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RenaissanceRe Syndicate 1458

Syndicate Annual Report and Accounts
For the year ended 31 December 2019

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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 2019.

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 capacity (expressed as gross premium written net of acquisition costs) for the 2019 year of account was £488.4m and continued to show gradual growth. The capacity for the 2018 year of account was £442.9m.

Results

During the year ended 31 December 2019, the Syndicate generated an underwriting profit before deduction of administrative expenses and addition of investment return of £10.6m (2018 - £28.0m). The overall result, after the inclusion of administrative expenses, profits/losses on exchange and investment income, is a loss of £2.9m (2018 - loss of £5.7m). The total comprehensive loss for the year was £0.5m (2018 - £5.2m).

Business Review

Review of the business of the Syndicate

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

	2019	*2018*	*Change*
	£m	*£m*	*%*
Gross premiums written	685.4	564.0	21.5 %
Loss for the financial year	(2.9)	(5.7)	(49.1)%
Total comprehensive loss	(0.5)	(5.2)	(90.4)%
Combined ratio	105.9%	103.0%	2.9 %
Investment return	3.5%	1.1%	2.4 %

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 (inclusive of realised and unrealised gains and losses) divided by the average amount of funds available for investment during the year.

Gross premiums written for the year was £685.4m and represented a 21.5% increase on 2018 gross premiums written. The growth in gross premiums written is across property, casualty and specialty lines.

Outward reinsurance premiums for the year was £304.0m and represented a 73.8% increase on 2018. The growth in ceded spend was within both the casualty and property lines. The reason this growth outstripped the growth in gross premiums was primarily due to a new whole account quota share cover as well as due to increased costs associated with purchased reinsurance in the current year.

The Syndicate's net loss ratio for the year was 71.1% (2018 - 66.7%). This contributed to the comprehensive loss of £0.5m (2018: 5.2m loss). The key drivers of this were:

Managing agent's report

- Impact of £31.7m from the 2019 catastrophe events (2018 net loss of £45.4m). The 2019 catastrophe events included Typhoon Faxai, Typhoon Hagibis and Hurricane Dorian; and
- Unfavourable development of £37.9m (2018 favourable development of £1.7m) on prior accident year losses. The unfavourable development was driven by attritional claims and claims expenses following a deep dive on the Casualty book in relation to a small number of historical contracts that are now in run-off.

The net administrative expense ratio decreased by 2.0% from 2018 as the Syndicate continues to achieve further scale with growth in premium volume.

Review of financial position

Financial investments as at 31 December 2019 are £601.1m compared to £510.3m 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 2019 are £416.9m compared to £407.0m 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, as well as reserve strengthening discussed above. Part of the credit risk arising on recoverables from reinsurers is mitigated by collateral held in trust for certain balances, as disclosed in the notes to the financial statements.

Debtors arising from insurance and reinsurance operations as at 31 December 2019 is £308.9m compared to £267.8m 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 £1,376.1m from £1,267.5m. 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 financial 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 in 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 2020 the Syndicate expects to continue to grow across the property, casualty and specialty portfolios, through increased capacity of £529.8m for the 2020 year of account.

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
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

5 March 2020

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 2019 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 including FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ and FRS 103 ‘Insurance Contracts’ (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate’s affairs as at 31 December 2019 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 directors of 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 directors of the managing agent have 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 directors of the managing agent are 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 work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

Independent auditor's report to the member of Syndicate 1458

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
- certain disclosures of the managing agents' emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 6, the managing agent is responsible for the preparation of 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.

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

London
5 March 2020

Income statement
Technical account - General business
For the year ended 31 December 2019

	Notes	2019 £	2018 £
Gross premiums written	2	685,428,004	563,950,385
Outward reinsurance premiums		(303,974,127)	(174,900,967)
Net premiums written		381,453,877	389,049,418
Change in provision for unearned premiums			
- Gross amount		(32,206,341)	(45,497,969)
- Reinsurers' share		50,610,104	5,796,478
Change in the net provision for unearned premiums	4	18,403,763	(39,701,491)
Earned premiums, net of reinsurance		399,857,640	349,347,927
Allocated investment return transferred from the non-technical account		22,527,302	5,679,889
Claims paid			
- Gross amount		(279,802,105)	(188,936,177)
- Reinsurers' share		92,513,974	99,318,705
Net claims paid		(187,288,131)	(89,617,472)
Change in claims outstanding			
- Gross amount		(122,778,948)	(199,261,091)
- Reinsurers' share		25,812,590	55,702,881
Change in the net provision for claims		(96,966,358)	(143,558,210)
Claims incurred, net of reinsurance	3	(284,254,489)	(233,175,682)
Net operating expenses	6	(139,359,252)	(126,564,966)
Balance on technical account - general business		(1,228,799)	(4,712,832)

