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RenaissanceRe Syndicate 1458

Syndicate Annual Report and Accounts
For the year ended 31 December 2018

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 2018.

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 £442.9m for the 2018 year of account up from £353.2m for the 2017 year of account.

Results

During the year ended 31 December 2018, the Syndicate generated an underwriting profit before deduction of administrative expenses and addition of investment return of £28.0m (2017 - underwriting loss of £17.5m). The overall result, after the inclusion of administrative expenses, profits/losses on exchange and investment income, is a loss of £5.7m (2017 - loss of £50.2m).

Business Review

Review of the business of the Syndicate

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

	2018	*2017*	*Change*
	£m	*£m*	*%*
Gross premiums written	564.0	495.0	13.9 %
Loss for the financial year	(5.7)	(50.2)	(88.6)%
Total comprehensive loss	(5.2)	(42.2)	(87.7)%
Combined ratio	103.0%	119.1%	(16.1)%
Investment return	2.4%	1.6%	0.8 %

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 £564.0m and represented a 13.9% increase on 2017 gross premiums written. The growth in gross premiums written is across property, casualty and specialty lines.

Outward reinsurance premiums for the year was £174.9m and represented a 4.6% increase on 2017. During the year, the Syndicate purchased higher limits on the overall property ceded program and a new Specialty XOL deal covering the Syndicate's marine and energy book. The increased ceded spend is partly offset by the reduction of ceded reinstatement premiums.

The Syndicate's net loss ratio for the year was 66.7% (2017 - 82.0%). The improvement in loss ratio by (15.3)% is mostly due to:

Managing agent's report

- A lower net ultimate loss from the 2018 catastrophe events compared to the 2017 events (net loss of £45.4m for 2018 events against a net loss of £59.4m for 2017 events). The 2018 catastrophe events included Typhoon Jebi, Hurricane Florence, Hurricane Michael and the California Wildland Fires; and
- Favourable development of £1.7m on prior accident year losses which included an improvement on the 2017 catastrophe events of £7.6m. In contrast, the 2017 calendar year reported £25.7m of unfavourable development on prior accident year losses driven by attritional claims and claim expenses on the casualty and property books.

The net administrative expense ratio decreased by 2.0% from 2017 as the Syndicate continues to achieve further scale with growth in premium volume.

Review of financial position

Financial investments as at 31 December 2018 is £510.3m compared to £353.1m as at the prior year with the increase primarily due to the growth in the business.

Reinsurers' share of claims outstanding as at 31 December 2018 is £407.0m compared to £330.8m as at the prior year. The increase in reinsurers' share of claims outstanding is primarily due to recoveries from the Syndicate's catastrophe losses in the year and increasing IBNR from the casualty and specialty quota share contracts in line with the growth in the underlying assumed book. Part of the credit risk arising on recoverables from reinsurers is mitigated by collateral held in trust for certain balances.

Debtors arising from insurance and reinsurance operations as at 31 December 2018 is £267.8m compared to £192.5m as at the prior year. There have been no collection issues in the year and the increase is wholly attributable to the growth in gross written premiums.

Gross technical provisions have increased to £1,267.5m from £967.6m. This includes an increase in unearned premiums and claims outstanding, principally as IBNR, attributed to increased gross premiums in the year. In addition, the claims outstanding also includes the reserves for the catastrophe losses incurred during the second half of 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. RSML has also established a Risk Committee which oversees the activities of the RMF, ensuring that there is a robust risk management framework in place and monitoring adherence to agreed risk appetite and tolerance levels. The Risk Committee and the RMF are key elements 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. Reserve 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.

Managing agent's report

RSML has articulated the market risk appetite of the Syndicate as well as associated processes and policies in the Market Risk Policy. In addition, the 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 structured 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 2019 the Syndicate expects to continue to grow across the property, casualty and specialty portfolios.

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
K T Fox (resigned 5 December 2018)
R J Lang
C S McMenamin
R M Merrett
R J Murphy
D D Upadhyaya

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

13 March 2019

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

Opinion

We have audited the syndicate annual accounts of Syndicate 1458 ('the Syndicate') for the year ended 31 December 2018 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, including a summary of significant accounting policies. 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 FRS103 'Insurance Contracts'.

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report below. We are independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or
- the managing agent has not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the syndicate annual accounts are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the syndicate annual accounts and our auditor's report thereon. The managing agent is responsible for the other information.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate annual accounts or a material misstatement of the other information. If, based on the

Independent auditor's report to the member of Syndicate 1458

work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit

- the information given in the managing agent's report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts, and
- the managing agent's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the managing agent's report.

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

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- certain disclosures of the managing agents' emoluments specified by law are not made.

