceded property and casualty programmes. The Syndicate's ceded property programme includes treaty Ultimate Net Loss and risk cover as well as facultative reinsurance purchases. The Syndicate recorded £5.8m of reinsurance recoveries in the year.

2014 was a relatively benign year in terms of large loss events. The Syndicate's losses for the year largely comprise attritional claims and claim expenses, principally as IBNR, on the Syndicate non-property catastrophe reinsurance and insurance business. Other notable losses incurred in the year related to US crop hail and losses from Hurricane Odile. The casualty and property books reported favourable variances to budget in terms of losses. In addition, during the year, the Syndicate recognised gross favourable development on prior accident year losses of £8.7m.

Managing agent's report

Principal risks and uncertainties

RSML's risk strategy is based on the integrated management of capital and risk. The risk management tools utilised by RSML allow for the determination of capital to support the risks assumed on an individual basis. The Syndicate's risk tolerance is set by the RSML Board and is reviewed on an ongoing basis as part of the risk management process. RSML has an established Risk Management Function ("RMF") that coordinates the execution of risk management processes across the company by ensuring RSML has an effective and efficient risk management framework which enables risks to be captured, measured and managed appropriately. The RMF is one element of RSML's governance structure that, as a whole, is designed to provide for clear ownership and accountability for risk throughout the company. Material risk related matters are reported to the Executive Committee and Board of RSML, whilst the controls in place to mitigate these risks are monitored for ongoing effectiveness.

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

Underwriting risk

Underwriting risk is the risk that is assumed into or ceded from the Syndicate as a result of its underwriting activities during the time period of interest, in particular the risk of incurring claims in excess of expectations and the associated reduction in profits and/or erosion of capital. Risk related to previously earned premium, including that on expired underwriting contracts, is considered as part of reserve risk. Underwriting and reserve risks are the most material components of RSML's risk management framework. RSML has articulated the underwriting risk tolerance of the Syndicate as well as associated processes and policies in the Underwriting Risk Policy. Further, annually the Syndicate articulates its business plan, setting out targets for volumes, pricing, line sizes and retentions by class of business. Performance against the business plan is monitored on an ongoing basis.

Reserve risk

Our claims and claim expense reserves reflect our estimates, using actuarial and statistical projections at a given point in time, of our expectations of the ultimate settlement and administration costs of claims incurred. Although we use actuarial and computer models as well as historical reinsurance and insurance industry loss statistics, we also rely heavily on management's experience and judgement to assist in the establishment of appropriate claims and claim expense reserves.

Reserve risk is the risk that claims and claim expense reserves subsequently prove to be insufficient to cover eventual claims. Deterioration in reserves can originate from frequency of claims being more than expected, severity of claims being higher than expected and difference between timing of claims payments versus expected. Reserving risk relates to all business earned at the valuation date. Risk relating to claims on unearned and future business is considered as part of underwriting risk. Reserve adequacy is monitored through quarterly review of reserves by the RSML Actuarial Function as well as through an annual assessment performed by our Independent Actuary.

Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet part or all of their obligations or failing to meet them in a timely manner, as well as adverse changes in the market value of assets caused by changed perceptions of the creditworthiness of counterparties. For Syndicate 1458, key counterparties with whom we are exposed to credit risk include reinsurers, brokers, insureds, reinsureds and coverholders. Credit risk on the investment portfolio is discussed under market risk below. RSML has articulated the credit risk appetite of the Syndicate as well as associated processes and policies in the Credit Risk Policy. Further, the Syndicate has established counterparty credit rating guidelines providing a suggested maximum limit to be exposed to individual reinsurers based on their credit rating. The guidelines also provide some perspective which should facilitate the reinsurance purchasing process and credit risk management and monitoring process. Aged receivable reports are produced on a regular basis and monitored by the Finance Committee.

Managing agent's report

Market risk

Market risk is the risk of financial loss due to movements in market factors. For the Syndicate, this could manifest itself through investment market movements, including movements in interest rates, movements in foreign exchange rates, resulting in mismatches between currencies in which assets and liabilities are denominated, and changes in credit ratings or investment prices. Credit risk on the investment portfolio is deemed largely immaterial given the makeup of that portfolio. RSML has articulated the market risk appetite of the Syndicate as well as associated processes and policies in the Market Risk Policy. In addition the RSML Finance Committee is responsible for reviewing, among other things, investment performance and currency matching on a quarterly basis.

