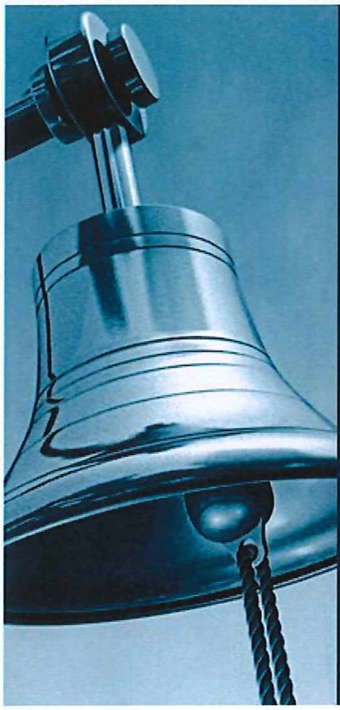
**Important information about Syndicate Reports and Accounts**

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.



# RenaissanceRe Syndicate 1458

Syndicate Annual Report and Accounts
For the year ended 31 December 2016

RenaissanceRe

## Table of contents

# Managing agent's report

The Syndicate's managing agent, RenaissanceRe Syndicate Management Limited ("RSML" or the "Agency"), is a company registered in England and Wales. The directors of RSML present their report for the year ended 31 December 2016.

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.

### Principal activity

There have not been any significant changes to the Syndicate's principal activity during the year. The Syndicate's principal activity continued to be the transaction of general insurance and reinsurance business across property, casualty and specialty lines.

The Syndicate has continued to show gradual growth over the years and the capacity increased to £293.3m for the 2016 year of account up from £211.8m for the 2015 year of account. The approved capacity for the 2017 year of account is £353.2m.

### Results

During the year ended 31 December 2016, the Syndicate generated an underwriting profit before deduction of administrative expenses and addition of investment return of £44.6m (2015 - £28.0m). The overall result, after the inclusion of administrative expenses, profits/losses on exchange and investment income, is a profit of £15.2m (2015 - £1.8m).

### Business Review

### Review of the business of the Syndicate

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

| | *2016* | *2015* | *Change* |
|---|---|---|---|
| | *£m* | *£m* | *%* |
| Gross premiums written | 335.4 | 244.3 | 37.3 % |
| Profit for the financial year | 15.2 | 1.8 | 744.4 % |
| Total comprehensive income | 22.7 | 1.1 | 1,963.6 % |
| Combined ratio | 95.4% | 100.8% | (5.4)% |
| Investment return | 1.2% | 0.5% | 0.7 % |

*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. The investment return is the total investment return divided by the average amount of funds available for investment during the year.*

Gross premiums written for the year was £335.4m and represented a 37.3% increase on 2015 gross premiums written. The growth in gross premiums written is across property, casualty and specialty lines.

Outward reinsurance premiums for the year was £101.6m and represented a 57.7% increase on 2015. The Syndicate's outward reinsurance spend is largely made up of its ceded property and casualty programmes.The growth in outward reinsurance premiums is driven by the casualty quota share reinsurance contract providing a higher weighted coverage than prior year as well as growth in the underlying assumed casualty book. This quota share contract provides coverage for 27.5% and 35.0% of the Syndicate's assumed casualty book, insurance and reinsurance, for deals incepting from 1 July 2014 and 2015, respectively, onwards. The Syndicate's ceded property programme includes treaty Ultimate Net Loss and risk cover as well as facultative reinsurance purchases. The Syndicate recorded £35.5m (2015 - £14.4m) of reinsurance recoveries in the year.

## Managing agent's report

The Syndicate's losses for the year largely comprise attritional claims and claim expenses, principally as IBNR, on the Syndicate's non-property catastrophe reinsurance and insurance business. Other notable losses incurred in the year included Hurricane Matthew, Fort McMurray Wildfire and the Belgium terror attacks. The Syndicate's net loss ratio for the year was 53.8% (2015 - 57.1%) which included net favourable development on prior accident year losses of £2.3m (2015 - £0.7m adverse development).

The improvement in loss ratio together with a lower administrative expense ratio have resulted in an improvement to the combined ratio. The improvement in administrative expense ratio is attributed to the growth in net earned premiums.

### Review of financial position

Financial investments increased to £356.9m from £246.5m attributed to the growth in the business.

Reinsurers' share of claims outstanding as at 31 December 2016 is £62.6m compared to £18.8m as at the prior year. The majority of claims outstanding relate to the casualty quota share reinsurance contract where certain of the collection risk is mitigated by collateral held in trust for such balances.

Debtors arising from insurance and reinsurance operations as at 31 December 2016 is £127.5m compared to £80.6m as at the prior year. There have been no collection issues in the year.

Gross technical provisions have increased to £600.6m from £371.3m. This includes an increase in unearned premiums and claims outstanding, principally as IBNR, attributed to increased gross premiums written in the year.

### 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 RSML Board, whilst the controls in place to mitigate these risks are monitored for ongoing effectiveness.

The principal risks and uncertainties facing the Syndicate are set out below, including reference to the notes where additional information relation to these risks are provided in the financial statements:

### Regulatory risk [Note 19 (b)]

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 Prudential Regulation Authority ("PRA"), Financial Conduct Authority ("FCA") 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.

# Managing agent's report

### Underwriting risk [Note 19 (a)-(c)]

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 [Note 19 (a)-(c)]

The Syndicate's claims and claim expense reserves reflect its estimates, using actuarial and statistical projections at a given point in time, of the expectations of the ultimate settlement and administration costs of claims incurred. Although the Syndicate uses actuarial and computer models as well as historical reinsurance and insurance industry loss statistics, it also relies 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 the Syndicate's Independent Actuary.

### Credit risk [Note 19 (d)(1)]

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, coverholders and investment counterparties. 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.

### Liquidity risk [Note 19 (d)(2)]

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.

### Market risk [Note 19 (d)(3)]

Market risk is the risk of financial loss due to movements in market factors. For the Syndicate, this can manifest 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

# Managing agent's report

Market Risk Policy. In addition the Finance Committee is responsible for reviewing, among other things, investment performance and currency matching on a quarterly basis.

### Operational risk

Operational risk is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. RSML seeks to manage this risk through the use of detailed procedures manuals and a structure programme of testing of processes and systems by internal audit.

### Future developments

The Syndicate will continue to underwrite insurance and reinsurance business seeking opportunities to grow a diversified portfolio with ongoing focus on bottom line profitability, and to further develop key strategic relations and the brand. During 2017 the Syndicate expects to grow across the property, casualty and specialty portfolios. The Syndicate business plan for the 2017 year of account based on syndicate capacity (gross premium net of acquisition costs) is forecast to be £353.2m, a projected increase of 20.4% on the 2016 business plan capacity.

The risks to UK economic growth remain significant not least because of the UK's decision to leave the European Union ("EU") ("Brexit"). There is significant change and associated uncertainty ahead for the market; it is difficult to anticipate the terms of the UK's exit from the EU. Until that becomes clearer, the market will need to plan carefully for all possible scenarios to mitigate the impact of Brexit on Lloyd's businesses while looking for new ways to generate revenue in an ever challenging market.

EU membership and access to the single market has enabled underwriters at Lloyd's to underwrite insurance and reinsurance from all of the other 27 member states on a cross-border basis (and also locally in those countries where Lloyd's has representative offices). The underwriters operate under a "passport" system, which allows them to conduct business throughout the EU while being regulated and supervised by the PRA .

To minimise the impact of potential lost passporting rights, Lloyd's has decided to create a subsidiary model within the EU which is being developed in consultation with the market.

# Managing agent's report

## Directors

Details of the Directors of RSML that served during the year and up to the date of signing of the Syndicate annual accounts are as follows:

P M Billingham
H R T Brennan
S Creedon
R A Curtis
B M Dalton (Appointed 15 March 2016)
K T Fox
D A Heatherly
C S McMenamin
R M Merrett
R J Murphy
R J Lang (Appointed 3 August 2016)
D D Upadhyaya (Appointed 24 February 2016)

## Registered office

18th Floor
125 Old Broad Street
London
EC2N 1AR

## Disclosure of information to the auditors

In the case of each of the persons who are directors of the managing agent at the time the report is approved:

- So far as the director is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditor's report, of which the auditor is unaware; and
- Having made enquiries of fellow directors of the Agency and the Syndicate's auditor, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's 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

D D Upadhyaya
Director

9 March 2017

## 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 disclosed and explained in the notes to the Syndicate 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 adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to 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 in other jurisdictions.

# Independent auditor's report to the member of Syndicate 1458

We have audited the syndicate annual accounts of Syndicate 1458 for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Member's Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 19. 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts'.