Responsibilities of the managing agent

As explained more fully in the Managing Agent's Responsibilities Statement as set out on page 6, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the syndicate annual accounts

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

A further description of our responsibilities for the audit of financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the member of Syndicate 1458

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an 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 and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

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

London
13 March 2019

Income statement
Technical account - General business
For the year ended 31 December 2018

	Notes	2018 £	2017 £
Gross premiums written	2	563,950,385	494,961,091
Outward reinsurance premiums		(174,900,967)	(167,146,359)
Net premiums written		389,049,418	327,814,732
Change in provision for unearned premiums			
- Gross amount		(45,497,969)	(69,252,637)
- Reinsurers' share		5,796,478	16,381,941
Change in the net provision for unearned premiums	4	(39,701,491)	(52,870,696)
Earned premiums, net of reinsurance		349,347,927	274,944,036
Allocated investment return transferred from the non-technical account		5,679,889	4,542,885
Claims paid			
- Gross amount		(188,936,177)	(144,854,196)
- Reinsurers' share		99,318,705	14,863,282
Net claims paid		(89,617,472)	(129,990,914)
Change in claims outstanding			
- Gross amount		(199,261,091)	(377,414,942)
- Reinsurers' share		55,702,881	281,815,513
Change in the net provision for claims		(143,558,210)	(95,599,429)
Claims incurred, net of reinsurance	3	(233,175,682)	(225,590,343)
Net operating expenses	6	(126,564,966)	(101,916,642)
Balance on technical account - general business		(4,712,832)	(48,020,064)

Income statement
Non-technical account - General Business
For the year ended 31 December 2018

	Notes	2018 £	2017 £
Balance on technical account - general business		(4,712,832)	(48,020,064)
Investment income	10	4,301,172	5,362,381
Unrealised gains/(losses) on investments	10	1,774,909	(496,694)
Investment expenses and charges	10	(396,192)	(322,802)
Allocated investment return transferred to the general business technical account		(5,679,889)	(4,542,885)
Exchange gains and losses		(974,670)	(2,145,067)
Loss for the financial year		(5,687,502)	(50,165,131)

Statement of comprehensive income
For the year ended 31 December 2018

	2018 £	*2017* £
Loss for the financial year	(5,687,502)	(50,165,131)
Currency translation differences	443,247	7,971,240
Total comprehensive loss for the year	(5,244,255)	(42,193,891)

Statement of changes in member's balances
For the year ended 31 December 2018

	Member's balances
	£
At 1 January 2018	(49,389,178)
Loss for the financial year	(5,687,502)
Currency translation differences	443,247
2015 year of account payment of profit	(6,264,133)
At 31 December 2018	(60,897,566)

	Member's balances
	£
At 1 January 2017	7,941,472
Loss for the financial year	(50,165,131)
Currency translation differences	7,971,240
2014 year of account payment of profit	(15,136,759)
At 31 December 2017	(49,389,178)

Statement of financial position
As at 31 December 2018

	Notes	2018	2017
		£	£
ASSETS			
Investments			
Financial investments	11	510,260,700	353,075,967
Deposits with ceding undertakings		16,012,386	472,266
		526,273,086	353,548,233
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	69,074,433	57,677,751
Claims outstanding	3	407,024,050	330,758,841
		476,098,483	388,436,592
Debtors			
Debtors arising out of direct insurance operations		10,281,079	7,026,047
Debtors arising out of reinsurance operations	12	257,542,772	185,436,481
Other debtors	11	15,021,834	480,110
		282,845,685	192,942,638
Cash and other assets			
Cash at bank and in hand	14	16,469,481	12,039,119
Other assets	13	23,040,079	16,700,873
		39,509,560	28,739,992
Prepayments and accrued income			
Accrued interest		2,207,592	1,012,477
Deferred acquisition costs	5	72,777,735	58,060,703
		74,985,327	59,073,180
Total assets		1,399,712,141	1,022,740,635

Statement of financial position (cont'd)
As at 31 December 2018

	Notes	2018 £	2017 £
MEMBER'S BALANCES AND LIABILITIES			
Member's balances			
Profit and loss account		(60,897,566)	(49,389,178)
Total member's balances		(60,897,566)	(49,389,178)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	303,630,001	236,876,473
Claims outstanding	3	963,882,430	730,772,362
		1,267,512,431	967,648,835
Deposits received from reinsurers		2,366,212	—
Creditors			
Creditors arising out of direct insurance operations		411,720	1,289,836
Creditors arising out of reinsurance operations		87,114,710	73,474,232
Other creditors	15	84,038,147	12,959,745
		171,564,577	87,723,813
Accruals and deferred income		19,166,487	16,757,165
Total liabilities		1,460,609,707	1,072,129,813
Total member's balances and liabilities		1,399,712,141	1,022,740,635

The financial statements on pages 10 to 45 were approved by the board of directors on 12 March 2019 and were signed on its behalf by:

D D Upadhyaya
Director

13 March 2019

Statement of cash flows
For the year ended 31 December 2018

	Notes	2018	2017
		£	£
Loss on ordinary activities		(5,687,502)	(50,165,131)
Movement in general insurance unearned premiums and outstanding claims		302,229,807	367,082,463
Movement in reinsurers' share of unearned premiums and outstanding claims		(87,661,892)	(275,245,668)
Investment return		(5,679,889)	(4,542,885)
Movements in other assets/liabilities		(41,444,429)	(42,681,382)
Realised/unrealised (losses)/gains on cashflow		(3,243,657)	6,100,192
Currency exchange differences		443,247	7,971,240
Net cash inflow from operating activities		158,955,685	8,518,829
Investing activities			
Investment income received		3,904,980	5,039,579
Foreign exchange		(37,918,928)	31,473,261
Purchase of debt and equity instruments		(1,064,582,195)	(342,120,290)
Sales of debt and equity instruments		912,733,242	306,783,006
Movement in overseas deposits		295,986	(4,728,805)
Other market movements		(9,054,419)	—
Net cash outflow from investing activities		(194,621,334)	(3,553,249)
Financing activities			
Payment of profit to member's personal reserve funds		(6,264,133)	(15,136,759)
Unrealised losses on investments		1,774,909	(496,694)
Net cash outflow from financing activities		(4,489,224)	(15,633,453)
Net decrease in cash and cash equivalents		(40,154,873)	(10,667,873)
Foreign exchange on cash and cash equivalents		3,243,656	(6,100,192)
Cash and cash equivalents at 1 January		92,893,512	109,661,577
Cash and cash equivalents at 31 December	14	55,982,295	92,893,512