Income statement
Non-technical account - General Business
For the year ended 31 December 2019

	Notes	2019 £	2018 £
Balance on technical account - general business		(1,228,799)	(4,712,832)
Investment income	10	14,127,907	4,301,172
Unrealised gains/(losses) on investments	10	9,121,694	1,774,909
Investment expenses and charges	10	(722,299)	(396,192)
Allocated investment return transferred to the general business technical account		(22,527,302)	(5,679,889)
Exchange gains and losses		(1,647,135)	(974,670)
Loss for the financial year		(2,875,934)	(5,687,502)

Statement of comprehensive income
For the year ended 31 December 2019

	2019	*2018*
	£	*£*
Loss for the financial year	(2,875,934)	(5,687,502)
Currency translation differences	2,370,938	443,247
Total comprehensive loss for the year	(504,996)	(5,244,255)

Statement of changes in member's balances
For the year ended 31 December 2019

	Member's balances
	£
At 1 January 2019	(60,897,566)
Loss for the financial year	(2,875,934)
Currency translation differences	2,370,938
2016 year of account payment of profit	(875,269)
At 31 December 2019	(62,277,831)

	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)

Statement of financial position
As at 31 December 2019

	Notes	2019	2018
		£	£
ASSETS			
Investments			
Financial investments	11	601,092,197	510,260,700
Deposits with ceding undertakings		18,792,609	16,012,386
		619,884,806	526,273,086
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	115,260,810	69,074,433
Claims outstanding	3	416,923,891	407,024,050
		532,184,701	476,098,483
Debtors			
Debtors arising out of direct insurance operations		11,854,997	10,281,079
Debtors arising out of reinsurance operations	12	297,085,845	257,542,772
Other debtors		382,756	15,021,834
		309,323,598	282,845,685
Cash and other assets			
Cash at bank and in hand	14	15,832,486	16,469,481
Other assets	13	23,450,306	23,040,079
		39,282,792	39,509,560
Prepayments and accrued income			
Accrued interest		2,670,064	2,207,592
Deferred acquisition costs	5	80,069,158	72,777,735
		82,739,222	74,985,327
Total assets		1,583,415,119	1,399,712,141

Statement of financial position (cont'd)
As at 31 December 2019

	Notes	2019	2018
		£	£
MEMBER'S BALANCES AND LIABILITIES			
Member's balances			
Profit and loss account		(62,277,831)	(60,897,566)
Total member's balances		(62,277,831)	(60,897,566)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	325,042,184	303,630,001
Claims outstanding	3	1,051,016,570	963,882,430
		1,376,058,754	1,267,512,431
Deposits received from reinsurers		2,466,093	2,366,212
Creditors			
Creditors arising out of direct insurance operations		1,874,009	411,720
Creditors arising out of reinsurance operations		198,996,082	87,114,710
Other creditors	15	36,346,347	84,038,147
		237,216,438	171,564,577
Accruals and deferred income		29,951,665	19,166,487
Total liabilities		1,645,692,950	1,460,609,707
Total member's balances and liabilities		1,583,415,119	1,399,712,141

The financial statements on pages 10 to 45 were approved by the board of directors on 4 March 2020 and were signed on its behalf by:

D D Upadhyaya
Director

5 March 2020

Statement of cash flows
For the year ended 31 December 2019

	Notes	2019	2018
		£	£
Loss on ordinary activities		(2,875,934)	(5,687,502)
Movement in general insurance unearned premiums and outstanding claims		108,646,204	302,229,807
Movement in reinsurers' share of unearned premiums and outstanding claims		(56,086,217)	(87,661,892)
Investment return		(22,527,302)	(5,679,889)
Movements in other assets/liabilities		25,973,396	(41,444,429)
Realised/unrealised (losses)/gains on cashflow		3,518,332	(3,243,657)
Currency exchange differences		2,370,938	443,247
Net cash inflow from operating activities		59,019,417	158,955,685
Investing activities			
Investment income received		13,405,608	3,904,980
Foreign exchange		18,470,318	(37,918,928)
Purchase of debt and equity instruments		(2,604,146,819)	(1,064,582,195)
Sales of debt and equity instruments		2,538,914,554	912,733,242
Movement in overseas deposits		136,227	295,986
Other market movements		9,121,694	(7,279,510)
Net cash outflow from investing activities		(24,098,418)	(192,846,425)
Financing activities			
Payment of profit to member's personal reserve funds		(875,269)	(6,264,133)
Net cash outflow from financing activities		(875,269)	(6,264,133)
Net decrease in cash and cash equivalents		34,045,730	(40,154,873)
Foreign exchange on cash and cash equivalents		(3,518,332)	3,243,656
Cash and cash equivalents at 1 January		55,982,295	92,893,512
Cash and cash equivalents at 31 December	14	86,509,693	55,982,295

Notes to the financial statements
For the year ended 31 December 2019

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 2019 were approved for issue by the board of directors on 4 March 2020.

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

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

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

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 2019

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 2019

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

Insurance contracts - Product classification

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

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

Gross Premiums

Gross premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the company.

Premiums for excess of loss business are fully recognised at inception. Premiums for proportional and delegated underwriting business are recognised based on the application of a writing pattern to initial estimates of ultimate premiums. The main assumption underlying estimates of ultimate premiums is that past premium development can be used to project future premium development. Subsequent differences arising on such estimates are recorded in the period in which they are determined. Premiums are shown gross of commissions, brokerage and taxes / duties levied on them.

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

Reinsurance premiums

Outwards reinsurance premiums comprise ceded premiums on contracts in force during the financial year.

The provision for ceded unearned premiums represents the portion of ceded premiums written that relate to unexpired terms of policies in force at the balance sheet date. For quota-share contracts, outwards reinsurance premiums are accounted for and earned in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Profit commission

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

Claims provisions and related recoveries

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

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

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

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

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

The Bornhuetter-Ferguson actuarial method allows for greater weight to be applied to expected results in periods where little or no actual experience is available, and, hence, is less susceptible to the potential pitfall of being excessively swayed by one year or one quarter of actual paid and/or reported loss data. This method uses initial expected loss ratio expectations to the extent that losses are not paid or reported, and it assumes that past experience is not fully representative of the future. As the Syndicate's reserves for claims and claim expenses develop, and actual claims experience becomes available, this method places less weight on expected experience and places more weight on actual experience. This experience, which represents the difference between expected reported claims and actual reported claims is reflected as a change in estimate. The Syndicate re-evaluates its actuarial reserving techniques on a periodic basis.

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

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

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

Notes to the financial statements
For the year ended 31 December 2019

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 2019 and 31 December 2018, 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 2019 or 2018.

Notes to the financial statements
For the year ended 31 December 2019

Insurance payables

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

Foreign currencies

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

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

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

Taxation

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

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

No provision has been made for any overseas tax payable by the 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 2019

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
	£	£	£	£	£	£
2019						
Direct insurance						
Fire and other damage to property	138,916,237	124,253,688	(40,864,332)	(37,913,023)	(37,827,465)	7,648,868
Third party liability	243,995,170	214,633,041	(180,997,598)	(73,041,071)	10,841,295	(28,564,333)
Marine, Aviation and Transport	11,922,816	10,556,765	(9,065,959)	(1,613,272)	1,481,416	1,358,950
Miscellaneous	25,597,036	25,827,498	(16,427,478)	(6,088,251)	(1,130,503)	2,181,266
	420,431,259	375,270,992	(247,355,367)	(118,655,617)	(26,635,257)	(17,375,249)
Reinsurance	264,996,745	277,950,671	(155,225,686)	(58,494,939)	(70,610,898)	(6,380,852)
	685,428,004	653,221,663	(402,581,053)	(177,150,556)	(97,246,155)	(23,756,101)

	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)
Marine, Aviation and Transport	11,834,558	12,648,109	(15,293,941)	(1,337,689)	3,369,391	(614,130)
Miscellaneous	25,894,239	21,031,696	(7,997,986)	(6,056,111)	(2,891,288)	4,086,311
	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)

Commissions on direct insurance gross premiums earned during 2019 were £83.2m (2018 - £62.7m).

The reinsurance balance is the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions including items recorded as reinsurance commissions and profit participation. The reinsurance balance includes reinsurance commission receivable.