This report is made solely to the syndicate's member, 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 member 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 syndicate's member 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 6, 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 syndicate annual accounts sufficient to give reasonable assurance that the syndicate annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicate's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the syndicate annual accounts. 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 syndicate annual accounts:

- Give a true and fair view of the syndicate's affairs as at 31 December 2016 and of its profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts'; 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.

## 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:

## Independent auditor's report to the member of Syndicate 1458

- The managing agent in respect of the syndicate has not kept adequate accounting records;
- 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.

Ernst & Young LLP

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

London
9 March 2017

## Income statement
## Technical account - General business
## For the year ended 31 December 2016

| | Notes | 2016 £ | 2015 £ |
|---|---|---|---|
| Gross premiums written | 2 | 335,421,925 | 244,279,251 |
| Outward reinsurance premiums | | (101,635,100) | (64,435,434) |
| Net premiums written | | 233,786,825 | 179,843,817 |
| Change in provision for unearned premiums | | | |
| - Gross amount | | (59,328,476) | (51,997,272) |
| - Reinsurers' share | | 19,022,108 | 17,711,480 |
| Change in the net provision for unearned premiums | 4 | (40,306,368) | (34,285,792) |
| Earned premiums, net of reinsurance | | 193,480,457 | 145,558,025 |
| Allocated investment return transferred from the non-technical account | | 4,002,174 | 1,073,530 |
| Claims paid | | | |
| - Gross amount | | (48,560,829) | (35,791,487) |
| - Reinsurers' share | | 2,308,092 | 645,923 |
| Net claims paid | | (46,252,737) | (35,145,564) |
| Change in claims outstanding | | | |
| - Gross amount | | (91,004,622) | (61,700,862) |
| - Reinsurers' share | | 33,144,472 | 13,757,455 |
| Change in the net provision for claims | | (57,860,150) | (47,943,407) |
| Claims incurred, net of reinsurance | 3 | (104,112,887) | (83,088,971) |
| Net operating expenses | 6 | (80,462,014) | (63,594,425) |
| Balance on technical account - general business | | 12,907,730 | (51,841) |

## Income statement
## Non-technical account - General Business
## For the year ended 31 December 2016

| | Notes | 2016<br>£ | 2015<br>£ |
|---|---|---|---|
| Balance on technical account - general business | | 12,907,730 | (51,841) |
| Investment income | 10 | 4,707,402 | 2,117,505 |
| Unrealised losses on investments | 10 | (421,834) | (854,064) |
| Investment expenses and charges | 10 | (283,394) | (189,911) |
| Allocated investment return transferred to the general business technical account | | (4,002,174) | (1,073,530) |
| Exchange gains and losses | | 2,338,604 | 1,816,741 |
| Profit for the financial year | | 15,246,334 | 1,764,900 |

## Statement of comprehensive income
## For the year ended 31 December 2016

| | Notes | 2016<br>£ | 2015<br>£ |
|---|---|---|---|
| Profit for the financial year | | 15,246,334 | 1,764,900 |
| Currency translation differences | | 7,418,232 | (660,649) |
| Total comprehensive income for the year | | 22,664,566 | 1,104,251 |

## Statement of changes in member's balances
## For the year ended 31 December 2016

| | Notes | Member's balances £ |
|---|---|---|
| At 1 January 2016 | | (8,457,391) |
| Profit for the financial year | | 15,246,334 |
| Currency translation differences | | 7,418,232 |
| 2013 year of account payment of profit | | (6,265,703) |
| At 31 December 2016 | | 7,941,472 |

| | Notes | Member's balances £ |
|---|---|---|
| At 1 January 2015 | | (11,877,326) |
| Profit for the financial year | | 1,764,900 |
| Currency translation differences | | (660,649) |
| 2012 year of account collection of loss | | 2,315,684 |
| At 31 December 2015 | | (8,457,391) |

## Statement of financial position
## As at 31 December 2016

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | £ | £ |
| ASSETS | | | |
| Investments | | | |
| Financial investments | 11 | 356,915,455 | 246,489,336 |
| Deposits with ceding undertakings | | 394,228 | 479,792 |
| | | 357,309,683 | 246,969,128 |
| Reinsurers' share of technical provisions | | | |
| Provision for unearned premiums | 4 | 50,617,442 | 26,203,269 |
| Claims outstanding | 3 | 62,573,482 | 18,778,160 |
| | | 113,190,924 | 44,981,429 |
| Debtors | | | |
| Debtors arising out of direct insurance operations | | 4,836,684 | 3,562,335 |
| Debtors arising out of reinsurance operations | 12 | 122,632,104 | 76,941,123 |
| Other debtors | | 7,851,562 | 6,152,058 |
| | | 135,320,350 | 86,655,516 |
| Cash and other assets | | | |
| Cash at bank and in hand | 14 | 16,374,870 | 20,781,624 |
| Other assets | 13 | 14,268,264 | 8,984,212 |
| | | 30,643,134 | 29,765,836 |
| Prepayments and accrued income | | | |
| Accrued interest | | 908,043 | 547,395 |
| Deferred acquisition costs | 5 | 48,471,985 | 21,401,172 |
| | | 49,380,028 | 21,948,567 |
| Total assets | | 685,844,119 | 430,320,476 |

## Statement of financial position (cont'd)
## As at 31 December 2016

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | £ | £ |
| MEMBER'S BALANCES AND LIABILITIES | | | |
| Member's balances | | | |
| Profit and loss account | | 7,941,472 | (8,457,391) |
| Total member's balances | | 7,941,472 | (8,457,391) |
| | | | |
| Liabilities | | | |
| Technical provisions | | | |
| Provision for unearned premiums | 4 | 201,338,932 | 120,801,739 |
| Claims outstanding | 3 | 399,227,441 | 250,456,691 |
| | | 600,566,373 | 371,258,430 |
| | | | |
| Creditors | | | |
| Creditors arising out of direct insurance operations | | 680,611 | 615,947 |
| Creditors arising out of reinsurance operations | | 37,389,095 | 33,151,846 |
| Other creditors | 15 | 23,790,309 | 33,670,183 |
| | | 61,860,015 | 67,437,976 |
| | | | |
| Accruals and deferred income | | 15,476,259 | 81,461 |
| | | | |
| Total liabilities | | 677,902,647 | 438,777,867 |
| | | | |
| Total member's balances and liabilities | | 685,844,119 | 430,320,476 |

The financial statements on pages 9 to 44 were approved by the board of directors on 8 March 2017 and were signed on its behalf by:

D D Upadhyaya
Director

9 March 2017

## Statement of cash flows
## For the year ended 31 December 2016

| | Notes | 2016 | 2015 |
|---|---|---|---|
| | | £ | £ |
| Profit on ordinary activities | | 15,246,334 | 1,764,900 |
| Movement in general insurance unearned premiums and outstanding claims | | 229,307,943 | 122,842,515 |
| Movement in reinsurers' share of unearned premiums and outstanding claims | | (68,209,495) | (33,861,385) |
| Investment return | | (4,002,174) | (1,073,530) |
| Movements in other assets/liabilities | | (66,114,436) | (447,670) |
| Realised/unrealised gains on cashflow | | (19,146,333) | (12,860,255) |
| Currency exchange differences | | 7,418,232 | (660,649) |
| Net cash inflow from operating activities | | 94,500,071 | 75,703,926 |
| | | | |
| Investing activities | | | |
| Investment income received | | 4,424,008 | 1,927,594 |
| Foreign exchange | | (37,046,672) | (8,202,433) |
| Purchase of debt and equity instruments | | (265,754,426) | (361,888,889) |
| Sales of debt and equity instruments | | 210,491,970 | 314,766,184 |
| Increase in overseas deposits | | (3,089,925) | (1,167,896) |
| Net cash outflow from investing activities | | (90,975,045) | (54,565,440) |
| | | | |
| Financing activities | | | |
| (Payment of profit to)/collection of loss from member's personal reserve funds | | (6,265,703) | 2,315,684 |
| Unrealised losses on investments | | (421,834) | (854,064) |
| Net cash (outflow)/inflow from financing activities | | (6,687,537) | 1,461,620 |
| | | | |
| Net (decrease)/increase in cash and cash equivalents | | (3,162,511) | 22,600,106 |
| Foreign exchange on cash and cash equivalents | | 17,688,227 | 12,878,619 |
| Cash and cash equivalents at 1 January | | 95,135,861 | 59,657,136 |
| Cash and cash equivalents at 31 December | 14 | 109,661,577 | 95,135,861 |

# Notes to the financial statements
# For the year ended 31 December 2016

## 1. Accounting policies

### 1.1 Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The financial statements are prepared under the 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 2016 were approved for issue by the board of directors on 8 March 2017.

