

Accounts disclaimer

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Syndicate 780
2020 Annual Report

Syndicate 780

Annual Report

For the year ended 31st December 2020

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Syndicate 780

Directors and Administration

For the year ended 31st December 2020

Managing Agent

RiverStone Managing Agency Limited
Park Gate
161 – 163 Preston Road
Brighton
East Sussex
United Kingdom
BN1 6AU

Directors of Managing Agent

T. Ambridge
M. J. Bannister
N. C. Bentley (resigned 22 May 2020)
A. R. Creed
I. Hewitt
T. A. Riddell – Independent Non-Executive Director
K. Shah – Independent Non-Executive Chairman
N. Smith – Independent Non-Executive Director
L. R. Tanzer

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Website

<https://www.rsml.co.uk>

Syndicate 780

Managing Director's Report

For the year ended 31st December 2020

Principal Activity

On 11th July 2018, the Syndicate's parent, Advent Capital (Holdings) Limited ("Advent" or "ACH") announced the integration of its profitable Lloyd's underwriting portfolios into other Fairfax Financial Holdings Limited ("Fairfax") UK affiliates, in response to the considerable strategic challenges facing Syndicate 780, in an extremely competitive market place, while placing the remaining parts of its portfolio into run off under the management of RiverStone Managing Agency Limited ("RiverStone Managing Agency"). Syndicate 780 permanently ceased underwriting at the end of the 2018 Year of Account ("YOA") on 31st December 2018.

As of 1st January 2019, the Managing Agency contract for Syndicate 780 ("Managing Agency Contract") was novated by Advent Underwriting Limited ("AUL") to RiverStone Managing Agency and AUL ceased on-going operations.

On 31st March 2020, Fairfax sold a 40% equity interest in its wholly owned European Run-off group to Ontario Municipal Employees Retirement System ("OMERs"), the pension plan manager for government employees in the province of Ontario. The European Run-off group includes RiverStone Managing Agency and its immediate parent company RiverStone Holdings. Upon completion of the transaction, OMERs and Fairfax have joint control of the European Run-off group. Accordingly, Fairfax have deconsolidated the European Run-off group and have applied the equity method of accounting for its remaining equity interest.

RiverStone Managing Agency delegates most of its day-to-day management functions under an outsource agreement with RiverStone Management Limited ("RiverStone Management"). Provision of services under this agreement is monitored by regular reporting to the board of directors of RiverStone Managing Agency ("the Board"), which includes analysis of performance against key performance indicators.

The sole corporate member for Syndicate 780 is Advent Capital (No.3) Limited ("AC3").

Effective 1st January 2021, the liabilities of Syndicate 780 were reinsured to close into Syndicate 3500, which is also under the management of RiverStone Managing Agency.

Business Review

Results and Performance

The profit for the 2020 financial year, on an annual accounting basis, is \$17 million (2019: \$15.1 million).

The balance on the technical account for general business for the year was a profit of \$14.2 million (2019: \$10.9 million). This comprises net earned premiums of \$7.1 million (2019: \$60.8 million), favourable net claims incurred development of \$12 million (2019: unfavourable net incurred claims of \$24.6 million) and Other technical income of \$600,000 (2019: Nil), partially offset by net operating expenses of \$5.6 million (2019: \$25.2 million).

The total profit for the financial year of \$17 million (2019: \$15.1 million) comprises net investment gains of \$1.1 million (2019: gain of \$5.8 million), foreign exchange profit of \$1.7 million (2019: loss of \$1.6 million).

Member's balances increased to a surplus of \$29.4 million at 31st December 2020 (2019: surplus of \$20.6 million) driven by the 2020 profit for the financial year, exchange differences on members balances of \$400,000, partially offset by the distribution of profits on the closed 2017 Year of Account of \$8.4 million.

Total outstanding claims, gross of reinsurance, were \$180.6 million as at 31st December 2020 (2019: \$250.4 million). Total cash, deposits and investments were \$139.5 million at 31st December 2020 (2019: \$168.2 million). Decreases to the outstanding claims and cash balances predominantly relate to the payment of claims in relation to the run-off of the business.

Syndicate 780

Managing Director's Report

For the year ended 31st December 2020

On 1st April 2019, Syndicate 780 entered into a reinsurance protection agreement with an affiliate reinsurer, to provide run-off protection to the property direct and facultative, property binder and terrorism classes.

Principal Risks and Uncertainties

The process of risk acceptance and risk management was addressed through a framework of policies, procedures and internal controls. All policies were subject to approval by the Board and ongoing review by the Board, executive committees, risk management and internal audit. Compliance with regulatory, legal and ethical standards was a high priority for Syndicate 780 and RiverStone Managing Agency. The compliance, legal and finance departments of RiverStone Management took on an important oversight role in this regard. The Board was responsible for ensuring that a proper internal control framework existed to manage financial risks and that controls operated effectively; it is assisted in discharging these responsibilities by the RiverStone Holdings Group Risk Committee.