All premiums were concluded in the UK.

Notes to the financial statements
For the year ended 31 December 2019

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

	2019	2018
	£	£
UK	8,295,569	8,710,166
Other EU countries	6,325,505	16,686,461
US and Canada	619,000,714	483,067,109
Other	51,806,216	55,486,649
	685,428,004	563,950,385

3. Claims outstanding

	Gross	Reinsurers' share	Net
	£	£	£
At 1 January 2019	963,882,430	(407,024,050)	556,858,380
Claims incurred during the year	402,581,053	(118,326,564)	284,254,489
Claims paid during the year	(279,802,105)	92,513,974	(187,288,131)
Foreign exchange	(35,644,808)	15,912,749	(19,732,059)
At 31 December 2019	1,051,016,570	(416,923,891)	634,092,679

	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

Notes to the financial statements
For the year ended 31 December 2019

4. Provision for unearned premiums

	Gross	Reinsurers' share	Net
	£	£	£
At 1 January 2019	303,630,001	(69,074,433)	234,555,568
Premiums written in the year	685,428,004	(303,974,127)	381,453,877
Premiums earned in the year	(653,221,663)	253,364,023	(399,857,640)
Foreign exchange	(10,794,158)	4,423,727	(6,370,431)
At 31 December 2019	325,042,184	(115,260,810)	209,781,374

	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

5. Deferred acquisition costs

	Gross	Reinsurers' share	Net
	£	£	£
At 1 January 2019	72,777,735	(18,841,854)	53,935,881
Change in deferred acquisition costs	9,983,835	(11,645,644)	(1,661,809)
Foreign exchange	(2,692,412)	1,127,994	(1,564,418)
At 31 December 2019	80,069,158	(29,359,504)	50,709,654

	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

6. Net operating expenses

	Technical account - General business	
	2019	*2018*
	£	£
Acquisition costs	152,731,513	122,119,375
Change in deferred acquisition costs	(9,983,835)	(9,594,000)
Administrative expenses	34,386,161	38,441,146
Reinsurance commissions and profit participation	(37,774,587)	(24,401,555)
	139,359,252	126,564,966

Member's standard personal expenses amounting to £9.3m (2018 - £7.3m) 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:

	2019	*2018*
	£	£
Salaries and related costs	12,463,460	14,056,126
Health and social security costs	1,801,830	1,964,344
Other pension costs	433,186	513,858
	14,698,476	16,534,328

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:

	2019	*2018*
Administration and finance	70	67
Underwriting	36	34
Claims	7	7
	113	108

8. Auditor's remuneration

	2019	2018
	£	£
Audit of the Syndicate annual accounts	175,000	160,000
Other services pursuant to Regulations and Lloyd's Byelaws	97,100	83,000
Other assurance fees	19,000	10,000
	291,100	253,000

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

5 directors (2018 - 6) of RSML received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2019	2018
	£	£
Aggregate remuneration in respect of qualifying services	1,515,026	1,383,508

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

	2019	2018
	£	£
Emoluments	655,896	364,732

10. Investment return

	2019	2018
	£	£
Income from other financial investments	10,876,083	7,390,263
Net gains / (losses) on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	3,251,824	(3,089,091)
Net unrealised gains on investments		
- Financial investments at fair value through profit and loss	9,121,694	1,774,909
Investment expenses and charges	(722,299)	(396,192)
	22,527,302	5,679,889

Notes to the financial statements
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Average amount of funds available for investment during the year:	*2019*	*2018*
	£	£
Sterling	8,078,798	5,924,735
US dollars	558,528,022	442,121,284
Canadian dollars	67,004,934	58,431,403
Euro	3,531,248	8,564,528
Combined in sterling	637,143,002	515,041,950

Gross calendar year investment yield:		
Sterling	0.7%	1.1%
US dollars	2.0%	2.5%
Canadian dollars	1.8%	2.1%
Euro	—%	—%
Combined	2.0%	2.4%

"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

		2019	
	Carrying value	*Purchase price*	*Listed*
	£	£	£
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	71,529,171	71,529,171	—
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	529,563,026	521,202,204	306,373,804
	601,092,197	592,731,375	306,373,804

		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

Included within debt securities and other fixed income securities is collateral held on assumed business of £25.09m (2018 - £29.98m).