The financial statements are prepared in Sterling which is the presentational currency of the Syndicate. The Syndicate's functional currency is US dollars. The presentational currency is different from the functional currency for consistency with certain requirements pertaining to Syndicate regulatory reporting.

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

The directors of the managing agent have prepared the annual accounts on the basis that the Syndicate will continue to write future business. The ability of the Syndicate to meets its obligations as they fall due is underpinned by the support provided by the Lloyd's solvency process and its chain of security for any members who are unable to meet their underwriting liabilities. Funds at Lloyd's are explained further in note 17.

The Syndicate has elected to early apply the March 2016 amendments to FRS 102, *Fair value hierarchy disclosures*. As a result, the fair value hierarchy disclosures, including comparatives, shown in note 11 are now prepared on a basis consistent with the measurement of the financial instruments.

### 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. The Syndicate's key sources of estimation uncertainty, discussed below, are claims provisions and related recoveries and future premiums.

### 1.4 Significant accounting policies

#### Financial investments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 - *Financial Instruments* (as adopted for use in the EU) to account for all of its financial instruments.

The Syndicate classifies its financial investments as financial assets at fair value through profit or loss. The Syndicate determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value.

The classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified as fair value through profit or loss as the Syndicate's documented investment strategy is to manage financial investments acquired on a fair value basis.

## Notes to the financial statements
## For the year ended 31 December 2016

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date the Syndicate commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss has a sub category namely those designated at fair value through profit or loss at inception. For these investments, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

### Fair value of financial assets

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

See note 11 for details of financial instruments classified by fair value hierarchy.

### 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 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.

### Financial liabilities

The Syndicate's financial liabilities include trade and other payables and insurance payables. All financial liabilities are recognised initially at fair value.

### 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.

Unrealised and realised gains and losses on financial investments are recognised based on the appropriate classification of financial investments and are covered in detail under the accounting policy for financial investments.

## Notes to the financial statements
## For the year ended 31 December 2016

An allocation of actual investment return on investments supporting the general insurance technical provision and associated member's balances is made from the non-technical account to the technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

### Insurance contracts - Product classification

Insurance contracts are those contracts when the Syndicate (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholders. As a general guideline, the Syndicate determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

### Gross Premiums

Gross premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the company. Premiums for excess of loss business are fully recognised at inception. Premiums for proportional and delegated underwriting business are recognised based on the application of a writing pattern to initial estimates of ultimate premiums. The main assumption underlying estimates of ultimate premiums is that past premium development can be used to project future premium development. Subsequent differences arising on such estimates are recorded in the period in which they are determined. Premiums are shown gross of commissions, brokerage and taxes / duties levied on them.

Reinstatement premiums are estimated in accordance with the contract terms and recorded based upon paid losses and case reserves.

### Reinsurance premiums

Outwards reinsurance premiums comprise ceded premiums on contracts in force 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. For quota-share contracts, outwards reinsurance premiums are accounted for and earned in the same accounting period as the premiums for the related direct or inwards business being reinsured.

### 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.

### 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 provision 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.

When reserving for attritional losses on our property, casualty and specialty reinsurance and insurance lines of business the Syndicate considers several actuarial techniques such as the expected loss ratio method and the Bornhuetter-Ferguson actuarial method. For classes of business and underwriting years where the Syndicate has limited historical claims experience, attritional losses are generally initially determined based on the expected loss ratio method. Unless the Syndicate has credible claims experience or unfavorable development, it generally selects an ultimate loss based on its initial view of the loss. The selected ultimated losses are determined by multiplying the initial expected loss ratio by the earned premium.

The determination of when reported losses are sufficient and credible to warrant selection of an ultimate loss ratio different from the initial expected loss ratios also require judgement. The Syndicate generally makes adjustment for reported loss experience indicating unfavourable variances from initial expected loss ratios sooner than reported loss experience including favourable variances. This is because the reporting of losses in excess of expectations tend to have greater credibility than an absence or lower than expected level of reported losses. Over time, as a greater number of claims are reported and the credibility of reported losses improves, actuarial estimates of IBNR are typically based on the Bornhuetter-Ferguson actuarial method.

The Bornhuetter-Ferguson actuarial 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 the Syndicate's reserves for claims and claim expenses develop, 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. The Syndicate re-evaluates its actuarial reserving techniques on a periodic basis.

The utilisation of the Bornhuetter-Ferguson actuarial method requires the Syndicate to estimate an expected ultimate claims and claim expense ratio and select an expected loss reporting pattern. The Syndicate selects its 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 it offers. 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. The 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 the Syndicate's 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.

# Notes to the financial statements
# For the year ended 31 December 2016

**Provision for unearned premiums**

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

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.

Reinstatement premiums are earned when written.

**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.

As at 31 December 2016 and 31 December 2015 the Syndicate did not have an unexpired risks provision.

**Deferred acquisition costs**

Acquisition costs comprise costs arising from the conclusion of insurance contracts.

Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

Deferred acquisition costs and reinsurers' share of deferred acquisition costs are amortised over the period in which the related premiums are earned.

**Reinsurance assets**

The Syndicate 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 Syndicate 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 Syndicate will receive from the reinsurer. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

**Insurance receivables**

Insurance receivables are recognised and measured on initial recognition of gross premiums written less acquisition costs and losses payable.

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 income statement. There were no such impairments recognised in 2016 or 2015.

# Notes to the financial statements
# For the year ended 31 December 2016

### Insurance payables

Insurance payables are recognised and measured on initial recognition of outwards reinsurance premiums written net of reinsurance commissions and profit participation and losses receivable.

### Foreign currencies

The Syndicate's functional currency is US dollars and the presentational currency is Sterling.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the relevant transactional rates of exchange in effect on the date in which the related transaction occurred. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the rate of exchange at the reporting date. Non-monetary assets and liabilities in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently retranslated. Exchange differences arising from the retranslation to functional currency are recorded in the non-technical account.

The functional currency is translated into presentational currency at the reporting date. Transactions are translated at the relevant transactional rates of exchange in effect on the date in which the related transaction occurred. Where practical, the Syndicate uses a rate that approximates the historical exchange rates (e.g. average rate). Assets and liabilities are retranslated at the rate of exchange at the reporting date. Exchange differences arising from the retranslation to presentational currency are recorded in comprehensive income.

### Taxation

Under schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from 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 are included in the statement of financial position under the heading 'other debtors'.

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

### 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.

# Notes to the financial statements
# For the year ended 31 December 2016

## 2. Segmental analysis

An analysis of the underwriting result before investment return is set out below:

| | Gross premiums written | Gross premiums earned | Gross claims incurred | Gross operating expenses | Reinsurance balance | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| *2016* | | | | | | |
| *Direct insurance* | | | | | | |
| Fire and other damage to property | 34,593,776 | 29,080,132 | (12,827,793) | (11,454,718) | (4,457,071) | 340,550 |
| Third party liability | 132,746,813 | 104,499,925 | (71,066,658) | (40,797,577) | 1,199,221 | (6,165,089) |
| Miscellaneous | 24,584,743 | 14,314,358 | (7,255,750) | (5,022,865) | (1,082,620) | 953,123 |
| | 191,925,332 | 147,894,415 | (91,150,201) | (57,275,160) | (4,340,470) | (4,871,416) |
| *Reinsurance* | 143,496,593 | 128,199,034 | (48,415,250) | (38,234,234) | (27,772,578) | 13,776,972 |
| | 335,421,925 | 276,093,449 | (139,565,451) | (95,509,394) | (32,113,048) | 8,905,556 |

| | Gross premiums written | Gross premiums earned | Gross claims incurred | Gross operating expenses | Reinsurance balance | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| *2015* | | | | | | |
| *Direct insurance* | | | | | | |
| Fire and other damage to property | 33,022,762 | 24,964,098 | (8,649,008) | (9,636,076) | (3,847,496) | 2,831,518 |
| Third party liability | 80,490,045 | 56,242,155 | (39,941,016) | (22,220,916) | 8,019 | (5,911,758) |
| Miscellaneous | 13,432,451 | 7,515,737 | (5,188,167) | (3,118,718) | (339,847) | (1,130,995) |
| | 126,945,258 | 88,721,990 | (53,778,191) | (34,975,710) | (4,179,324) | (4,211,235) |
| *Reinsurance* | 117,333,993 | 103,559,989 | (43,714,158) | (33,705,001) | (23,054,966) | 3,085,864 |
| | 244,279,251 | 192,281,979 | (97,492,349) | (68,680,711) | (27,234,290) | (1,125,371) |

Commissions on direct insurance gross premiums earned during 2016 were £38.0m (2015 - £22.3m).