Liquidity risk

Liquidity risk is the risk that the Syndicate, although solvent, might not have sufficient available liquid resources to enable it to meet its obligations as they fall due, or could secure them only at excessive cost. The liquidity objective is to preserve capital and provide adequate liquidity to support the Syndicate's underwriting and day-to-day operations. RSML has articulated the liquidity risk appetite of the Syndicate as well as associated processes and policies in the Liquidity Risk Policy. Also, Syndicate liquidity is formally reviewed quarterly by the Finance Committee, as well as on an ongoing basis by the Finance Director.

Operational risk (including Regulatory Risk)

Operational risk is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. The Agency seeks to manage this risk through the use of detailed processes and procedures manuals and a structured programme of testing of processes and systems by internal audit. The Agency also maintains a risk register aimed at identifying and ensuring all risks faced are being suitably managed, within risk tolerance levels.

Regulatory risk is the risk of loss and / or damaging of reputation owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the the Prudential Regulation Authority, Financial Conduct Authority and Lloyd’s. Lloyd’s requirements include those imposed on the Lloyd’s market by overseas regulators, particularly in respect of US situs business. RSML has a Compliance team that monitors regulatory developments and assesses the impact on RSML policy. Further, those responsible for satisfying regulatory requirements are well-versed in those requirements.

Future developments

The Syndicate will continue to expand its business written at the box in Lloyd’s in a disciplined manner throughout 2015. In particular growth is expected in the property catastrophe, casualty and specialty spaces. We also expect the proportional book to increase in 2015 as the Syndicate continues to grow in the Lloyd's marketplace. The Syndicate business plan for 2015 includes and is based on syndicate capacity (gross premium net of acquisition costs) of £167.3m.

Directors

The directors of RSML who served during the year to 31 December 2014 were as follows:

P M Billingham (appointed 28 July 2014)
H R T Brennan
S Creedon (appointed 25 June 2014)
R A Curtis
K T Fox
D A Heatherly
J R Hustler
G W Lynch
J W Mann (resigned 21 May 2014)
C S McMenamin
R J Murphy

Managing agent's report

Disclosure of information to the auditors

So far as each person who was a director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with this report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agency and the Syndicate's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Reappointment of auditors

Ernst & Young LLP have indicated their willingness to continue in office as the Syndicate's auditors.

On behalf of the Board

R J Murphy
Director

5 March 2015

Statement of managing agent's responsibilities

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

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

In preparing the Syndicate annual accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures being disclosed and explained in the notes to the Syndicate annual accounts; and
- prepare the Syndicate annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditors' report to the members of Syndicate 1458

We have audited the syndicate annual accounts of Syndicate 1458 for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the managing agent and the auditor

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 5, the managing agent is responsible for the preparation of syndicate annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicate annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the syndicate annual accounts

An audit involves obtaining evidence about the amounts and disclosures in the annual accounts sufficient to give reasonable assurance that the annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the annual accounts. In addition, we read all the financial and non-financial information in the Syndicate Annual Report and Accounts to identify material inconsistencies with the audited syndicate annual accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on syndicate annual accounts

In our opinion the annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

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

Independent auditors' report to the members of Syndicate 1458

Matters on which we are required to report by exception

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

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

Michael Purrington (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
5 March 2015

Profit and loss account: Technical account - General business for the year ended 31 December 2014

	Notes	2014 £	2013 £
Earned premiums, net of reinsurance	3		
Gross premiums written		164,755,086	141,424,793
Outward reinsurance premiums		(23,485,199)	(15,404,351)
Net premiums written		141,269,887	126,020,442
Change in provision for unearned premiums			
Gross amount		(12,742,575)	(18,389,869)
Reinsurers' share		5,483,375	325,925
Change in net provision for unearned premiums		(7,259,200)	(18,063,944)
Earned premiums, net of reinsurance		134,010,687	107,956,498
Allocated investment return transferred from the non-technical account		851,227	157,059
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(30,096,691)	(16,630,734)
Reinsurers' share		3,367,803	906,082
Net claims paid		(26,728,888)	(15,724,652)
Change in the net provision for claims			
Gross amount	4	(45,353,848)	(41,661,046)
Reinsurers' share		2,475,847	(1,568,230)
Change in the net provision for claims		(42,878,001)	(43,229,276)
Claims incurred, net of reinsurance		(69,606,889)	(58,953,928)
Net operating expenses	5	(50,447,186)	(44,481,721)
Balance on the technical account for general business		**14,807,839**	**4,677,908**

All amounts above are in respect of continuing operations.