Notes to the financial statements
For the year ended 31 December 2018

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 2018 were approved for issue by the board of directors on 12 March 2019.

The financial statements are prepared in Sterling which is the presentation currency of the Syndicate. The Syndicate's functional currency is US dollars. The presentation 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.

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 2018

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 2018

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.

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 2018 and 31 December 2017, 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 2018 or 2017.

Notes to the financial statements
For the year ended 31 December 2018

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 presentation 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 presentation 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 presentation 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 2018

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
	£	£	£	£	£	£
2018						
Direct insurance						
Fire and other damage to property	76,375,574	68,582,327	(38,537,810)	(24,295,956)	367,052	6,115,613
Third party liability	190,430,004	172,273,840	(138,354,313)	(62,193,632)	5,486,161	(22,787,944)
Miscellaneous	37,728,797	33,679,805	(23,291,927)	(7,393,800)	478,103	3,472,181
	304,534,375	274,535,972	(200,184,050)	(93,883,388)	6,331,316	(13,200,150)
Reinsurance	259,416,010	243,916,444	(188,013,219)	(57,083,113)	3,987,316	2,807,428
	563,950,385	518,452,416	(388,197,269)	(150,966,501)	10,318,632	(10,392,722)

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£	£	£	£	£	£
2017						
Direct insurance						
Fire and other damage to property	59,371,045	46,344,866	(64,345,529)	(17,343,834)	14,624,857	(20,719,640)
Third party liability	182,883,438	156,948,140	(125,036,443)	(56,516,568)	2,102,090	(22,502,781)
Miscellaneous	40,554,140	27,465,577	(15,397,967)	(6,782,640)	(5,459,324)	(174,354)
	282,808,623	230,758,583	(204,779,939)	(80,643,042)	11,267,623	(43,396,775)
Reinsurance	212,152,468	194,949,871	(317,489,199)	(45,277,070)	158,650,227	(9,166,171)
	494,961,091	425,708,454	(522,269,138)	(125,920,112)	169,917,850	(52,562,946)

Commissions on direct insurance gross premiums earned during 2018 were £62.7m (2017 - £60.3m).

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.

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

	2018	2017
	£	£
UK	8,710,166	15,299,572
Other EU countries	16,686,461	5,966,515
US and Canada	483,067,109	432,773,071
Other	55,486,649	40,921,933
	563,950,385	494,961,091

3. Claims outstanding

	Gross	Reinsurers' share	Net
	£	£	£
At 1 January 2018	730,772,362	(330,758,841)	400,013,521
Claims incurred during the year	388,197,268	(155,021,586)	233,175,682
Claims paid during the year	(188,936,177)	99,318,705	(89,617,472)
Foreign exchange	33,848,977	(20,562,328)	13,286,649
At 31 December 2018	963,882,430	(407,024,050)	556,858,380

	Gross	Reinsurers' share	Net
	£	£	£
At 1 January 2017	399,227,441	(62,573,482)	336,653,959
Claims incurred during the year	522,269,138	(296,678,795)	225,590,343
Claims paid during the year	(144,854,196)	14,863,282	(129,990,914)
Foreign exchange	(45,870,021)	13,630,154	(32,239,867)
At 31 December 2017	730,772,362	(330,758,841)	400,013,521

Notes to the financial statements
For the year ended 31 December 2018

4. Provision for unearned premiums

	Gross	Reinsurers' share	Net
	£	£	£
At 1 January 2018	236,876,473	(57,677,751)	179,198,722
Premiums written in the year	563,950,385	(174,900,967)	389,049,418
Premiums earned in the year	(518,452,416)	169,104,489	(349,347,927)
Foreign exchange	21,255,559	(5,600,204)	15,655,355
At 31 December 2018	303,630,001	(69,074,433)	234,555,568

	Gross	Reinsurers' share	Net
	£	£	£
At 1 January 2017	201,338,932	(50,617,442)	150,721,490
Premiums written in the year	494,961,091	(167,146,359)	327,814,732
Premiums earned in the year	(425,708,454)	150,764,418	(274,944,036)
Foreign exchange	(33,715,096)	9,321,632	(24,393,464)
At 31 December 2017	236,876,473	(57,677,751)	179,198,722

5. Deferred acquisition costs

	Gross	Reinsurers' share	Net
	£	£	£
At 1 January 2018	58,060,703	(16,502,788)	41,557,915
Change in deferred acquisition costs	9,594,000	(967,875)	8,626,125
Foreign exchange	5,123,032	(1,371,191)	3,751,841
At 31 December 2018	72,777,735	(18,841,854)	53,935,881