Notes to the financial statements
For the year ended 31 December 2019

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 2019				
Shares and other variable yield securities and units in unit trusts	—	69,647,132	1,882,039	71,529,171
Debt securities and other fixed income securities	306,373,804	223,189,222	—	529,563,026
Overseas deposits	6,498,064	16,952,242	—	23,450,306
	312,871,868	309,788,596	1,882,039	624,542,503
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

12. Debtors arising out of reinsurance operations

	2019	*2018*
	£	£
Due from ceding insurers and intermediaries under reinsurance business	254,827,802	239,988,188
Due from reinsurers and intermediaries under reinsurance contracts ceded	42,258,043	17,554,584
	297,085,845	257,542,772

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

	2019	*2018*
	£	£
Cash at bank and in hand	15,832,486	16,469,481
Short term deposits with financial institutions	70,677,207	39,512,814
	86,509,693	55,982,295

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

15. Creditors

	2019	2018
	£	£
Amounts due within one year		
Amounts due to related parties	34,081,779	48,874,528
Unsettled investment trades	—	32,438,140
Other payables	1,614,650	2,725,479
	35,696,429	84,038,147
Amounts due after one year		
Amounts due to related parties	649,918	—
	36,346,347	84,038,147

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 £16.8m within creditors arising out of reinsurance operations (2018 - £13.1m).

The Syndicate entered into a Whole Account Stop Loss arrangement with RRL . The Syndicate recorded ceded net written premium of £4.7m (2018 - £5.2m) and has an intercompany creditor balance of £6.0m (2018 - £2.2m).

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 £10.1m (2018 - £9.2m) and has an intercompany creditor balance of £10.3m (2018 - £3.2m).

The Syndicate entered into a new whole account quota share arrangement during the year with RRL. The Syndicate ceded £63.9m during the year and has an intercompany creditor balance of £43.9m at the year end.

The Syndicate entered into an excess of loss contract with RRL from January to May 2019, within the property line of business, with ceded spend of £2.4m. This balance is outstanding at the year end.

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 £9.4m (2018 - £7.5m) 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 £12.4m (2018 - £2.6m).

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RenaissanceRe Services (UK) Limited

RenaissanceRe Services (UK) Limited ("RSUKL") is a wholly owned subsidiary of RenaissanceRe European Holdings Limited, which is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

RSUKL are a UK service company, operating on behalf of the Syndicate, via a service level agreement with RSML. In the prior year, these expenses were incurred and recharged by RSML. Total recharged expenses for the period were £20.8m. The Syndicate has an overall intercompany creditor balance to RSUKL of £4.8m at the year-end.

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 2019 RSML charged management fees of £3.7m to the Syndicate (2018 - £3.3m).

In the prior year, the Syndicate was charged by RSML for expenses incurred on behalf of the Syndicate which were recharged at cost totaling £21.9m. In the current year, recharged expenses have been incurred by RSUKL.

During the year, the Syndicate accrued profit commission of £0.6m due to RSML in respect of profit commission in respect of the 2016 and 2018 YOA. Profit commission is not actually paid until the year of account closes, normally at 36 months.

The Syndicate has an overall intercompany creditor balance to RSML of £0.7m (2018 - £7.1m).

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 2019 the Syndicate recorded £6.3m (2018 - £8.3m) of net written premium from Tower Hill and its subsidiaries and affiliates. The Syndicate has a net related outstanding receivable balance of £1.9m (2018 - £4.9m) and a reserve for claims and claims expenses of £1.5m (2018 - £12.2m).

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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.

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, license and ratings objectives.

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 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.

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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 2019.

Realistic disaster scenarios	*Industry loss*	*Estimated gross claims*	*Estimated net claims*
	£m	*£m*	*£m*
Two events (North East Windstorm, followed by Carolinas Windstorm)	90,532	659.3	192.3
Gulf of Mexico Windstorm - Galveston, Texas	89,098	549.5	44.9
Florida Windstorm - Miami Dade	98,831	555.5	47.5
Florida Windstorm - Pinellas	101,094	530.0	28.6
California Earthquake - San Francisco	60,355	453.0	10.1