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. The reinsurance balance includes reinsurance commission receivable.

All premiums were concluded in the UK.

## Notes to the financial statements
## For the year ended 31 December 2016

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

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| UK | 4,664,889 | 548,893 |
| Other EU countries | 3,578,074 | 7,547,809 |
| US and Canada | 303,322,091 | 220,474,435 |
| Other | 23,856,871 | 15,708,114 |
| | 335,421,925 | 244,279,251 |

## 3. Claims outstanding

| | Gross | Reinsurers' share | Net |
|---|---|---|---|
| | £ | £ | £ |
| At 1 January 2016 | 250,456,691 | (18,778,160) | 231,678,531 |
| Claims incurred during the year | 139,565,451 | (35,452,564) | 104,112,887 |
| Claims paid during the year | (48,560,829) | 2,308,092 | (46,252,737) |
| Foreign exchange | 57,766,128 | (10,650,850) | 47,115,278 |
| At 31 December 2016 | 399,227,441 | (62,573,482) | 336,653,959 |

| | Gross | Reinsurers' share | Net |
|---|---|---|---|
| | £ | £ | £ |
| At 1 January 2015 | 180,539,980 | (3,582,289) | 176,957,691 |
| Claims incurred during the year | 97,492,349 | (14,403,378) | 83,088,971 |
| Claims paid during the year | (35,791,487) | 645,923 | (35,145,564) |
| Foreign exchange | 8,215,849 | (1,438,416) | 6,777,433 |
| At 31 December 2015 | 250,456,691 | (18,778,160) | 231,678,531 |

# Notes to the financial statements
# For the year ended 31 December 2016

## 4. Provision for unearned premiums

| | Gross | Reinsurers' share | Net |
|---|---|---|---|
| | £ | £ | £ |
| At 1 January 2016 | 120,801,739 | (26,203,269) | 94,598,470 |
| Premiums written in the year | 335,421,925 | (101,635,100) | 233,786,825 |
| Premiums earned in the year | (276,093,449) | 82,612,992 | (193,480,457) |
| Foreign exchange | 21,208,717 | (5,392,065) | 15,816,652 |
| At 31 December 2016 | 201,338,932 | (50,617,442) | 150,721,490 |

| | Gross | Reinsurers' share | Net |
|---|---|---|---|
| | £ | £ | £ |
| At 1 January 2015 | 67,875,935 | (7,537,755) | 60,338,180 |
| Premiums written in the year | 244,279,251 | (64,435,434) | 179,843,817 |
| Premiums earned in the year | (192,281,979) | 46,723,954 | (145,558,025) |
| Foreign exchange | 928,532 | (954,034) | (25,502) |
| At 31 December 2015 | 120,801,739 | (26,203,269) | 94,598,470 |

## 5. Deferred acquisition costs

| | Gross | Reinsurers' share | Net |
|---|---|---|---|
| | £ | £ | £ |
| At 1 January 2016 | 27,993,389 | (6,592,217) | 21,401,172 |
| Change in deferred acquisition costs | 14,981,788 | (6,535,945) | 8,445,843 |
| Foreign exchange | 5,496,808 | (2,102,124) | 3,394,684 |
| At 31 December 2016 | 48,471,985 | (15,230,286) | 33,241,699 |

| | Gross | Reinsurers' share | Net |
|---|---|---|---|
| | £ | £ | £ |
| At 1 January 2015 | 14,874,853 | (1,204,329) | 13,670,524 |
| Change in deferred acquisition costs | 12,762,156 | (5,050,211) | 7,711,945 |
| Foreign exchange | 356,380 | (337,677) | 18,703 |
| At 31 December 2015 | 27,993,389 | (6,592,217) | 21,401,172 |

# Notes to the financial statements
# For the year ended 31 December 2016

## 6. Net operating expenses

| | *Technical account - General business* | |
|---|---|---|
| | *2016* | *2015* |
| | £ | £ |
| Acquisition costs | 74,769,152 | 52,302,721 |
| Change in deferred acquisition costs | (14,981,788) | (7,711,945) |
| Administrative expenses | 35,722,030 | 29,140,145 |
| Reinsurance commissions and profit participation | (15,047,380) | (10,136,496) |
| | 80,462,014 | 63,594,425 |

Member's standard personal expenses amounting to £6.3m (2015 - £4.2m) are included in administrative expenses. Member's standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, managing agent fees and profit commission.

## 7. Staff costs

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

| | *2016* | *2015* |
|---|---|---|
| | £ | £ |
| Salaries and related costs | 13,309,426 | 11,611,599 |
| Health and social security costs | 1,528,919 | 1,431,269 |
| Other pension costs | 585,620 | 666,848 |
| | 15,423,965 | 13,709,716 |

The average monthly number of employees of the managing agent but working during the year for the Syndicate were as follows:

| | *2016* | *2015* |
|---|---|---|
| Administration and finance | 48 | 51 |
| Underwriting | 34 | 28 |
| Claims | 4 | 4 |
| | 86 | 83 |

# Notes to the financial statements
# For the year ended 31 December 2016

## 8. Auditor's remuneration

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Audit of the Syndicate annual accounts | 160,000 | 122,000 |
| Other services pursuant to Regulations and Lloyd's Byelaws | 83,000 | 62,000 |
| Other assurance fees | 10,000 | — |
| | 253,000 | 184,000 |

Auditor's remuneration is included as part of the administrative expenses in note 6 to the financial statements. The auditor's remuneration in the above table does not include an additional £18k relating to the audit of the 2015 Syndicate annual accounts that was recorded in the 2016 calendar year.

## 9. Emoluments of the directors of RSML and active underwriter role

8 directors (2015 - 5) of RSML received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Aggregate remuneration in respect of qualifying services | 2,946,181 | 2,427,467 |

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

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Emoluments | 1,252,820 | 1,285,794 |

## 10. Investment return

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| Income from other financial investments | 4,102,415 | 1,831,076 |
| Net gains on realisation of investments | | |
| - Fair value through profit or loss designated upon initial recognition | 604,987 | 286,429 |
| Net unrealised losses on investments | | |
| - Financial investments at fair value through profit and loss | (421,834) | (854,064) |
| Investment expenses and charges | (283,394) | (189,911) |
| | 4,002,174 | 1,073,530 |

## Notes to the financial statements
## For the year ended 31 December 2016

| Average amount of funds available for investment during the year: | *2016* | *2015* |
|---|---|---|
| | £ | £ |
| Sterling | 7,041,671 | 8,821,248 |
| US dollars | 285,113,473 | 189,888,187 |
| Canadian dollars | 37,283,299 | 22,805,367 |
| Euro | 12,464,409 | 6,141,069 |
| Combined in sterling | 341,902,852 | 227,655,871 |

| Gross calendar year investment yield: | | |
|---|---|---|
| Sterling | 0.6% | —% |
| US dollars | 1.3% | 0.5% |
| Canadian dollars | 0.6% | 0.5% |
| Euro | —% | —% |
| Combined | 1.2% | 0.5% |

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

### 11. Financial Investments

| | | *2016* | |
|---|---|---|---|
| | *Carrying value* | *Purchase price* | *Listed* |
| | £ | £ | £ |
| Shares and other variable yield securities and units in unit trusts | | | |
| - Designated at fair value through profit or loss | 92,740,085 | 92,740,085 | 6,167,791 |
| Debt securities and other fixed income securities | | | |
| - Designated at fair value through profit or loss | 264,175,370 | 219,484,017 | 96,315,025 |
| | 356,915,455 | 312,224,102 | 102,482,816 |

| | | *2015* | |
|---|---|---|---|
| | *Carrying value* | *Purchase price* | *Listed* |
| | £ | £ | £ |
| Shares and other variable yield securities and units in unit trusts | | | |
| - Designated at fair value through profit or loss | 73,420,284 | 73,420,284 | 1,820,704 |
| Debt securities and other fixed income securities | | | |
| - Designated at fair value through profit or loss | 173,069,052 | 164,221,561 | 95,304,484 |
| | 246,489,336 | 237,641,845 | 97,125,188 |

# Notes to the financial statements
## For the year ended 31 December 2016

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy.