Profit and loss account: Non technical account for the year ended 31 December 2014

	Notes	2014 £	2013 £
Balance on the general business technical account		14,807,839	4,677,908
Investment income	8	1,089,195	338,396
Unrealised losses on investments		(61,373)	(139,357)
Investment expenses and charges	8	(176,595)	(41,980)
Allocated investment return transferred to general business technical account		(851,227)	(157,059)
Profit for the financial year		14,807,839	4,677,908

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

Balance sheet - Assets
at 31 December 2014

	Notes	2014 £	2013 £
Investments			
Financial Investments	10	169,876,962	111,085,386
Deposits with ceding undertakings		392,845	—
Reinsurers' share of technical provisions			
Claims outstanding		3,582,289	883,964
Provision for unearned premiums		6,948,704	1,465,328
		10,530,993	2,349,292
Debtors - amounts due within one year			
Debtors arising out of direct insurance operations	11	3,606,998	2,681,789
Debtors arising out of reinsurance operations		45,062,032	33,030,669
Other debtors		249,664	208,143
		48,918,694	35,920,601
Debtors - amounts due after one year			
Other debtors		157,059	75,256
Other assets			
Cash at bank and in hand		8,162,882	17,392,203
Other	12	6,249,332	4,565,156
Prepayments and accrued income			
Deferred acquisition costs		13,050,413	10,620,537
Other prepayments and accrued income		409,972	203,868
Total assets		257,749,152	182,212,299

Balance sheet - Liabilities
at 31 December 2014

	Notes	2014 £	2013 £
Capital and reserves			
Member's balance	13	(9,788,317)	(18,976,992)
Technical provisions			
Provision for unearned premiums		64,577,764	51,835,188
Claims outstanding		180,539,980	128,321,031
		245,117,744	180,156,219
Creditors - amounts due within one year			
Creditors arising out of direct insurance operations	14	425,897	200,701
Creditors arising out of reinsurance operations		13,146,599	6,083,309
Other creditors	15	8,614,376	14,749,062
		22,186,872	21,033,072
Accruals and deferred income		82,398	—
Creditors - amounts due over one year			
Other creditors including taxation	16	150,455	—
Total liabilities		257,749,152	182,212,299

The annual accounts on pages 8 to 24 were approved by the Board of RSML on 5 March 2015 and were signed on its behalf by

H R T Brennan
Director

5 March 2015

Statement of cash flows
for the year ended 31 December 2014

	Notes	2014 £	2013 £
Net cash inflow from operating activities	17	50,175,766	49,909,573
Financing			
Year of account (profit)/loss		(5,619,164)	14,691,292
		44,556,602	64,600,865
Cash flows were invested as follows:			
(Decrease)/increase in cash holdings	18	(9,016,426)	8,753,365
Increase in deposits	18	1,598,223	2,106,773
Increase in portfolio investments	18	51,974,805	53,740,727
Net investment of cash flows		44,556,602	64,600,865

Notes to the financial statements at 31 December 2014

1. Basis of preparation

These annual accounts have been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and applicable Accounting Standards in the United Kingdom. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) have been adopted except that exchange differences are dealt with in the technical account as there are no non-technical items.

2. Accounting policies

Premiums written and unearned premiums

Premiums written comprise premiums on contracts incepted during the financial year or reported during the year in the case of bordereau reported business. Premiums are shown gross of commissions, brokerage and taxes / duties levied on them. Premiums include estimates for pipeline premiums, being premiums written during the period but for which we have yet to receive signed line message confirmation from XIS. Reinstatement premiums are estimated after the occurrence of a significant loss and are recorded in accordance with the contract terms based upon paid losses and case reserves.

The provision for unearned premiums represents the portion of premiums written that relate to unexpired terms of policies in force at the balance sheet date. Such provision is calculated by pro-rata methods based on statistical data or reports received from ceding companies. Reinstatement premiums are earned when written.

Reinsurance premium ceded

Outwards reinsurance premiums comprise ceded premiums on contracts incepted during the financial year. The provision for ceded unearned premiums represents the portion of ceded premiums written that relate to unexpired terms of policies in force at the balance sheet date.

Acquisition costs and deferred acquisition costs

Acquisition costs, consisting principally of commissions, brokerage and premium tax expenses incurred at the time the contract or policy is issued, are deferred and amortised over the period in which the related premiums are earned.

Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims and claim expenses includes estimates for unpaid claims and claim expenses on reported losses as well as an estimate of losses incurred but not reported ("IBNR"). The provision is based on individual claims, case reserves and other reserve estimates reported by insureds and ceding companies as well as management estimates of ultimate losses. Inherent in the estimates of ultimate losses are expected trends in claims severity and frequency and other factors which could significantly vary as claims are settled.

The directors of RSML consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate losses may vary materially from the amounts provided in the financial statements. Ultimate loss estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in the financial statements in the period in which they become known and are accounted for as changes in estimates.

Notes to the financial statements at 31 December 2014

2. Accounting policies (continued)

In terms of reserving for attritional losses on our property, casualty and specialty reinsurance and insurance lines of business we have elected to use the Bornhuetter-Ferguson actuarial method because this method is appropriate for our lines of business where there is a lack of historical claims experience. This method allows for greater weight to be applied to expected results in periods where little or no actual experience is available, and, hence, is less susceptible to the potential pitfall of being excessively swayed by one year or one quarter of actual paid and/or reported loss data. This method uses initial expected loss ratio expectations to the extent that losses are not paid or reported, and it assumes that past experience is not fully representative of the future. As our reserves for claims and claim expenses age, and actual claims experience becomes available, this method places less weight on expected experience and places more weight on actual experience. This experience, which represents the difference between expected reported claims and actual reported claims is reflected as a change in estimate. We re-evaluate our actuarial reserving techniques on a periodic basis.

The utilization of the Bornhuetter-Ferguson actuarial method requires us to estimate an expected ultimate claims and claim expense ratio and select an expected loss reporting pattern. We select our estimates of the expected ultimate claims and claim expense ratios and expected loss reporting patterns by reviewing industry results for similar business and adjusting for the terms of the coverages we offer. The estimated expected claims and claim expense ratio at a given point in time may differ to what would be expected based on the selected loss reporting pattern due to reported losses. Our estimate of IBNR is the product of the premium we have earned, the initial expected ultimate claims and claim expense ratio and the percentage of estimated unreported losses.

Reserving for most of our property catastrophe insurance and reinsurance business does not involve the use of traditional actuarial techniques. Rather, claims and claim expense reserves are estimated by management after a catastrophe occurs by completing an in-depth analysis of the individual contracts which may potentially be impacted by the catastrophe event.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. These amounts recoverable from reinsurers are recorded net of a bad debt provision for estimated uncollectable recoveries, if applicable.

Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial year in respect of contracts incepted before that date, are expected to exceed the unearned premiums and premium receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated by reference to years of account.

Foreign currencies

Transactions in all currencies are translated to Great British Pounds (GBP) at the relevant transactional rates of exchange in effect on the date in which the related transaction occurred.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at the relevant transactional rates of exchange in effect on the date in which the related transaction occurred. Unearned premium reserves and deferred acquisition costs have been treated as non-monetary items.

Exchange differences are included in the technical account in the profit and loss account.

Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost.

Notes to the financial statements at 31 December 2014

2. Accounting policies (continued)

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the period, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

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

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from a syndicate's trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

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

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

Syndicate expenses

Where expenses are incurred by the managing agent on on behalf of managed syndicates, they are apportioned using various methods depending on the type of expense. Expenses which are incurred jointly for the Agency and managed Syndicate are apportioned between the Agency and the Syndicate on bases which fairly reflect the nature of the expenses concerned.

Pension costs

RSML operates a defined contribution pension scheme. Pension contributions relating to syndicate staff are charged to the Syndicate and included within net operating expenses.

Profit commission

Profit commission is charged by the managing agent at a rate of 5% of the profit on a year of account basis. This is charged to the Syndicate as it is incurred but does not become payable until after the appropriate year closes, normally at 36 months.