	Gross	Reinsurers' share	Net
	£	£	£
At 1 January 2017	48,471,985	(15,230,286)	33,241,699
Change in deferred acquisition costs	17,954,931	(4,351,887)	13,603,044
Foreign exchange	(8,366,213)	3,079,385	(5,286,828)
At 31 December 2017	58,060,703	(16,502,788)	41,557,915

6. Net operating expenses

	Technical account - General business	
	2018	*2017*
	£	£
Acquisition costs	122,119,375	108,818,002
Change in deferred acquisition costs	(9,594,000)	(17,954,931)
Administrative expenses	38,441,146	35,057,043
Reinsurance commissions and profit participation	(24,401,555)	(24,003,472)
	126,564,966	101,916,642

Member's standard personal expenses amounting to £7.3m (2017 - £6.3m) 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:

	2018	*2017*
	£	£
Salaries and related costs	14,056,126	13,037,966
Health and social security costs	1,964,344	1,768,406
Other pension costs	513,858	591,191
	16,534,328	15,397,563

The average monthly number of employees of the managing agent / RenaissanceRe Services (UK) Limited but working during the year for the Syndicate were as follows:

	2018	*2017*
Administration and finance	67	56
Underwriting	34	34
Claims	7	6
	108	96

Notes to the financial statements
For the year ended 31 December 2018

8. Auditor's remuneration

	2018	2017
	£	£
Audit of the Syndicate annual accounts	160,000	160,000
Other services pursuant to Regulations and Lloyd's Byelaws	83,000	98,000
Other assurance fees	10,000	10,000
	253,000	268,000

Auditor's remuneration is included as part of the administrative expenses in note 6 to the financial statements.

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

6 directors (2017 - 8) of RSML received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2018	2017
	£	£
Aggregate remuneration in respect of qualifying services	1,383,508	3,501,564

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

	2018	2017
	£	£
Emoluments	364,732	1,218,986

10. Investment return

	2018	2017
	£	£
Income from other financial investments	7,390,263	5,633,071
Net loss on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	(3,089,091)	(270,690)
Net unrealised gains/(losses) on investments		
- Financial investments at fair value through profit and loss	1,774,909	(496,694)
Investment expenses and charges	(396,192)	(322,802)
	5,679,889	4,542,885

Notes to the financial statements
For the year ended 31 December 2018

Average amount of funds available for investment during the year:	*2018*	*2017*
	£	£
Sterling	5,924,735	6,647,766
US dollars	442,121,284	320,715,195
Canadian dollars	58,431,403	48,629,953
Euro	8,564,528	3,611,429
Combined in sterling	515,041,950	379,604,343

Gross calendar year investment yield:		
Sterling	1.1%	0.9%
US dollars	2.5%	1.7%
Canadian dollars	2.1%	1.5%
Euro	—%	—%
Combined	2.4%	1.6%

"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

		2018	
	Carrying value	*Purchase price*	*Listed*
	£	£	£
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	38,618,964	38,618,964	—
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	471,641,736	475,327,260	240,029,442
	510,260,700	513,946,224	240,029,442

		2017	
	Carrying value	*Purchase price*	*Listed*
	£	£	£
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	80,256,531	80,256,531	2,542,631
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	272,819,436	276,392,374	137,918,565
	353,075,967	356,648,905	140,461,196

Included within debt securities and other fixed income securities is collateral held on assumed business of £29.98m (2017 - £12.1m).
Within Other Debtors of £15.0m are unsettled investment trades receivable of £15.0m and within Other Creditors of £84.0m are unsettled investment trades payable of £32.4m.

Notes to the financial statements
For the year ended 31 December 2018

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 2018				
Shares and other variable yield securities and units in unit trusts	—	38,618,964	—	38,618,964
Debt securities and other fixed income securities	240,029,442	231,612,294	—	471,641,736
Overseas deposits	7,193,751	15,846,328	—	23,040,079
	247,223,193	286,077,586	—	533,300,779
31 December 2017				
Shares and other variable yield securities and units in unit trusts	2,542,631	77,713,900	—	80,256,531
Debt securities and other fixed income securities	137,918,565	134,900,871	—	272,819,436
Overseas deposits	3,563,165	13,137,708	—	16,700,873
	144,024,361	225,752,479	—	369,776,840

12. Debtors arising out of reinsurance operations

	2018	*2017*
	£	£
Due from ceding insurers and intermediaries under reinsurance business	239,988,188	179,655,080
Due from reinsurers and intermediaries under reinsurance contracts ceded	17,554,584	5,781,401
	257,542,772	185,436,481

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

	2018	*2017*
	£	£
Cash at bank and in hand	16,469,481	12,039,119
Short term deposits with financial institutions	39,512,814	80,854,393
	55,982,295	92,893,512

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

15. Creditors

	2018	2017
	£	£
Amounts due within one year		
Amounts due to related parties	48,874,528	12,790,561
Unsettled investment trades	32,438,140	—
Other payables	2,725,479	—
	84,038,147	12,790,561
Amounts due after one year		
Amounts due to related parties	—	169,184
	84,038,147	12,959,745

16. Related parties

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 £13.1m within creditors arising out of reinsurance operations (2017 - £9.0m). There were no charges during the year (2017 - £nil).