| | *Level 1* | *Level 2* | *Level 3* | *Total* |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| *31 December 2016* | | | | |
| Shares and other variable yield securities and units in unit trusts | 6,167,791 | 86,572,294 | — | 92,740,085 |
| Debt securities and other fixed income securities | 96,315,025 | 167,860,345 | — | 264,175,370 |
| Overseas deposits | 3,737,556 | 10,530,708 | — | 14,268,264 |
| | 106,220,372 | 264,963,347 | — | 371,183,719 |
| *31 December 2015* | | | | |
| Shares and other variable yield securities and units in unit trusts | 1,820,704 | 71,599,580 | — | 73,420,284 |
| Debt securities and other fixed income securities | 95,304,484 | 77,764,568 | — | 173,069,052 |
| Overseas deposits | 2,849,300 | 6,134,912 | — | 8,984,212 |
| | 99,974,488 | 155,499,060 | — | 255,473,548 |

## 12. Debtors arising out of reinsurance operations

| | *2016* | *2015* |
|---|---|---|
| | £ | £ |
| Due from ceding insurers and intermediaries under reinsurance business | 120,952,920 | 75,580,508 |
| Due from reinsurers and intermediaries under reinsurance contracts ceded | 1,679,184 | 1,360,615 |
| | 122,632,104 | 76,941,123 |

## 13. Other assets

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

## 14. Cash and cash equivalents

| | *2016* | *2015* |
|---|---|---|
| | £ | £ |
| Cash at bank and in hand | 16,374,870 | 20,781,624 |
| Short term deposits with financial institutions | 93,286,707 | 74,354,237 |
| | 109,661,577 | 95,135,861 |

Short term deposits with financial institutions are reported within financial investments on the statement of financial position.

## 15. Creditors

| | 2016 | 2015 |
|---|---|---|
| | £ | £ |
| **Amounts due within one year** | | |
| Amounts due to related parties | 9,830,774 | 22,346,627 |
| Unsettled investment trades | 13,717,925 | 11,092,433 |
| | 23,548,699 | 33,439,060 |
| **Amounts due after one year** | | |
| Amounts due to related parties | 241,610 | 231,123 |
| | 23,790,309 | 33,670,183 |

## 16. Related parties

### Platinum Underwriters Re Inc US

Platinum Underwriters Re Inc US ("PURE") is a wholly owned subsidiary of Renaissance Reinsurance Ltd which is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company. PURE was acquired by the parent in the fourth quarter of 2014 and full integration took place on 2 March 2015.

The Syndicate has an intercompany debtor balance from PURE relating to a group crop reinsurance contract of £nil (2015 - £0.4m), whereby settlements to counterparties are transacted by the Syndicate on behalf of the group and subsequently settled internally. There were no charges during the year (2015 - £nil).

### Renaissance Reinsurance Ltd

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

The Syndicate has intercompany creditor balances to RRL relating to group quota share reinsurance contracts whereby settlements to counterparties are transacted by RRL on behalf of the group and subsequently settled internally. The Syndicate has an intercompany creditor balance of £1.5m within creditors arising out of reinsurance operations (2015 - £6.1m within other creditors). There were no charges during the year (2015 - £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 £7.5m (2015 - £5.2m) by RSL for its share of global expenses incurred centrally by the group at cost. The Syndicate has an intercompany creditor balance to RSL of £4.6m (2015 - £5.5m).

# Notes to the financial statements
# For the year ended 31 December 2016

**RenaissanceRe Specialty US Ltd**

RenaissanceRe Specialty US Ltd ("RSUSL") is a wholly owned subsidiary of Platinum Underwriters Finance Inc which is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

The Syndicate has an intercompany creditor balance to RSUSL relating to the receipt of funds pertaining to a RSUSL insurance contract of £nil (2015 - £2.5m). There were no charges in the year (2015 - £nil).

**RenaissanceRe Syndicate Management Limited**

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

Under the terms of the managing agency agreement between RSML and the Syndicate, RSML is entitled to charge the Syndicate a management fee based on the Syndicate capacity and a flat management fee. In 2016 RSML charged management fees of £2.3m to the Syndicate (2015 - £1.7m).

In addition, the Syndicate was charged by RSML for expenses incurred on behalf of the Syndicate which have been recharged at cost totaling £20.1m (2015 - £19.0m).

During the year, the Syndicate was charged £0.8m by RSML for profit commission in respect of profits for the 2015 and 2014 years of account (2015 - £0.5m for the 2014 and 2013 years of account). Profit commission is not actually paid until the year of account closes, normally at 36 months.

The Syndicate has an intercompany creditor balance to RSML of £5.4m (2015 - £7.8m).

**RenaissanceRe Underwriting Managers Ltd**

RenaissanceRe Underwriting Managers Ltd ("RUML") is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

During the year, the Syndicate was charged £nil (2015 - £0.2m) by RUML for its share of global expenses incurred centrally by the group. The Syndicate has an intercompany creditor balance to RUML of £nil (2015 - £0.1m).

**RenaissanceRe Underwriting Managers U.S. LLC**

RenaissanceRe Underwriting Managers U.S. LLC ("RUM US") is a wholly owned subsidiary of RenaissanceRe Finance Inc, which is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

During the year, the Syndicate was charged £nil (2015 - £0.1m) relating to a 5% override commission on a binder book of business. The Syndicate has an intercompany creditor balance to RUM US of £nil (2015 - £0.4m).

## 17. 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. Since FAL is not under the management of the managing agent, no amounts have been shown in these annual accounts by way of such capital resource. However, the managing agent is able to make a call on member's FAL to meet liquidity requirements or settle losses.

## 18. Off-balance sheet items

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

## 19. Risk management

(a) Governance framework

The primary objective of the Syndicate's risk and financial management framework is to protect the Syndicate's member from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The managing agent has established a risk management function with clear terms of reference from the board of directors. This is supported by a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a risk policy framework which sets out the risk appetite, risk management processes and control framework for the Syndicate's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Syndicate.

The board of directors delegates approval of the risk management policies to the relevant committee regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure there is a constant understanding of risk which assists the alignment of the underwriting and reinsurance strategy to the Syndicate goals, and they also specify reporting requirements. Significant emphasis is placed on assessment and documentation of risks and controls, including the articulation of 'risk appetite'.

(b) Capital management objectives, policies and approach

Capital framework at Lloyd's

Lloyd's is a regulated undertaking and subject to the supervision of the PRA under the Financial Services and Markets Act 2000.

Effective 1 January 2016, Lloyd's is subject to the Solvency II capital regime and the Solvency 1 figures are no longer applicable from that date. Although the capital regime has changed, this has not significantly impacted the Solvency Capital requirement of the Syndicate, since this has been previously calculated based on Solvency II principles, as described below.

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

# Notes to the financial statements
## For the year ended 31 December 2016

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of Syndicate 1458 is not disclosed in these annual accounts.

Lloyd's capital setting process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment ("ECA"). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied is 35% of the member's SCR 'to ultimate'.

Provision of capital by members

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

Accordingly all of the assets less liabilities of the Syndicate, as represented in the member's balances reported on the statement of financial position represent resources available to meet the member's and Lloyd's capital requirements.

(c) Insurance 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 Insurance 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.

The Syndicate's claims and claim expense reserves reflect its estimates, using actuarial and statistical projections at a given point in time, of its expectations of the ultimate settlement and administration costs of claims incurred. Although the Syndicate uses actuarial and computer models as well as historical reinsurance and insurance industry loss statistics, it also relies 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

# Notes to the financial statements
## For the year ended 31 December 2016

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 the Syndicate's Independent Actuary.

The above risk exposures are mitigated by diversification across a large portfolio of insurance and reinsurance contracts and geographical areas. The variability of risks, including exposure to catastrophic events, is also mitigated by the use of reinsurance arrangements.