The risks that Syndicate 780 were exposed to and their impact on economic capital have been assessed. This process was risk based and used Solvency II based principles to manage capital requirements and to ensure that there was sufficient financial strength and capital adequacy to support the obligations to policyholders, regulators and other stakeholders.

The principal risks faced by Syndicate 780 arose from fluctuations in the severity of claims compared with expectations, late reporting of claims, inadequate reserving and inadequate reinsurance protection (including the credit worthiness of major reinsurers). Syndicate 780's assets and liabilities were also exposed to market risk, including the impact of changes to interest rates, equity price fluctuations and adverse changes in exchange rates.

2020 has been dominated by the impact on society of the novel coronavirus, COVID-19. This disease has forced numerous economies to impose significant restrictions on free movement, with the UK requiring large numbers of workers to remain at home. Syndicate 780, RiverStone Managing Agency and RiverStone Management have continued to perform business as usual activities efficiently and effectively despite these restrictions and will continue to remain fully operational while these conditions remain in force. Syndicate 780 does not have material insurance exposure to COVID-19 related claims and its 2020 financial results have not been meaningfully impacted by this pandemic.

Strategy and Future Developments

Effective 1st January 2021, the liabilities of Syndicate 780 were reinsured to close into Syndicate 3500, which is also under the management of RiverStone Managing Agency.

The reinsurance to close of the 2018 and prior underwriting years of account liabilities of Syndicate 780 results in the transfer to Syndicate 3500 of gross and net technical provisions of \$180.6 million and \$115.6 million, respectively.

On 20th December 2020, Fairfax entered into a binding agreement with CVC Capital Partners to sell all of its equity interest in the European Run-off group to CVC Strategic Opportunities Fund II. OMERS has also agreed to sell all its interests the European Run-off group as part of the transaction. The transaction is subject to regulatory approval and is expected to close in the first quarter of 2021.

Performance Measurements

RiverStone Managing Agency has made continued progress throughout 2020 in relation to key elements of its strategy, through the continued proactive management of its existing liabilities.

Syndicate 780
Managing Director's Report
For the year ended 31st December 2020

The Board monitored the progress of Syndicate 780's existing run-off portfolio by reference to the reduction in gross loss reserves and reduction in reinsurance recoverables, in a timely and economic manner. Syndicate 780 gross loss reserves decreased by 27.8% and third-party reinsurance recoverables (excluding group reinsurance protection) decreased by 23.4% during 2020. The movements are in line with Board's expectations and the performance is considered to be satisfactory.

As the final year of account will close at the end of 2020, the Directors do not believe that it is appropriate to prepare these financial statements on a going concern basis, as explained in Note 3 to these financial statements.

L. R. Tanzer
Managing Director
16 February 2021

Syndicate 780

Managing Agent's Report

For the year ended 31st December 2020

The Directors of the managing agent, RiverStone Managing Agency, present their report and the audited financial statements for the year ended 31st December 2020.

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Reporting Basis

These Syndicate Annual financial statements are prepared using the annual basis of accounting as required by Statutory Instrument 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

Principal Activity

The principal activity of Syndicate 780 is the run-off of its existing liabilities.

The Business Review is included in the Managing Director's report on pages 4 to 6.

Directors

The Directors of RiverStone Managing Agency holding office during the year from 1st January 2020 to the date of this report were as follows:

T. Ambridge
M. J. Bannister
N. C. Bentley (resigned 22 May 2020)
A. R. Creed
I. Hewitt
T. A. Riddell – Independent Non-Executive Director
K. Shah – Independent Non-Executive Chairman
N. Smith – Independent Non-Executive Director
L. R. Tanzer

Annual General Meeting

The Directors do not propose to hold an annual general meeting for Syndicate 780. A meeting will be convened should the sole direct corporate member of Syndicate 780 request one.

Investment Policy and Management

All assets continue to be invested in a manner to maximize return within agreed investment policies established by RiverStone Managing Agency. These investments are managed within the risk constraints and credit guidelines agreed by the Board. The investment policy and performance of funds are reviewed regularly by the Board. Syndicate 780 has not been involved in the lending of investments to the securities market.

Financial Instruments

As described in Note 5 to the financial statements, Syndicate 780 is exposed to financial risk through its financial assets and liabilities, including its reinsurance assets and policyholder liabilities. In particular, a key financial risk is that the proceeds from financial and reinsurance assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity risk and currency risk), credit risk and liquidity risk.

Syndicate 780 manages this risk within its overall risk management framework.