Notes to the financial statements at 31 December 2014

3. Segmental analysis

	Gross written premiums	Gross premiums earned	Gross claims incurred	Reinsurers' share claims incurred	Reinsurance balance	Net operating expenses	Net technical results	Net technical provisions
	£	£	£	£	£	£	£	£
2014 calendar year								
Direct insurance:								
Fire and other damage to property	22,278,057	21,753,908	(9,399,319)	1,021	(1,349,454)	(7,333,329)	3,672,827	21,578,569
Third party liability	45,360,994	36,720,304	(26,143,712)	631,180	(880,167)	(13,626,895)	(3,299,290)	81,323,804
Miscellaneous	7,087,870	8,295,128	(5,427,491)	10,883	(42,286)	(3,448,735)	(612,501)	16,256,901
	74,726,921	66,769,340	(40,970,522)	643,084	(2,271,907)	(24,408,959)	(238,964)	119,159,274
Reinsurance	90,028,165	85,243,171	(34,480,017)	5,200,566	(15,729,917)	(26,038,227)	14,195,576	115,427,477
	164,755,086	152,012,511	(75,450,539)	5,843,650	(18,001,824)	(50,447,186)	13,956,612	234,586,751

	Gross written premiums	Gross premiums earned	Gross claims incurred	Reinsurers' share claims incurred	Reinsurance balance	Net operating expenses	Net technical results	Net technical provisions
	£	£	£	£	£	£	£	£
2013 calendar year								
Direct insurance:								
Fire and other damage to property	22,530,534	20,866,064	(2,614,713)	(448,563)	(1,542,558)	(8,027,178)	8,233,052	17,468,587
Third party liability	31,228,536	26,821,403	(19,195,280)	—	—	(11,260,811)	(3,634,688)	53,199,987
Miscellaneous	7,500,146	5,063,637	(3,321,443)	—	(2,372)	(2,317,236)	(577,414)	10,489,015
	61,259,216	52,751,104	(25,131,436)	(448,563)	(1,544,930)	(21,605,225)	4,020,950	81,157,589
Reinsurance	80,165,577	70,283,820	(33,160,344)	(213,585)	(13,533,496)	(22,876,496)	499,899	96,649,338
	141,424,793	123,034,924	(58,291,780)	(662,148)	(15,078,426)	(44,481,721)	4,520,849	177,806,927

Commissions on direct insurance gross premiums earned during 2014 were £11.4m (2013 - £7.2m). During the year, the Syndicate recognised net favourable development on prior accident year losses of £8.7m.

Reinsurance balance includes reinsurance commission receivable.

All premiums were concluded in the UK.

Notes to the financial statements at 31 December 2014

3. Segmental analysis (continued)

The geographical analysis of premiums by destination (or by situs of the risk) is as follows:

	2014	2013
	£	£
UK	492,841	485,741
Other EU countries	4,178,979	5,475,632
US and Canada	145,608,236	122,696,604
Other	14,475,030	12,766,816
	164,755,086	141,424,793

4. Claims outstanding

The movement in the gross provision for claims includes a release of £8.7m in respect of claims outstanding at the previous year end (2013 - £4.9m). Included in this favorable development of prior accident years is a £2.6m reduction in the estimated ultimate loss related to Storm Sandy, £3.5m reduction in the estimated ultimate loss related to other large and small catastrophe events and £2.6m favorable development of prior accident years related to attritional gross claims and claim expenses principally due to reported claims activity coming in lower than expected on prior accident year events.

5. Net operating expenses

	2014	2013
	£	£
Acquisition costs	31,257,350	25,873,987
Change in deferred acquisition costs	(2,429,876)	(4,810,757)
Administrative expenses	24,756,046	22,859,210
(Profit)/loss on exchange	(3,136,334)	559,281
	50,447,186	44,481,721

	2014	2013
	£	£
Administrative expenses include:		
Auditors' remuneration:		
Audit of the Syndicate annual accounts	95,000	83,480
Other services pursuant to Regulations and Lloyd's Byelaws	61,000	120,500
Members' standard personal expenses (Lloyd's subscriptions, New Central Fund contributions, managing agent's fees and profit commission)	2,689,194	2,375,374

6. Staff numbers and costs

The following amounts were recharged to the Syndicate in respect of salary costs:

	2014	*2013*
	£	£
Salaries and related costs	10,183,801	9,565,535
Health and social security costs	1,076,189	1,101,541
Other pension costs	577,482	652,970
	11,837,472	11,320,046

The average monthly number of employees employed by RSML but working for the Syndicate during the year was as follows:

	2014	*2013*
Administration and finance	40	37
Underwriting	15	13
Claims	4	3
	59	53

7. Emoluments of the directors of RSML and active underwriter role

The following aggregate remuneration pertaining to the directors of RSML were charged to the Syndicate and are included within net operating expenses:

	2014	*2013*
	£	£
Emoluments	2,552,340	5,253,995

The following aggregate remuneration pertaining to the active underwriter role was charged to the Syndicate and is included within net operating expenses:

	2014	*2013*
	£	£
Emoluments	1,195,571	1,443,153

Notes to the financial statements at 31 December 2014

8. Investment income and expenses

	2014	2013
	£	£
Investment income		
Income from investments	946,743	394,174
Gains on the realisation of investments	294,466	44,036
Losses on the realisation of investments	(152,014)	(99,814)
	1,089,195	338,396
Investment expenses and charge		
Investment management expenses	(176,595)	(41,980)

9. Calendar year investment yield

The average amount of syndicate funds available for investment during 2014 and the investment return and yield for that calendar year were as follows:

	2014	2013
	£	£
Average fund	151,571,526	99,724,171
Investment return	851,227	157,059
Calendar year investment yield	0.56%	0.16%
Average funds available for investment by fund		
Sterling	9,391,803	4,852,863
United States dollars	120,624,238	81,163,406
Canadian dollars	16,474,656	10,386,496
Euro	5,080,829	3,321,406
Analysis of calendar year investment yield by fund		
Sterling	0.60%	0.58%
United States dollars	0.54%	0.04%
Canadian dollars	0.96%	0.94%
Euro	—%	—%

“Average fund” is the average of bank balances, overseas deposits and investments held at the end of each month during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate.

Notes to the financial statements at 31 December 2014

10. Financial Investments

	Market value		Cost	
	2014	*2013*	*2014*	*2013*
	£	£	£	£
Shares and other variable yield securities and units in unit trusts	51,338,430	40,899,338	51,338,430	40,899,338
Debt securities and other fixed income securities	118,538,532	70,186,048	117,098,857	75,620,395
	169,876,962	111,085,386	168,437,287	116,519,733

All "Shares and other variable yield securities and units in unit trusts" and "Debt securities and other fixed income securities" are listed.

11. Debtors arising out of direct insurance operations - amounts due within one year

	2014	*2013*
	£	£
Due from intermediaries	3,606,998	2,681,789
	3,606,998	2,681,789

12. Other assets

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

13. Reconciliation of member's balance

	2014	*2013*
	£	£
Member's balance brought forward at 1 January	(18,976,992)	(38,346,192)
2010 year of account loss	—	14,691,292
2011 year of account profit	(5,619,164)	—
Profit for the financial year	14,807,839	4,677,908
Member's balance carried forward at 31 December	(9,788,317)	(18,976,992)

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

14. Creditors arising out of direct insurance operations - amounts due within one year

	2014	*2013*
	£	£
Due to intermediaries	425,897	200,701
	425,897	200,701

Notes to the financial statements
at 31 December 2014

15. Other creditors - amounts due within one year

	2014	2013
	£	£
Amounts due to RSML (Recharges)	3,197,631	3,272,770
Amounts due to RRCCL	—	160,563
Amounts due to RSML (Profit Commission)	—	294,901
Amounts due to RenaissanceRe Services Ltd	5,143,933	8,860,966
Amounts due to RenaissanceRe Underwriting Managers U.S	272,812	35,737
Unsettled investment trades	—	2,124,125
	8,614,376	14,749,062

16. Other creditors - amounts due over one year

	2014	2013
	£	£
Amounts due to RSML (Profit Commission)	150,455	—
	150,455	—

17. Reconciliation of operating profit to net cash inflow from operating activities

	2014	2013
	£	£
Operating profit on ordinary activities	14,807,839	4,677,908
Realised and unrealised investment (gains)/losses including FX	(7,082,674)	5,398,070
Increase in net technical provisions	56,779,824	55,707,278
Increase in debtors, prepayments and accrued income	(15,715,876)	(22,381,926)
Increase in creditors	1,386,653	6,508,243
Net cash inflow from operating activities	50,175,766	49,909,573

Notes to the financial statements at 31 December 2014

18. Movement in opening and closing portfolio investments net of financing

	2014	2013
	£	£
Net cash (outflow)/inflow for the year	(9,016,426)	8,753,365
Cashflow		
Increase in overseas deposits	1,598,223	2,106,773
Increase in portfolio investments	51,974,805	53,740,727
Movement arising from cash flows	44,556,602	64,600,865
Changes in market value and exchange rates	7,082,674	(5,398,070)
Total movement in cash, portfolio investments and financing	51,639,276	59,202,795
Portfolio at 1 January	133,042,745	73,839,950
Portfolio at 31 December	184,682,021	133,042,745