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows top five hypothetical claims arising for various realistic disaster scenarios based on the Syndicate's average risk exposures during 2016.

| *Realistic disaster scenarios* | *Industry loss* | *Estimated gross claims* | *Estimated net claims* |
|---|---|---|---|
| | *£m* | *£m* | *£m* |
| Two events (North East Windstorm, followed by Carolinas Windstorm) | 89,552 | 323.2 | 94.8 |
| Gulf of Mexico Windstorm - Galveston, Texas | 82,836 | 266.5 | 73.0 |
| Florida Windstorm - Pinellas | 100,000 | 224.1 | 25.1 |
| California Earthquake - San Francisco | 59,701 | 198.1 | 30.2 |
| Florida Windstorm - Miami Dade | 97,761 | 197.7 | 29.4 |

The geographical analysis of claims outstanding by destination (or by situs of risk) is noted below.

| | *31 December 2016* | | | *31 December 2015* | | |
|---|---|---|---|---|---|---|
| | *Gross liabilities* | *Reinsurance of liabilities* | *Net liabilities* | *Gross liabilities* | *Reinsurance of liabilities* | *Net liabilities* |
| | *£* | *£* | *£* | *£* | *£* | *£* |
| United Kingdom | 1,092,056 | — | 1,092,056 | 126,578 | — | 126,578 |
| EU | 5,730,712 | — | 5,730,712 | 5,698,966 | — | 5,698,966 |
| US and Canada | 356,321,672 | 62,573,482 | 293,748,190 | 225,685,610 | 18,778,160 | 206,907,450 |
| Other | 36,083,001 | — | 36,083,001 | 18,945,537 | — | 18,945,537 |
| Total | 399,227,441 | 62,573,482 | 336,653,959 | 250,456,691 | 18,778,160 | 231,678,531 |

# Notes to the financial statements
## For the year ended 31 December 2016

The table below sets out the concentration of outstanding claim liabilities by type of contract:

| | *31 December 2016* | | | *31 December 2015* | | |
|---|---|---|---|---|---|---|
| | *Gross liabilities* | *Reinsurance of liabilities* | *Net liabilities* | *Gross liabilities* | *Reinsurance of liabilities* | *Net liabilities* |
| | £ | £ | £ | £ | £ | £ |
| Direct insurance | | | | | | |
| Fire and other damage to property | 19,652,062 | 934,480 | 18,717,582 | 15,517,099 | 190,818 | 15,326,281 |
| Third party liability | 181,496,425 | 37,598,436 | 143,897,989 | 97,871,609 | 9,355,730 | 88,515,879 |
| Miscellaneous | 19,625,307 | 4,411,319 | 15,213,988 | 12,004,013 | 567,837 | 11,436,176 |
| | 220,773,794 | 42,944,235 | 177,829,559 | 125,392,721 | 10,114,385 | 115,278,336 |
| Reinsurance | 178,453,647 | 19,629,247 | 158,824,400 | 125,063,970 | 8,663,775 | 116,400,195 |
| Total | 399,227,441 | 62,573,482 | 336,653,959 | 250,456,691 | 18,778,160 | 231,678,531 |

Sensitivities

Property catastrophe reinsurance claim liabilities sensitivity analysis

The tables below show the impact on the Syndicate's ultimate claims and claim expenses, profit and member's balances of reasonably likely changes to its estimates of ultimate losses for claims and claim expenses incurred from catastrophic events associated with property catastrophe reinsurance business. The reasonably likely changes are based on a historical analysis of the period-to-period variability of its ultimate costs to settle claims from catastrophic events, giving due consideration to changes in its reserving practices over time.

*31 December 2016*

| | *Ultimate claims incurred* | *£ Impact on ultimate claims incurred* | *% Impact on claims outstanding* | *% Impact on profit* | *% Impact on member's balances* |
|---|---|---|---|---|---|
| Higher | 43,625,678 | 4,410,465 | 1.1 % | (28.9)% | (55.5)% |
| Recorded | 39,215,213 | — | — % | — % | — % |
| Lower | 36,414,366 | (2,800,847) | (0.7)% | 18.4 % | 35.3 % |

*31 December 2015*

| | *Ultimate claims incurred* | *£ Impact on ultimate claims incurred* | *% Impact on claims outstanding* | *% Impact on profit* | *% Impact on member's balances* |
|---|---|---|---|---|---|
| Higher | 27,610,738 | 3,135,790 | 1.3 % | (177.7)% | (37.1)% |
| Recorded | 24,474,948 | — | — % | — % | — % |
| Lower | 21,339,158 | (3,135,790) | (1.3)% | 177.7 % | 37.1 % |

## Notes to the financial statements
## For the year ended 31 December 2016

Attritional claim liabilities sensitivity analysis

*31 December 2016*

| | *Estimated loss reporting pattern* | *£ Impact on claims outstanding* | *% Impact on claims outstanding* | *% Impact on profit* | *% Impact on member's balances* |
|---|---|---|---|---|---|
| Increase expected claims and claim expense ratio by 10% | Slower reporting | 53,707,485 | 13.5 % | (352.3)% | (676.3)% |
| Increase expected claims and claim expense ratio by 10% | Expected reporting | 27,374,435 | 6.9 % | (179.5)% | (344.7)% |
| Increase expected claims and claim expense ratio by 10% | Faster reporting | (21,009,742) | (5.3)% | 137.8 % | 264.6 % |
| Expected claims and claim expense ratio | Slower reporting | 23,939,136 | 6.0 % | (157.0)% | (301.4)% |
| Expected claims and claim expense ratio | Expected reporting | — | — % | — % | — % |
| Expected claims and claim expense ratio | Faster reporting | (43,985,615) | (11.0)% | 288.5 % | 553.9 % |
| Decrease expected claims and claim expense ratio by 10% | Slower reporting | (5,829,212) | (1.5)% | 38.2 % | 73.4 % |
| Decrease expected claims and claim expense ratio by 10% | Expected reporting | (27,374,435) | (6.9)% | 179.5 % | 344.7 % |
| Decrease expected claims and claim expense ratio by 10% | Faster reporting | (67,015,389) | (16.8)% | 439.6 % | 843.9 % |

*31 December 2015*

| | *Estimated loss reporting pattern* | *£ Impact on claims outstanding* | *% Impact on claims outstanding* | *% Impact on profit* | *% Impact on member's balances* |
|---|---|---|---|---|---|
| Increase expected claims and claim expense ratio by 10% | Slower reporting | 47,711,984 | 19.0 % | (2,703.4)% | (564.1)% |
| Increase expected claims and claim expense ratio by 10% | Expected reporting | 17,733,069 | 7.1 % | (1,004.8)% | (209.7)% |
| Increase expected claims and claim expense ratio by 10% | Faster reporting | (12,972,026) | (5.2)% | 735.0 % | 153.4 % |
| Expected claims and claim expense ratio | Slower reporting | 27,253,559 | 10.9 % | (1,544.2)% | (322.2)% |
| Expected claims and claim expense ratio | Expected reporting | — | — % | — % | — % |
| Expected claims and claim expense ratio | Faster reporting | (27,913,722) | (11.1)% | 1,581.6 % | 330.1 % |
| Decrease expected claims and claim expense ratio by 10% | Slower reporting | 6,795,134 | 2.7 % | (385.0)% | (80.3)% |
| Decrease expected claims and claim expense ratio by 10% | Expected reporting | (17,733,069) | (7.1)% | 1,004.8 % | 209.7 % |
| Decrease expected claims and claim expense ratio by 10% | Faster reporting | (42,855,419) | (17.1)% | 2,428.2 % | 506.7 % |

## Notes to the financial statements
## For the year ended 31 December 2016

The Syndicate believes that ultimate claims and claim expense ratios 10.0 percentage points above or below its estimated assumptions constitute reasonably likely outcomes based on its experience to date and future expectations. In addition, the Syndicate believes that the adjustments it made to speed up or slow down its estimated loss reporting patterns by 6 months are reasonably likely changes.

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive calendar year at each reporting date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated at the current year-end rate.

## Notes to the financial statements
## For the year ended 31 December 2016

Gross insurance contract outstanding claims provision as at 31 December 2016:

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Total |
|---|---|---|---|---|---|---|---|---|---|
| Underwriting year | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Estimate of cumulative claims incurred | | | | | | | | | |
| At end of underwriting year | 1,018,499 | 12,573,708 | 32,187,256 | 52,940,866 | 55,614,964 | 71,930,355 | 74,310,944 | 82,703,749 | |
| 12 months later | 8,823,757 | 36,284,404 | 40,412,034 | 68,969,575 | 85,303,748 | 119,134,622 | 157,429,451 | | |
| 24 months later | 9,498,747 | 35,458,105 | 37,681,887 | 64,811,686 | 84,190,794 | 125,850,279 | | | |
| 36 months later | 10,290,603 | 35,163,968 | 36,592,713 | 63,152,540 | 76,270,689 | | | | |
| 48 months later | 9,826,290 | 34,554,354 | 38,587,648 | 60,870,000 | | | | | |
| 60 months later | 9,417,868 | 33,732,287 | 38,760,178 | | | | | | |
| 72 months later | 9,299,724 | 33,361,920 | | | | | | | |
| 80 months later | 9,150,520 | | | | | | | | |
| Current estimate of cumulative claims incurred | 9,150,520 | 33,361,920 | 38,760,178 | 60,870,000 | 76,270,689 | 125,850,279 | 157,429,451 | 82,703,749 | |
| Cumulative claims paid | | | | | | | | | |
| At end of underwriting year | (53,720) | (106,677) | (2,225,618) | (3,153,453) | (2,059,648) | (11,676,726) | (6,606,175) | (4,117,328) | |
| 12 months later | (5,542,076) | (4,940,880) | (4,153,462) | (11,787,014) | (13,002,701) | (23,113,474) | (23,100,235) | | |
| 24 months later | (6,512,262) | (11,055,149) | (6,854,955) | (17,564,006) | (23,036,618) | (38,817,250) | | | |
| 36 months later | (6,605,689) | (16,876,484) | (12,721,987) | (25,241,265) | (31,067,063) | | | | |
| 48 months later | (7,593,933) | (20,195,138) | (16,883,427) | (31,504,938) | | | | | |
| 60 months later | (7,833,004) | (22,778,075) | (21,836,538) | | | | | | |
| 72 months later | (8,781,822) | (25,944,275) | | | | | | | |
| 80 months later | (8,781,718) | | | | | | | | |
| Cumulative payments to date | (8,781,718) | (25,944,275) | (21,836,538) | (31,504,938) | (31,067,063) | (38,817,250) | (23,100,235) | (4,117,328) | |
| Total gross outstanding claims provision per the statement of financial position | 368,802 | 7,417,645 | 16,923,640 | 29,365,062 | 45,203,626 | 87,033,029 | 134,329,216 | 78,586,421 | 399,227,441 |