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

	31 December 2019			*31 December 2018*		
	Gross liabilities	*Reinsurance of liabilities*	*Net liabilities*	*Gross liabilities*	*Reinsurance of liabilities*	*Net liabilities*
	£	£	£	£	£	£
United Kingdom	8,069,404	3,201,022	4,868,382	9,909,840	4,184,684	5,725,156
EU	9,731,312	3,860,278	5,871,034	9,104,311	3,844,529	5,259,782
US and Canada	899,542,107	356,836,044	542,706,063	826,089,073	348,837,275	477,251,798
Other	133,673,747	53,026,546	80,647,201	118,779,205	50,157,562	68,621,643
Total	1,051,016,570	416,923,890	634,092,680	963,882,429	407,024,050	556,858,379

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

	31 December 2019			*31 December 2018*		
	Gross liabilities	*Reinsurance of liabilities*	*Net liabilities*	*Gross liabilities*	*Reinsurance of liabilities*	*Net liabilities*
	£	£	£	£	£	£
Direct insurance						
Fire and other damage to property	69,639,444	25,936,888	43,702,556	72,395,978	33,868,196	38,527,782
Third party liability	435,781,359	132,307,369	303,473,990	350,437,317	98,314,465	252,122,852
Marine, Aviation and Transport	13,656,253	10,509,000	3,147,253	9,447,759	6,575,305	2,872,454
Miscellaneous	33,352,436	12,230,394	21,122,042	25,715,603	8,763,773	16,951,830
	552,429,492	180,983,651	371,445,841	457,996,657	147,521,739	310,474,918
Reinsurance	498,587,078	235,940,239	262,646,839	505,885,773	259,502,311	246,383,462
Total	1,051,016,570	416,923,890	634,092,680	963,882,430	407,024,050	556,858,380

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 2019

	£ Gross ultimate claims incurred	*£ Impact on gross ultimate claims incurred*	*% Impact on gross claims outstanding*	*% Impact on profit*	*% Impact on member's balances*
Higher	559,181,339	11,040,222	1.1 %	(2,186.2)%	(17.7)%
Recorded	548,141,116	—	— %	— %	— %
Lower	540,552,822	(7,588,295)	(0.7)%	1,502.6 %	12.2 %

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 %

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Attritional claim liabilities sensitivity analysis

31 December 2019

	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	106,055,730	10.1 %	(21,001.3)%	(170.3)%
Increase expected claims and claim expense ratio by 10%	Expected reporting	52,466,822	5.0 %	(10,389.6)%	(84.2)%
Increase expected claims and claim expense ratio by 10%	Faster reporting	10,509,636	1.0 %	(2,081.1)%	(16.9)%
Expected claims and claim expense ratio	Slower reporting	48,717,189	4.6 %	(9,647.0)%	(78.2)%
Expected claims and claim expense ratio	Expected reporting	—	— %	— %	— %
Expected claims and claim expense ratio	Faster reporting	(38,142,897)	(3.6)%	7,553.1 %	61.2 %
Decrease expected claims and claim expense ratio by 10%	Slower reporting	(8,621,353)	(0.8)%	1,707.2 %	13.8 %
Decrease expected claims and claim expense ratio by 10%	Expected reporting	(52,466,822)	(5.0)%	10,389.6 %	84.2 %
Decrease expected claims and claim expense ratio by 10%	Faster reporting	(86,795,429)	(8.3)%	17,187.3 %	139.4 %

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 %

Notes to the financial statements
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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.

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Gross insurance contract outstanding claims provision as at 31 December 2019:

Underwriting year (u/w year)	Earlier £	2010 £	2011 £	2012 £	2013 £	2014 £	2015 £	2016 £	2017 £	2018 £	2019 £	Total £
Estimate of cumulative claims incurred												
At end of u/w year		11,663,802	30,338,533	49,678,999	52,536,109	67,458,173	69,923,497	77,702,185	378,442,145	223,293,406	164,094,937	
12 months later		34,330,058	37,974,235	64,720,985	80,429,184	111,791,108	148,141,550	191,675,514	495,099,714	388,227,773		
24 months later		33,520,935	35,447,993	60,846,160	79,378,515	117,955,968	176,855,898	225,824,368	517,574,614			
36 months later		33,212,631	34,391,472	59,323,612	71,945,176	112,707,279	180,935,965	254,505,547				
48 months later		32,658,945	36,409,166	57,307,857	73,659,429	109,604,214	180,415,301					
60 months later		31,916,858	36,585,783	56,485,890	70,147,959	112,146,346						
72 months later		31,561,569	37,536,875	55,104,636	71,835,135							
84 months later		31,176,995	50,727,998	58,048,522								
96 months later		31,329,628	52,865,186									
108 months later		30,942,268										
Current estimate of cumulative claims incurred	8,244,487	30,942,268	52,865,186	58,048,522	71,835,135	112,146,346	180,415,301	254,505,547	517,574,614	388,227,773	164,094,937	
Cumulative claims paid												
At end of u/w year		(99,450)	(2,079,551)	(2,935,930)	(1,938,622)	(10,911,056)	(6,241,372)	(3,887,184)	(47,958,571)	(13,496,376)	(4,989,468)	
12 months later		(4,874,257)	(3,897,336)	(11,047,450)	(12,286,319)	(21,715,935)	(21,883,441)	(36,005,617)	(129,365,157)	(97,528,206)		
24 months later		(10,747,407)	(6,457,726)	(16,498,723)	(21,829,910)	(36,443,669)	(58,992,151)	(80,017,984)	(218,821,487)			
36 months later		(16,159,809)	(11,962,657)	(23,735,264)	(29,361,652)	(52,581,569)	(89,933,129)	(119,864,584)				
48 months later		(19,246,980)	(15,862,151)	(29,604,688)	(36,416,180)	(61,035,051)	(110,830,144)					
60 months later		(21,677,954)	(20,509,624)	(34,689,363)	(44,716,097)	(75,070,369)						
72 months later		(24,611,909)	(24,793,375)	(38,019,942)	(50,641,448)							
84 months later		(26,517,146)	(27,991,554)	(43,394,117)								
96 months later		(27,290,574)	(30,842,427)									
108 months later		(27,714,649)										
Cumulative payments to date	(8,186,647)	(27,714,649)	(30,842,427)	(43,394,117)	(50,641,448)	(75,070,369)	(110,830,144)	(119,864,584)	(218,821,487)	(97,528,206)	(4,989,468)	
Total gross outstanding claims provision per the statement of financial position	57,840	3,227,619	22,022,759	14,654,405	21,193,687	37,075,977	69,585,157	134,640,963	298,753,127	290,699,567	159,105,469	1,051,016,570

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Net insurance contract outstanding claims provision as at 31 December 2019:

Underwriting year (u/w year)	Earlier	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	£	£	£	£	£	£	£	£	£	£	£	£
Estimate of cumulative claims incurred												
At end of u/w year		11,663,802	30,338,533	48,923,624	52,472,713	61,483,351	58,509,523	58,678,076	121,765,267	113,397,471	105,948,525	
12 months later		30,204,861	37,974,235	64,676,991	79,362,409	99,413,272	116,788,716	143,216,214	209,878,445	221,714,247		
24 months later		30,071,132	35,447,993	60,121,157	78,153,946	102,867,064	138,611,222	167,427,458	245,920,658			
36 months later		29,931,371	34,391,472	58,588,365	71,273,385	97,547,792	137,323,131	187,411,687				
48 months later		29,638,340	36,409,166	56,779,777	72,039,932	94,151,571	132,762,319					
60 months later		28,948,164	36,585,783	55,875,399	68,503,362	97,150,798						
72 months later		28,580,181	37,536,875	54,570,597	69,448,255							
84 months later		28,468,478	50,727,998	57,496,774								
96 months later		28,617,260	52,865,186									
108 months later		28,220,096										
Current estimate of cumulative claims incurred	8,244,487	28,220,096	52,865,186	57,496,774	69,448,255	97,150,798	132,762,319	187,411,687	245,920,658	221,714,247	105,948,525	
Cumulative claims paid												
At end of u/w year		(99,450)	(2,079,551)	(2,935,930)	(1,938,622)	(7,211,961)	(5,979,423)	(3,498,280)	(44,500,897)	(10,261,188)	(3,759,426)	
12 months later		(4,874,257)	(3,897,336)	(11,004,306)	(12,286,319)	(17,810,722)	(20,270,859)	(31,111,150)	(46,851,551)	(64,134,677)		
24 months later		(9,525,801)	(6,457,726)	(16,006,675)	(21,618,685)	(31,827,004)	(52,070,315)	(65,845,986)	(98,688,581)			
36 months later		(13,897,554)	(11,962,657)	(23,210,937)	(28,896,945)	(45,251,613)	(76,432,281)	(94,353,204)				
48 months later		(16,839,971)	(15,862,151)	(29,080,361)	(35,951,473)	(52,715,090)	(91,620,806)					
60 months later		(19,204,475)	(20,509,624)	(34,165,036)	(43,886,848)	(64,291,341)						
72 months later		(22,122,563)	(24,793,375)	(37,490,873)	(49,176,662)							
84 months later		(24,027,800)	(27,991,554)	(42,868,576)								
96 months later		(24,743,931)	(30,842,427)									
108 months later		(25,168,006)										
Cumulative payments to date	(8,186,647)	(25,168,006)	(30,842,427)	(42,868,576)	(49,176,662)	(64,291,341)	(91,620,806)	(94,353,204)	(98,688,581)	(64,134,677)	(3,759,426)	
Total net outstanding claims provision per the statement of financial position	57,840	3,052,090	22,022,759	14,628,198	20,271,593	32,859,457	41,141,513	93,058,483	147,232,077	157,579,570	102,189,099	634,092,679