During the year the Syndicate entered into a Whole Account Stop Loss arrangement with RRL . The Syndicate recorded ceded net written premium of £5.2m (2017 - £4.1m) and has an intercompany creditor balance of £2.2m (2017 - £1.4m).

The Syndicate entered into a quota share arrangement with RRL during the year to cover specific contracts on a facultative basis. The Syndicate recorded ceded net written premium of £9.2m (2017 - £1.7m) and has an intercompany creditor balance of £3.2m (2017 - £1.7m).

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 (2017 - £5.6m) 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 £2.6m (2017 - £5.7m).

RenaissanceRe Syndicate Management Limited

RSML is a wholly owned subsidiary of RenaissanceRe European Holdings 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 2018 RSML charged management fees of £3.3m to the Syndicate (2017 - £2.7m).

Notes to the financial statements
For the year ended 31 December 2018

In addition, the Syndicate was charged by RSML for expenses incurred on behalf of the Syndicate which have been recharged at cost totaling £21.9m (2017 - £20.8m).

During the year, the Syndicate was refunded £0.2m by RSML for profit commission in respect of profits on the 2016 year of account (2017 - £0.1m for the 2016 and 2015 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 £7.1m (2017 - £7.3m).

Tower Hill Companies

Tower Hill Companies is an equity interest of RenaissanceRe Holdings Ltd, the ultimate parent company.
During the year the Syndicate entered into reinsurance arrangements with certain subsidiaries and affiliates of Tower Hill with respect to business produced by the Tower Hill Companies.

During 2018 the Syndicate recorded £8.3m (2017 - £6.0m) of net written premium from Tower Hill and its subsidiaries and affiliates. The Syndicate has a net related outstanding receivable balance of £4.9m (2017 - £1.5m) and a reserve for claims and claims expenses of £12.2m (2017 - £3.0m).

Notes to the financial statements
For the year ended 31 December 2018

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 any other arrangement, which is not reflected in its statement of financial position, where material risks and benefits arise for the Syndicate, other than FAL which is discussed in Note 17.

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. Management recognise 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 I 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 2018

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. Reserve 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 2018

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 2018.

Realistic disaster scenarios	*Industry loss*	*Estimated gross claims*	*Estimated net claims*
	£m	*£m*	*£m*
Two events (North East Windstorm, followed by Carolinas Windstorm)	94,044	657.1	188.8
Gulf of Mexico Windstorm - Galveston, Texas	92,555	507.9	133.2
Florida Windstorm - Miami Dade	102,665	458.0	112.9
Florida Windstorm - Pinellas	105,016	420.7	72.4
California Earthquake - San Francisco	62,696	322.6	43.4

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

	31 December 2018			*31 December 2017*		
	Gross liabilities	*Reinsurance of liabilities*	*Net liabilities*	*Gross liabilities*	*Reinsurance of liabilities*	*Net liabilities*
	£	£	£	£	£	£
United Kingdom	9,909,840	4,184,684	5,725,156	6,142,533	2,780,205	3,362,328
EU	9,104,311	3,844,529	5,259,782	7,636,456	3,456,378	4,180,078
US and Canada	826,089,073	348,837,275	477,251,798	607,706,980	275,057,551	332,649,429
Other	118,779,205	50,157,562	68,621,643	109,286,393	49,464,707	59,821,686
Total	963,882,429	407,024,050	556,858,379	730,772,362	330,758,841	400,013,521

Notes to the financial statements
For the year ended 31 December 2018

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

	31 December 2018			*31 December 2017*		
	Gross liabilities	*Reinsurance of liabilities*	*Net liabilities*	*Gross liabilities*	*Reinsurance of liabilities*	*Net liabilities*
	£	£	£	£	£	£
Direct insurance						
Fire and other damage to property	72,395,978	33,868,196	38,527,782	56,336,574	28,950,440	27,386,134
Third party liability	350,437,317	98,314,465	252,122,852	252,178,044	65,709,492	186,468,552
Miscellaneous	35,163,362	15,339,078	19,824,284	26,027,786	8,827,811	17,199,975
	457,996,657	147,521,739	310,474,918	334,542,404	103,487,743	231,054,661
Reinsurance	505,885,773	259,502,311	246,383,462	396,229,958	227,271,098	168,958,860
Total	963,882,430	407,024,050	556,858,380	730,772,362	330,758,841	400,013,521

Sensitivities

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 reinsurance business. The reasonably likely changes are based on a historical analysis of the period-to-period variability of its gross ultimate costs to settle claims from catastrophic events, giving due consideration to changes in its reserving practices over time.