## Notes to the financial statements
## For the year ended 31 December 2016

Net insurance contract outstanding claims provision as at 31 December 2016:

| Underwriting year | 2009 £ | 2010 £ | 2011 £ | 2012 £ | 2013 £ | 2014 £ | 2015 £ | 2016 £ | Total £ |
|---|---|---|---|---|---|---|---|---|---|
| Estimate of cumulative claims incurred | | | | | | | | | |
| At end of underwriting year | 1,018,499 | 12,573,708 | 32,187,256 | 52,130,597 | 55,546,961 | 65,521,334 | 62,067,501 | 62,315,399 | |
| 12 months later | 8,823,757 | 31,859,423 | 40,412,034 | 68,922,384 | 84,159,449 | 106,357,718 | 125,084,558 | | |
| 24 months later | 9,498,747 | 31,757,600 | 37,681,887 | 64,033,996 | 82,877,233 | 109,664,902 | | | |
| 36 months later | 10,290,603 | 31,644,254 | 36,592,713 | 62,363,860 | 75,550,077 | | | | |
| 48 months later | 9,826,290 | 31,314,237 | 38,587,648 | 60,303,542 | | | | | |
| 60 months later | 9,417,868 | 30,547,853 | 38,760,178 | | | | | | |
| 72 months later | 9,299,724 | 30,163,869 | | | | | | | |
| 80 months later | 9,150,520 | | | | | | | | |
| Current estimate of cumulative claims incurred | 9,150,520 | 30,163,869 | 38,760,178 | 60,303,542 | 75,550,077 | 109,664,902 | 125,084,558 | 62,315,399 | |
| Cumulative claims paid | | | | | | | | | |
| At end of underwriting year | (53,720) | (106,677) | (2,225,618) | (3,153,453) | (2,059,648) | (7,708,813) | (6,325,189) | (3,700,163) | |
| 12 months later | (5,542,076) | (4,940,880) | (4,153,462) | (11,740,735) | (13,002,701) | (18,924,464) | (21,370,464) | | |
| 24 months later | (6,512,262) | (9,744,767) | (6,854,955) | (17,036,200) | (22,810,043) | (33,865,086) | | | |
| 36 months later | (6,605,689) | (14,449,828) | (12,721,987) | (24,678,835) | (30,568,584) | | | | |
| 48 months later | (7,593,933) | (17,613,208) | (16,883,427) | (30,942,508) | | | | | |
| 60 months later | (7,833,004) | (20,124,845) | (21,836,538) | | | | | | |
| 72 months later | (8,781,822) | (23,274,025) | | | | | | | |
| 80 months later | (8,781,718) | | | | | | | | |
| Cumulative payments to date | (8,781,718) | (23,274,025) | (21,836,538) | (30,942,508) | (30,568,584) | (33,865,086) | (21,370,464) | (3,700,163) | |
| Total net outstanding claims provision per the statement of financial position | 368,802 | 6,889,844 | 16,923,640 | 29,361,034 | 44,981,493 | 75,799,816 | 103,714,094 | 58,615,236 | 336,653,959 |

# Notes to the financial statements
## For the year ended 31 December 2016

(d) Financial risk

(1) 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 the Syndicate is exposed to credit risk include reinsurers, brokers, insureds, reinsureds, coverholders and investment counterparties.

The Syndicate has a graded tolerance for accepting credit risk associated with its outwards reinsurance activities. As part of the underwriting decision to purchase outwards reinsurance, the creditworthiness of the reinsurer is one of the many variables that is considered.

The Syndicate has established counterparty credit rating guidelines which assist in this process by providing a suggested maximum limit to be exposed to individual reinsurers based on their credit rating. The guidelines are mostly aimed at core, strategic reinsurance purchases and are not aimed at more tactical, facultative reinsurance transactions entered into occasionally, on an opportunistic basis.

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 statement of financial position.

As at 31 December 2016, the Syndicate holds collateral of £11.3m (2015 - £nil) which mitigates the credit risk pertaining to £43.5m of reinsurers' share of claims outstanding and £1.3m of reinsurance debtors of certain reinsurers. Collateral held can be in the form of cash and cash equivalents and debt securities and other fixed income securities.

| *31 December 2016* | *Neither past due nor impaired* | *Past due* | *Impaired* | *Total* |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Other financial investments | | | | |
| - Debt securities | 264,175,370 | — | — | 264,175,370 |
| Shares and other variable yield securities | 92,740,085 | — | — | 92,740,085 |
| Overseas deposits as investments | 14,268,264 | — | — | 14,268,264 |
| Deposits with ceding undertakings | 394,228 | — | — | 394,228 |
| Reinsurers' share of claims outstanding | 62,573,482 | — | — | 62,573,482 |
| Debtors arising out of direct insurance operations | 4,612,558 | 224,126 | — | 4,836,684 |
| Debtors arising out of reinsurance contracts ceded | 1,679,184 | — | — | 1,679,184 |
| Other debtors | 225,965,182 | 2,836,770 | — | 228,801,952 |
| Cash at bank and in hand | 16,374,870 | — | — | 16,374,870 |
| | 682,783,223 | 3,060,896 | — | 685,844,119 |

# Notes to the financial statements
## For the year ended 31 December 2016

| *31 December 2015* | *Neither past due nor impaired* | *Past due* | *Impaired* | *Total* |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Other financial investments | | | | |
| - Debt securities | 173,069,052 | — | — | 173,069,052 |
| Shares and other variable yield securities | 73,420,284 | — | — | 73,420,284 |
| Overseas deposits as investments | 8,984,212 | — | — | 8,984,212 |
| Deposits with ceding undertakings | 479,792 | — | — | 479,792 |
| Reinsurers' share of claims outstanding | 18,778,160 | — | — | 18,778,160 |
| Debtors arising out of direct insurance operations | 3,518,800 | 43,535 | — | 3,562,335 |
| Debtors arising out of reinsurance contracts ceded | 666,416 | 694,199 | — | 1,360,615 |
| Other debtors | 128,675,971 | 1,208,431 | — | 129,884,402 |
| Cash at bank and in hand | 20,781,624 | — | — | 20,781,624 |
| | 428,374,311 | 1,946,165 | — | 430,320,476 |

The tables below provide information regarding the credit risk exposure of the Syndicate by classifying assets which are neither due nor impaired, according to Standard & Poor's and A M Best credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurance contracts ceded, have been excluded from the table as these are not rated or not readily available. The Syndicate manages the risk of default through quality control procedures to ensure the management of credit risk in relation to brokers and other relevant counterparties.

| *31 December 2016* | *AAA* | *AA* | *A* | *BBB* | *BBB or less* | *Not readily available/not rated* | *Total* |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| Shares and other variable yield securities and unit trusts | 92,740,085 | — | — | — | — | — | 92,740,085 |
| Other financial investments | | | | | | | |
| - Debt securities | 26,777,741 | 159,455,023 | 54,651,495 | 23,143,644 | 147,467 | — | 264,175,370 |
| Overseas deposits as investments | 9,238,081 | 1,790,048 | 2,057,941 | 635,573 | — | 546,621 | 14,268,264 |
| Deposits with ceding undertakings | — | — | 297,106 | — | — | 97,122 | 394,228 |
| Reinsurers' share of claims outstanding | — | 122,037 | 61,973,964 | 336,716 | — | 140,765 | 62,573,482 |
| Debtors arising out of reinsurance contracts ceded | — | — | 1,679,184 | — | — | — | 1,679,184 |
| Cash at bank and in hand | — | — | 16,374,870 | — | — | — | 16,374,870 |
| | 128,755,907 | 161,367,108 | 137,034,560 | 24,115,933 | 147,467 | 784,508 | 452,205,483 |