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(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 2019, the Syndicate holds collateral of £154.6m (2018 - £199.7m) which mitigates the credit risk pertaining to £283.9m (2018 - £327.6m) 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 2019	*Neither past due nor impaired*	*Past due*	*Impaired*	*Total*
	£	£	£	£
Other financial investments				
- Debt securities	529,563,026	—	—	529,563,026
Shares and other variable yield securities	71,529,171	—	—	71,529,171
Overseas deposits as investments	23,450,306	—	—	23,450,306
Deposits with ceding undertakings	18,792,609	—	—	18,792,609
Reinsurers' share of claims outstanding	416,923,891	—	—	416,923,891
Debtors arising out of direct insurance operations	11,142,081	712,916	—	11,854,997
Debtors arising out of reinsurance contracts	285,127,364	11,958,481	—	297,085,845
Other debtors	198,382,788	—	—	198,382,788
Cash at bank and in hand	15,832,486	—	—	15,832,486
	1,570,743,722	12,671,397	—	1,583,415,119

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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

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 2019	*AAA*	*AA*	*A*	*BBB*	*BBB or less*	*Not readily available/not rated*	*Total*
	£	£	£	£	£	£	£
Shares and other variable yield securities and unit trusts	50,755,083	—	20,774,088	—	—	—	71,529,171
Other financial investments							
- Debt securities	387,290,588	20,942,313	120,482,588	—	—	847,537	529,563,026
Overseas deposits as investments	14,307,587	2,317,573	3,248,509	2,546,552	—	1,030,085	23,450,306
Deposits with ceding undertakings	—	—	4,343,833	—	—	14,448,776	18,792,609
Reinsurers' share of claims outstanding	—	32,425,394	273,749,454	64,671	—	110,684,372	416,923,891
Debtors arising out of reinsurance contracts ceded	—	674,829	16,808,267	—	—	24,774,947	42,258,043
Cash at bank and in hand	2,642,226	—	—	13,190,260	—	—	15,832,486
	454,995,484	56,360,109	439,406,739	15,801,483	—	151,785,717	1,118,349,532

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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	—	—	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	—	177,005,034	990,361,280

(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.

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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 2019						
Claims outstanding	1,051,016,570	300,981,819	383,273,066	186,939,023	179,822,662	1,051,016,570
Deposits received from reinsurers	2,466,093	706,220	899,307	438,632	421,934	2,466,093
Creditors	237,216,438	191,012,643	46,203,795	—	—	237,216,438

	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

(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.

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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 2019							
Total assets	35,201,120	1,463,770,558	13,442,996	71,000,445	—	—	1,583,415,119
Total liabilities	(96,900,681)	(1,474,839,950)	(41,005,992)	(32,946,327)	—	—	(1,645,692,950)
Net assets	(61,699,561)	(11,069,392)	(27,562,996)	38,054,118	—	—	(62,277,831)
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)

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*	
	2019	*2018*	*2019*	*2018*
	£	£	£	£
Sterling weakens				
10% against other currencies	3,432,163	3,800,031	(1,320,531)	(2,478,686)
Sterling strengthens				
10% against other currencies	(3,432,163)	(3,800,031)	1,320,531	2,478,686

(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

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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 2019		
+50 basis points	(8,947,565)	(8,947,565)
-50 basis points	9,110,650	9,110,650
31 December 2018		
+50 basis points	(6,858,854)	(6,858,854)
-50 basis points	6,858,854	6,858,854