Syndicate 780

Managing Agent's Report

For the year ended 31st December 2020

Statement of Managing Agent's Responsibilities

The 2008 Regulations require RiverStone Managing Agency to prepare Syndicate Annual Accounts at 31st December each year which give a true and fair view of the state of affairs of Syndicate 780 and of its profit or loss for that year.

In preparing those Syndicate Annual Accounts, RiverStone Managing Agency is required to:

- select suitable accounting policies, and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Syndicate Annual Accounts; and
- prepare the Syndicate Annual Accounts on a going concern basis, unless it is inappropriate to do so.

RiverStone Managing Agency confirms that it has complied with the above requirements in preparing the financial statements.

RiverStone Managing Agency is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Syndicate 780 and enable it to ensure that the Syndicate Annual Accounts comply with the 2008 Regulations.

It is also responsible for safeguarding the assets of Syndicate 780 and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

It is also responsible for the maintenance and integrity of the business' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each person who is a director of RiverStone Managing Agency at the date this Managing Agent's Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By Order of the Board

Park Gate, 161 Preston Road
Brighton, East Sussex
United Kingdom, BN1 6AU

L. R. Tanzer
Managing Director
16 February 2021

Syndicate 780

Independent Auditors' Report to the Member of Syndicate 780

For the year ended 31st December 2020

Report on the audit of the syndicate annual accounts

Opinion

In our opinion, Syndicate 780's syndicate annual accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within 2020 Annual Report (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Profit and Loss Account, the Statement of Cash Flows, and the Statement of Changes in Members' Balances for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and other applicable law. Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the syndicate annual accounts* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - Basis of preparation

We draw attention to note 3(a) in the syndicate annual accounts which explains that the 2018 year of account of the syndicate has closed and all assets and liabilities transferred to Syndicate 3500 by reinsurance to close. The Syndicate has no successor year of account.

As a result, the Syndicate is no longer a going concern. The reinsurance to close occurs in the normal course of business for a syndicate year of account at the 36 months stage of development. The syndicate annual accounts have therefore been prepared on a basis other than going concern where the recorded assets and liabilities represent the amounts that would be realised and discharged in the normal course of business were the going concern basis adopted.

Our opinion is not modified in respect of this matter.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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

Syndicate 780

Independent Auditors' Report to the Member of Syndicate 780

For the year ended 31st December 2020

an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Managing Agent's Report, we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on our work undertaken in the course of the audit, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us also to report certain opinions and matters as described below.

Managing Agent's Report

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 year ended 31 December 2020 is consistent with the syndicate annual accounts and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent's Report.

Responsibilities for the syndicate annual accounts and the audit

Responsibilities of the Managing Agent for the syndicate annual accounts

As explained more fully in the Statement of Managing Agent's Responsibilities, the Managing Agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Managing Agent is also responsible for such internal control as they determine is necessary to enable the preparation of 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 as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the syndicate is unable to continue to realise its assets and discharge its liabilities in the ordinary course of business.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the syndicate annual accounts. We also considered those laws and regulations that have a

Syndicate 780

Independent Auditors' Report to the Member of Syndicate 780 For the year ended 31st December 2020

direct impact on the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of claims outstanding, and posting inappropriate journal entries.

Audit procedures performed by the engagement team included:

- Challenging assumptions and judgements made by management in their valuation of claims outstanding, including deriving independent estimates for some classes of business;
- Discussions with management and those involved in the risk and compliance functions, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations; and
- Identifying and testing journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the syndicate annual accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the syndicate annual accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the syndicate's member in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Managing Agent in respect of the syndicate; or
- certain disclosures of Managing Agent remuneration specified by law are not made; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Stewart Paterson (Senior statutory auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

16 February 2021

Syndicate 780
Profit and Loss Account
For the year ended 31st December 2020

	Note	2020 \$'000	2019 \$'000
Technical Account – General Business			
Gross premiums written	6	8,309	44,044
Outward reinsurance premiums		<u>(4,085)</u>	<u>(34,333)</u>
Net premiums written		<u>4,224</u>	<u>9,711</u>
Change in provision for unearned premium			
Gross amount		5,873	92,063
Reinsurers' share		<u>(2,957)</u>	<u>(41,030)</u>
Change in net provision for unearned premium		2,916	51,033
Written and earned premiums net of reinsurance		<u>7,140</u>	<u>60,744</u>
Other technical income, net of reinsurance		649	-
Gross claims paid	7	(51,808)	(173,240)
Reinsurers' share	7	<u>32,451</u>	<u>83,185</u>
Net claims paid		<u>(19,357)</u>	<u>(90,055)</u>
Change in the gross provision for claims		70,140	113,301
Reinsurers' share		<u>(38,798)</u>	<u>(47,839)</u>
Change in the net provision for claims		<u>31,342</u>	<u>65,462</u>
Claims incurred, net of reinsurance		11,985	(24,593)
Net operating expenses	6,8	<u>(5,588)</u>	<u>(25,222)</u>
Total technical credit, net of reinsurance		<u>14,186</u>	<u>10,929</u>
Balance on the technical account for general business		14,186	10,929
Non-Technical Account			
Investment income	10	2,599	4,106
Unrealised gains on investments		1,083	3,832
Unrealised losses on investments		(733)	(521)
Realised losses on investments		(1,542)	(1,357)
Investment expenses and charges	11	(349)	(270)
Foreign Exchange gain (loss)	12	<u>1,785</u>	<u>(1,638)</u>
Profit for the financial year		\$ <u>17,029</u>	\$ <u>15,081</u>