# Notes to the financial statements
## For the year ended 31 December 2016

| *31 December 2015* | *AAA* | *AA* | *A* | *BBB* | *BBB or less* | *Not readily available/not rated* | *Total* |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| Shares and other variable yield securities and unit trusts | 73,420,284 | — | — | — | — | — | 73,420,284 |
| Other financial investments | | | | | | | |
| - Debt securities | 18,954,586 | 104,641,541 | 36,316,925 | 12,901,376 | — | 254,624 | 173,069,052 |
| Overseas deposits as investments | 6,095,059 | 1,411,742 | 1,120,199 | 341,452 | 2,659 | 13,101 | 8,984,212 |
| Deposits with ceding undertakings | — | — | 367,995 | — | — | 111,797 | 479,792 |
| Reinsurers' share of claims outstanding | — | — | 18,664,330 | — | — | 113,830 | 18,778,160 |
| Debtors arising out of reinsurance contracts ceded | — | — | 582,197 | — | — | 84,219 | 666,416 |
| Cash at bank and in hand | — | — | 20,781,624 | — | — | — | 20,781,624 |
| | 98,469,929 | 106,053,283 | 77,833,270 | 13,242,828 | 2,659 | 577,571 | 296,179,540 |

The comparatives for debtors arising out of reinsurance contracts ceded are prepared on a basis consistent with the current period presentation.

(2) 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.

The Syndicate has no tolerance to be operationally illiquid for any time period. Operational illiquidity does not include illiquidity after large loss events, which is addressed below.

To ensure the liquidity requirements of the Syndicate are satisfied, an Investment Policy Statement ("IPS") has been adopted. The IPS suggests the investment portfolio will be positioned in very high quality fixed income securities, which will allow a strong platform for the Syndicate to assume insurance related exposure. The Syndicate's philosophy of generating strong risk adjusted returns in the investment portfolio will be balanced by liquidity, credit quality, market volatility as well as other considerations to accommodate present and future insurance underwriting.

The investment portfolio is subject to a set of tight guidelines, as set out in the Syndicate's IPS, with a largely high quality and short term focus thereby providing sufficient liquidity for prompt payment of claims and short term obligations.

In addition, RRCCL has agreed a short term funding arrangement with RenaissanceRe Holdings Ltd, whereby the latter Company will make available funds on a short-term basis, in loan format. The arrangement has been agreed by both parties in principle to expedite its execution following the occurrence of any large loss event which might materially increase the liquidity risk faced by the Syndicate. It is expected that such an increase in liquidity risk would be temporary in nature and would arise due to the need to potentially fund situs fund reserves and related claims payments (effectively, in duplicate) over any 3 month period.

## Notes to the financial statements
## For the year ended 31 December 2016

Maturity profiles

The tables below summarise the maturity profile of the Syndicate's creditors balances based on remaining undiscounted contractual obligations and claims outstanding based on the estimated timing of claim payments resulting from recognised insurance liabilities.

| | Carrying amount | Up to a year | 1-3 years | 3-5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| *31 December 2016* | | | | | | |
| Claims outstanding | 399,227,441 | 98,287,624 | 132,972,345 | 76,468,647 | 91,498,825 | 399,227,441 |
| Creditors | 61,680,015 | 61,618,405 | 241,610 | — | — | 61,860,015 |

| | Carrying amount | Up to a year | 1-3 years | 3-5 years | > 5 years | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| *31 December 2015* | | | | | | |
| Claims outstanding | 250,456,691 | 61,318,609 | 85,012,328 | 48,590,976 | 55,534,778 | 250,456,691 |
| Creditors | 67,437,976 | 67,206,853 | 231,123 | — | — | 67,437,976 |

Comparatives for claims outstanding have been included to conform with the current period presentation.

(3) Market risk

Market risk is the risk of financial loss due to movements in market risk factors. For the Syndicate, this can manifest through movements in securities' prices, interest rates, or foreign exchange rates.

In terms of the Syndicate's risk tolerance as it pertains to market risk and how in turn it interacts with other risk categories, the Syndicate has identified a set of capital and risk constraints, which are expressed as a series of risk tests. For each test, a ratio is determined (Actual Capital / Current Calculated Required Capital, at various points in the distribution). The Syndicate has no tolerance for any of these ratios to be less than 100%. Market risk is one of the determinants used in calculating the required capital.

Currently, the Syndicate holds a mix of cash and cash equivalents and fixed income investments (the "investment portfolio"). The investment policy of the Syndicate is to manage and maintain an investment portfolio which will be positioned in very high quality fixed income securities, which will allow a strong platform for the Syndicate to assume insurance related exposure. The Syndicate's philosophy of generating strong risk adjusted returns in the investment portfolio will be balanced by liquidity, credit quality, market volatility as well as other considerations to accommodate present and future insurance underwriting. The investment portfolio must also comply with Lloyd's Premium Trust Fund and US Situs fund asset admissibility criteria.

In terms of its investment portfolio, the Syndicate has a tolerance for holding only investment grade fixed income securities and cash. The Syndicate has no tolerance to invest in securities with a rating less than BBB- by any one nationally recognized statistical rating organization. If two ratings are provided, the lower of the two ratings will apply. If three ratings for a security are provided, a majority rule or the middle rating will apply.

## Notes to the financial statements
## For the year ended 31 December 2016

Market risk comprises two types of risk:

(a) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

| *Converted £* | *GBP* | *USD* | *EUR* | *CAD* | *AUD* | *JPY* | *OTH* | *Total* |
|---|---|---|---|---|---|---|---|---|
| *31 December 2016* | | | | | | | | |
| Total assets | 13,211,756 | 606,848,607 | 10,936,498 | 45,780,282 | 4,472,694 | 324,044 | 4,270,238 | 685,844,119 |
| Total liabilities | (43,252,657) | (564,086,633) | (11,801,196) | (33,356,951) | (9,067,853) | (2,813,221) | (13,524,136) | (677,902,647) |
| Net assets | (30,040,901) | 42,761,974 | (864,698) | 12,423,331 | (4,595,159) | (2,489,177) | (9,253,898) | 7,941,472 |
| *31 December 2015* | | | | | | | | |
| Total assets | 11,968,262 | 375,785,118 | 11,689,563 | 27,341,396 | 1,004,238 | 140,280 | 2,391,619 | 430,320,476 |
| Total liabilities | (24,594,475) | (369,492,974) | (11,162,458) | (24,262,808) | (4,403,983) | (711,661) | (4,149,508) | (438,777,867) |
| Net assets | (12,626,213) | 6,292,144 | 527,105 | 3,078,588 | (3,399,745) | (571,381) | (1,757,889) | (8,457,391) |

Sensitivity to changes in foreign exchange rates

The table below gives an indication of the impact on profit and member's balances of a percentage change in the relative strength of Sterling against the value of the US dollar. The analysis is based on the information as at 31 December.

| | *Impact on profit* | | *Impact on member's balances* | |
|---|---|---|---|---|
| | *2016* | *2015* | *2016* | *2015* |
| | *£* | *£* | *£* | *£* |
| Sterling weakens<br>10% against other currencies | 2,227,875 | (2,470,726) | 2,774,320 | (2,969,656) |
| Sterling strengthens<br>10% against other currencies | (2,227,875) | 2,470,726 | (2,774,320) | 2,969,656 |

(b) Interest rate risk

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and member's balances of the effects of changes in interest rates on fixed rate financial assets.

The analysis assesses the impact on profit or loss for the year and on the member's balances that would arise from a 50 basis point change in interest rates at the reporting date on fixed rate financial assets at the period end.

The correlations of the risk factors to which the fixed rate financial assets are exposed will have a significant effect in determining the ultimate contribution of interest rate risk to total market risk, but to demonstrate the standalone impact

## Notes to the financial statements
## For the year ended 31 December 2016

of interest rate risk, rate factors were altered on an individual basis. It should be noted that the price movements considered are linear approximations calculated using interest rate duration.

| *Changes in variables* | *Impact on profit* | *Impact on member's balances* |
|---|---|---|
| | £ | £ |
| 31 December 2016 | | |
| +50 basis points | (3,434,283) | (3,434,283) |
| -50 basis points | 3,434,283 | 3,434,283 |
| 31 December 2015 | | |
| +50 basis points | (2,238,277) | (2,238,277) |
| -50 basis points | 2,238,277 | 2,238,277 |