Analysis of movement in cash and portfolio investments

	At 1 January 2014	Cash flow	Change in market value and currencies	At 31 December 2014
Cash at bank and in hand	17,392,203	(9,016,426)	(212,895)	8,162,882
Overseas deposits	4,565,156	1,598,223	85,953	6,249,332
Deposits with ceding undertakings	—	—	392,845	392,845
Shares and other variable yield securities	40,899,338	7,851,399	2,587,693	51,338,430
Debt and other fixed income securities	70,186,048	44,123,406	4,229,078	118,538,532
Total cash, portfolio investments and financing	133,042,745	44,556,602	7,082,674	184,682,021

19. Net cash outflow on portfolio investments

	2014	2013
	£	£
Purchase of shares and other variable yield securities - holding in collective investment schemes	(200,342,739)	(129,963,994)
Purchase of debt and other fixed income securities	(348,363,711)	(128,818,274)
Sale of shares and other variable yield securities - holding in collective investment schemes	192,491,340	151,843,662
Sale of debt and other fixed income securities	304,240,305	53,197,879
Net cash outflow on portfolio investments	(51,974,805)	(53,740,727)

20. Related parties

RenaissanceRe Syndicate Management Limited

RSML is a wholly owned subsidiary of Spectrum Partners Limited, which in turn is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

Under the terms of the managing agency agreement between RSML and Syndicate 1458, RSML is entitled to charge the Syndicate a management fee based on the Syndicate capacity and a flat management fee. In 2014 RSML charged management fees of £1.4m to the Syndicate (2013 - £1.0m).

In addition, the Syndicate was charged by RSML for expenses incurred on behalf of the Syndicate which have been recharged at cost totalling £16.6m (2013 - £15.5m). The balance due to RSML at 31 December 2014 was £3.2m (2013 - £3.3m).

Profit commission of £150,455 (2013 - £294,901 for the 2011 year of account) is payable by the Syndicate to RSML in respect of profits for the 2013 year of account. Profit commission is not actually paid until the year of account is closed after three years.

RenaissanceRe Corporate Capital (UK) Limited

RRCCL is a wholly owned subsidiary of Renaissance Reinsurance Ltd which is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

The Syndicate has an intercompany balance with RRCCL of £nil (2013 - £160,563).

RenaissanceRe Underwriting Managers U.S. LLC

RenaissanceRe Underwriting Managers U.S. LLC ("RUM US") is a wholly owned subsidiary of Renaissance Reinsurance Ltd which is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company. The Syndicate has an intercompany payable balance to RUM US of £272,812 (2013 - £35,737).

Renaissance Reinsurance Ltd

Renaissance Reinsurance Ltd ("RRL") is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

The Syndicate has a facultative reinsurance agreement in place with RRL whereby premium is ceded to Syndicate 1458 from RRL. Premium income in 2014 from the RRL agreement was £2.0m (2013 - £nil). The balance due from RRL at 31 December 2014 was £842,218 (2013 - £nil).

RenaissanceRe Services Ltd

RenaissanceRe Services Ltd ("RSL") is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

During the year, the Syndicate was charged £4.8m (2013 - £4.4m) by RSL for its share of global expenses incurred centrally by the group at cost. The balance due to RSL at 31 December 2014 was £5.1m (2013 - £8.9m).

Notes to the financial statements at 31 December 2014

21. Funds at Lloyd’s

Underwriting capacity of a member of Lloyd's must be supported by providing a deposit in the form of cash, securities or letters of credit, which are referred to as Funds at Lloyd's ("FAL"). This amount is determined by Lloyd's and is based on the Syndicate’s solvency and capital requirement as calculated through the Syndicate’s internal model. In addition, if the FAL are not sufficient to cover all losses, the Lloyd's Central Fund provides an additional level of security for policyholders. At 31 December 2014, the FAL requirement set by Lloyd's for Syndicate 1458 is £232.0m based on its business plan, approved in November 2014 (2013 - £241.7m based on its business plan, approved November 2013). Actual FAL posted for Syndicate 1458 at 31 December 2014 by RRCCL is $300.0m and £70.0m supported 100% by letters of credit (2013 - $281.0m and £60.0m). Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the members’ FAL to meet liquidity requirements or to settle losses.

22. Derivatives

The Syndicate has not traded in derivatives.

23. Off-balance sheet items

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