31 December 2018

	£ Gross ultimate claims incurred	*£ Impact on gross ultimate claims incurred*	*% Impact on gross claims outstanding*	*% Impact on profit*	*% Impact on member's balances*
Higher	531,830,134	20,106,166	2.1 %	(383.4)%	(33.0)%
Recorded	511,723,967	—	— %	— %	— %
Lower	500,225,320	(11,498,647)	(1.2)%	219.3 %	18.9 %

31 December 2017

	£ Gross ultimate claims incurred	*£ Impact on gross ultimate claims incurred*	*% Impact on gross claims outstanding*	*% Impact on profit*	*% Impact on member's balances*
Higher	381,224,151	27,134,837	3.7 %	(64.3)%	(54.9)%
Recorded	354,089,314	—	— %	— %	— %
Lower	340,511,171	(13,578,143)	(1.9)%	32.2 %	27.5 %

Notes to the financial statements
For the year ended 31 December 2018

Attritional claim liabilities sensitivity analysis

31 December 2018

	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	106,458,132	11.0 %	(2,030.0)%	(174.8)%
Increase expected claims and claim expense ratio by 10%	Expected reporting	44,050,756	4.6 %	(840.0)%	(72.3)%
Increase expected claims and claim expense ratio by 10%	Faster reporting	(16,153,206)	(1.7)%	308.0 %	26.5 %
Expected claims and claim expense ratio	Slower reporting	56,733,978	5.9 %	(1,081.8)%	(93.2)%
Expected claims and claim expense ratio	Expected reporting	—	— %	— %	— %
Expected claims and claim expense ratio	Faster reporting	(54,730,875)	(5.7)%	1,043.6 %	89.9 %
Decrease expected claims and claim expense ratio by 10%	Slower reporting	7,009,824	0.7 %	(133.7)%	(11.5)%
Decrease expected claims and claim expense ratio by 10%	Expected reporting	(44,050,756)	(4.6)%	840.0 %	72.3 %
Decrease expected claims and claim expense ratio by 10%	Faster reporting	(93,308,544)	(9.7)%	1,779.3 %	153.2 %

31 December 2017

	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	82,349,893	11.3 %	(195.2)%	(166.8)%
Increase expected claims and claim expense ratio by 10%	Expected reporting	33,241,410	4.5 %	(78.8)%	(67.3)%
Increase expected claims and claim expense ratio by 10%	Faster reporting	(20,766,812)	(2.8)%	49.2 %	42.0 %
Expected claims and claim expense ratio	Slower reporting	44,644,075	6.1 %	(105.8)%	(90.4)%
Expected claims and claim expense ratio	Expected reporting	—	— %	— %	— %
Expected claims and claim expense ratio	Faster reporting	(49,098,384)	(6.7)%	116.4 %	99.4 %
Decrease expected claims and claim expense ratio by 10%	Slower reporting	6,938,527	0.9 %	(16.4)%	(14.0)%
Decrease expected claims and claim expense ratio by 10%	Expected reporting	(33,241,410)	(4.5)%	78.8 %	67.3 %
Decrease expected claims and claim expense ratio by 10%	Faster reporting	(77,429,956)	(10.6)%	183.5 %	156.8 %

Notes to the financial statements
For the year ended 31 December 2018

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 2018

Gross insurance contract outstanding claims provision as at 31 December 2018:

Underwriting year (u/w year)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	£	£	£	£	£	£	£	£	£	£	£
Estimate of cumulative claims incurred											
At end of u/w year	986,829	12,095,410	31,335,979	51,508,074	54,491,907	69,910,145	72,401,737	80,358,812	392,977,365	231,974,436	
12 months later	8,546,736	35,544,412	39,241,424	67,074,941	83,308,533	115,714,830	153,195,161	198,060,317	513,538,820		
24 months later	9,199,550	34,694,767	36,595,637	63,044,872	82,145,002	122,234,727	182,762,586	233,687,533			
36 months later	9,966,242	34,392,986	35,505,552	61,435,918	74,456,112	116,708,428	186,930,005				
48 months later	9,516,391	33,813,798	37,552,925	59,271,460	76,189,912	113,486,939					
60 months later	9,120,673	33,036,682	37,765,004	58,436,175	72,573,794						
72 months later	9,006,152	32,671,818	38,757,883	57,110,390							
84 months later	8,861,599	32,285,670	52,462,591								
96 months later	8,663,722	32,444,485									
108 months later	8,599,549										
Current estimate of cumulative claims incurred	8,599,549	32,444,485	52,462,591	57,110,390	72,573,794	113,486,939	186,930,005	233,687,533	513,538,820	231,974,436	
Cumulative claims paid											
At end of u/w year	(52,023)	(103,308)	(2,160,757)	(3,048,294)	(2,005,040)	(11,313,673)	(6,438,010)	(4,016,439)	(49,808,292)	(14,010,682)	
12 months later	(5,367,040)	(5,032,190)	(4,047,070)	(11,495,418)	(12,800,748)	(22,561,287)	(22,657,786)	(37,162,045)	(134,278,559)		
24 months later	(6,306,585)	(11,104,941)	(6,709,971)	(17,146,080)	(22,702,075)	(37,852,272)	(61,059,542)	(82,659,478)			
36 months later	(6,397,062)	(16,717,742)	(12,400,863)	(24,638,271)	(30,530,920)	(54,588,518)	(93,166,804)				
48 months later	(7,354,094)	(19,918,759)	(16,429,682)	(30,720,924)	(37,830,858)	(63,337,889)					
60 months later	(7,585,615)	(22,437,317)	(21,217,787)	(35,978,518)	(46,390,219)						
72 months later	(8,504,466)	(25,480,709)	(25,608,193)	(39,395,033)							
84 months later	(8,504,365)	(27,462,073)	(28,915,477)								
96 months later	(8,504,467)	(28,267,739)									
108 months later	(8,504,232)										
Cumulative payments to date	(8,504,232)	(28,267,739)	(28,915,477)	(39,395,033)	(46,390,219)	(63,337,889)	(93,166,804)	(82,659,478)	(134,278,559)	(14,010,682)	
Total gross outstanding claims provision per the statement of financial position	95,317	4,176,746	23,547,114	17,715,357	26,183,575	50,149,050	93,763,201	151,028,055	379,260,261	217,963,754	963,882,430

Notes to the financial statements
For the year ended 31 December 2018

Net insurance contract outstanding claims provision as at 31 December 2018:

Underwriting year (u/w year)	2009 £	2010 £	2011 £	2012 £	2013 £	2014 £	2015 £	2016 £	2017 £	2018 £	Total £
Estimate of cumulative claims incurred											
At end of u/w year	986,829	12,095,410	31,335,979	50,723,395	54,426,052	63,703,541	60,544,979	60,596,699	126,343,195	117,815,356	
12 months later	8,546,736	31,259,185	39,241,424	67,029,240	82,200,375	102,859,183	120,626,053	147,721,131	217,252,934		
24 months later	9,199,550	31,111,136	36,595,637	62,291,744	80,872,928	106,560,477	143,034,281	173,025,220			
36 months later	9,966,242	30,984,437	35,505,552	60,672,148	73,758,260	100,960,857	141,625,293				
48 months later	9,516,391	30,676,016	37,552,925	58,722,894	74,507,591	97,434,839					
60 months later	9,120,673	29,952,824	37,765,004	57,802,001	70,865,399						
72 months later	9,006,152	29,574,773	38,757,883	56,555,633							
84 months later	8,861,599	29,472,082	52,462,591								
96 months later	8,663,722	29,626,896									
108 months later	8,599,549										
Current estimate of cumulative claims incurred	8,599,549	29,626,896	52,462,591	56,555,633	70,865,399	97,434,839	141,625,293	173,025,220	217,252,934	117,815,356	
Cumulative claims paid											
At end of u/w year	(52,023)	(103,308)	(2,160,757)	(3,048,294)	(2,005,040)	(7,471,078)	(6,165,899)	(3,612,449)	(46,216,484)	(10,649,992)	
12 months later	(5,367,040)	(5,032,190)	(4,047,070)	(11,450,600)	(12,800,748)	(18,504,578)	(20,982,646)	(32,077,708)	(48,563,994)		
24 months later	(6,306,585)	(9,835,945)	(6,709,971)	(16,634,943)	(22,482,657)	(33,056,512)	(53,869,186)	(67,937,705)			
36 months later	(6,397,062)	(14,367,728)	(12,400,863)	(24,093,603)	(30,048,186)	(46,974,209)	(79,142,216)				
48 months later	(7,354,094)	(17,418,375)	(16,429,682)	(30,176,256)	(37,348,124)	(54,695,169)					
60 months later	(7,585,615)	(19,867,885)	(21,217,787)	(35,433,850)	(45,528,802)						
72 months later	(8,504,466)	(22,894,795)	(25,608,193)	(38,845,439)							
84 months later	(8,504,365)	(24,876,159)	(28,915,477)								
96 months later	(8,504,467)	(25,622,304)									
108 months later	(8,504,232)										
Cumulative payments to date	(8,504,232)	(25,622,304)	(28,915,477)	(38,845,439)	(45,528,802)	(54,695,169)	(79,142,216)	(67,937,705)	(48,563,994)	(10,649,992)	
Total net outstanding claims provision per the statement of financial position	95,317	4,004,592	23,547,114	17,710,194	25,336,597	42,739,670	62,483,077	105,087,515	168,688,940	107,165,364	556,858,380

Notes to the financial statements
For the year ended 31 December 2018

(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 2018, the Syndicate holds collateral of £199.7m (2017 - £137.9m) which mitigates the credit risk pertaining to £327.6m (2017 - £181.0m) of reinsurers' share of claims outstanding and reinsurance debtors of certain reinsurers. Collateral held can be in the form of cash and cash equivalents and debt securities, other fixed income securities and letters of credit.

31 December 2018	*Neither past due nor impaired*	*Past due*	*Impaired*	*Total*
	£	£	£	£
Other financial investments				
- Debt securities	471,641,736	—	—	471,641,736
Shares and other variable yield securities	38,618,964	—	—	38,618,964
Overseas deposits as investments	23,040,079	—	—	23,040,079
Deposits with ceding undertakings	16,012,386	—	—	16,012,386
Reinsurers' share of claims outstanding	407,024,050	—	—	407,024,050
Debtors arising out of direct insurance operations	9,869,643	411,436	—	10,281,079
Debtors arising out of reinsurance contracts	250,802,875	6,739,897	—	257,542,772
Other debtors	159,081,594	—	—	159,081,594
Cash at bank and in hand	16,469,481	—	—	16,469,481
	1,392,560,808	7,151,333	—	1,399,712,141

Notes to the financial statements
For the year ended 31 December 2018

31 December 2017	*Neither past due nor impaired*	*Past due*	*Impaired*	*Total*
	£	£	£	£
Other financial investments				
- Debt securities	272,819,436	—	—	272,819,436
Shares and other variable yield securities	80,256,531	—	—	80,256,531
Overseas deposits as investments	16,700,873	—	—	16,700,873
Deposits with ceding undertakings	472,266	—	—	472,266
Reinsurers' share of claims outstanding	330,758,841	—	—	330,758,841
Debtors arising out of direct insurance operations	6,773,376	252,671	—	7,026,047
Debtors arising out of reinsurance contracts	182,248,283	3,188,198	—	185,436,481
Other debtors	117,231,041	—	—	117,231,041
Cash at bank and in hand	12,039,119	—	—	12,039,119
	1,019,299,766	3,440,869	—	1,022,740,635

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 2018	*AAA*	*AA*	*A*	*BBB*	*BBB or less*	*Not readily available/not rated*	*Total*
	£	£	£	£	£	£	£
Shares and other variable yield securities and unit trusts	28,832,901	—	8,551,664	—	—	1,234,399	38,618,964
Other financial investments							
- Debt securities	342,002,530	19,400,454	109,893,308	0	—	345,444	471,641,736
Overseas deposits as investments	14,496,026	2,450,820	3,298,400	1,900,985	—	893,848	23,040,079
Deposits with ceding undertakings	—	—	2,194,732	5,878	—	13,811,776	16,012,386
Reinsurers' share of claims outstanding	—	3,285,412	246,178,189	527,593	—	157,032,856	407,024,050
Debtors arising out of reinsurance contracts ceded	—	136,173	13,466,271	265,429	—	3,686,711	17,554,584
Cash at bank and in hand	2,571,734	—		13,897,747	—	—	16,469,481
	387,903,191	25,272,859	383,582,564	16,597,632	0	177,005,034	990,361,280

Notes to the financial statements
For the year ended 31 December 2018

31 December 2017	AAA	AA	A	BBB	BBB or less	Not readily available/not rated	Total
	£	£	£	£	£	£	£
Shares and other variable yield securities and unit trusts	56,491,138	23,765,393	—	—	—	—	80,256,531
Other financial investments							
- Debt securities	33,267,735	175,966,167	55,477,522	8,108,012	—	—	272,819,436
Overseas deposits as investments	9,935,145	1,938,897	2,661,967	1,384,966	182,036	597,862	16,700,873
Deposits with ceding undertakings	—	—	277,883	78,332	—	116,051	472,266
Reinsurers' share of claims outstanding	—	9,971,764	210,417,504	299,785	—	110,069,788	330,758,841
Debtors arising out of reinsurance contracts ceded	—	53,066	5,409,009	171,408	—	147,918	5,781,401
Cash at bank and in hand	—	—	12,039,119	—	—	—	12,039,119
	99,694,018	211,695,287	286,283,004	10,042,503	182,036	110,931,619	718,828,467

(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, 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 Investment Management Agreements, with a largely high quality and short term focus thereby providing sufficient liquidity for prompt payment of claims and short term obligations.

In addition, RenaissanceRe Corporate Capital (UK) Limited which acts as the Syndicate's corporate name 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 requirements and also related claims payments.

Notes to the financial statements
For the year ended 31 December 2018

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 2018						
Claims outstanding	963,882,430	299,708,433	323,029,462	175,443,222	165,701,313	963,882,430
Deposits received from reinsurers	2,366,212	735,747	792,997	430,691	406,777	2,366,212
Creditors	171,564,577	168,839,098	1,278,357	1,447,122	—	171,564,577

	Carrying amount	*Up to a year*	*1-3 years*	*3-5 years*	*> 5 years*	*Total*
	£	*£*	*£*	*£*	*£*	*£*
31 December 2017						
Claims outstanding	730,772,362	233,692,064	255,983,515	124,824,552	116,272,231	730,772,362
Creditors	87,723,813	87,554,629	169,184	—	—	87,723,813

(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 high quality fixed income securities, which will allow a strong platform for the Syndicate to assume underwriting risk. 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 underwriting. The investment portfolio must also comply with FSA 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 A3 (Moody's), A- (S&P) or A- (Fitch). If two ratings are provided, the lower of the two ratings will apply.

Notes to the financial statements
For the year ended 31 December 2018

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*	*OTH*	*Total*
31 December 2018							
Total assets	26,369,620	1,289,452,414	19,421,713	64,468,394	—	—	1,399,712,141
Total liabilities	(101,962,137)	(1,288,573,805)	(34,422,463)	(35,651,302)	—	—	(1,460,609,707)
Net assets	(75,592,517)	878,609	(15,000,750)	28,817,092	—	—	(60,897,566)
31 December 2017							
Total assets	20,755,511	933,361,004	8,612,986	56,665,077	2,640,303	705,754	1,022,740,635
Total liabilities	(83,327,908)	(926,489,410)	(21,836,596)	(40,475,899)	—	—	(1,072,129,813)
Net assets	(62,572,397)	6,871,594	(13,223,610)	16,189,178	2,640,303	705,754	(49,389,178)

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*	
	2018	*2017*	*2018*	*2017*
	£	£	£	£
Sterling weakens 10% against other currencies	6,396,520	3,815,623	117,803	(1,227,939)
Sterling strengthens 10% against other currencies	(6,396,520)	(3,815,623)	(117,803)	1,227,939

(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 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 2018		
+50 basis points	(6,858,854)	(6,858,854)
-50 basis points	6,858,854	6,858,854
31 December 2017		
+50 basis points	(3,674,826)	(3,674,826)
-50 basis points	3,674,826	3,674,826