The results above are all derived from continuing operations

Syndicate 780
Balance Sheet
As at 31st December 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Investments			
Other financial investments	13	114,787	138,236
Reinsurers' share of technical provisions			
Claims outstanding	7	64,951	102,935
Provision for unearned premium		-	2,957
		64,951	105,892
Debtors			
Debtors arising out of direct insurance operations	14	508	4,415
Debtors arising out of reinsurance operations	15	12,128	18,713
Other debtors	16	1,388	976
		14,024	24,104
Other assets			
Cash at bank and in hand		24,714	29,808
Prepayments and accrued income			
Accrued interest		86	425
Deferred Acquisition costs		-	1,460
		86	1,885
Total assets		\$ 218,562	\$ 299,925
Capital, Reserves and Liabilities			
Capital and reserves			
Member's balances		29,366	20,592
Technical provisions			
Claims outstanding		180,641	250,154
Provision for unearned premiums		-	5,985
		180,641	256,139
Creditors			
Creditors arising out of reinsurance operations	17	2,138	14,431
Other creditors including taxation and social security	18	6,417	6,486
		8,555	20,917
Accruals and deferred income		-	2,277
Total capital, reserves and liabilities		\$ 218,562	\$ 299,925

The financial statements on pages 12 to 37 were approved by the Board of RiverStone Managing Agency Limited on 9 February 2021 and were signed on its behalf by the Directors on 16 February 2021:

L. R. Tanzer
 Managing Director

A. R. Creed
 Finance Director

Syndicate 780
Statement of Changes in Members' Balances
For the year ended 31st December 2020

	Member's Balances \$'000
Balance at 1st January 2019	(17,950)
Profit for the financial year	15,081
Call on closed year of account	8,295
Interim cash call	16,376
Exchange difference on member's balance	<u>(1,210)</u>
Balance at 31st December 2019	\$ <u>20,592</u>
Balance at 1st January 2020	20,592
Profit for the financial year	17,029
Distribution on closed year of account	(8,454)
Exchange difference on member's balance	<u>199</u>
Balance at 31st December 2020	\$ <u>29,366</u>

Syndicate 780
Statement of Cash Flows
For the year ended 31st December 2020

	Note	2020 \$'000	2019 \$'000
Reconciliation of operating profit to net cash inflow (outflow) from operating activities			
Profit for the financial year		17,029	15,081
Decrease in gross technical provisions		(75,498)	(204,197)
Decrease in reinsurers' share of gross technical provisions		40,941	88,714
Decrease in debtors		10,081	66,033
Decrease in creditors		(12,361)	(19,486)
Movement in other (liabilities) /assets		(478)	15,510
Investment return		(1,058)	(5,790)
Net cash (outflow) from operating activities		(21,344)	(44,163)
Purchase of equity and debt instruments		(258,794)	(80,578)
Sale of equity and debt instruments		283,923	108,987
Investment income received		2,930	4,366
Foreign exchange relating to investing activities		(3,681)	1,417
Net cash inflow from investing activities		24,378	34,191
(Profit) /loss call distribution		(8,454)	8,295
Cash call		-	16,376
Net cash (outflow) / inflow from financing activities		(8,454)	24,671
Cash and cash equivalents at beginning of year		29,808	15,556
Foreign Exchange on cash and Cash Equivalents		326	(446)
Cash and cash equivalents at end of year		\$ 24,714	\$ 29,808
Cash and cash equivalents consist of:			
Cash at bank and in hand	20	24,714	29,808
Cash and cash equivalents		\$ 24,714	\$ 29,808

Syndicate 780

Notes to the Financial Statements

For the year ended 31st December 2020

1. General Information

Syndicate 780 is engaged in the runoff of the assets and liabilities associated with previously written insurance and reinsurance business in the Lloyd's of London general insurance market.

Syndicate 780 is managed by RiverStone Managing Agency Limited ("the Managing Agent"), whose registered office address is Park Gate, 161-163 Preston Road, Brighton, East Sussex, United Kingdom, BN1 6AU.

2. Statement of Compliance

The financial statements of Syndicate 780 have been prepared in accordance with Regulation 5 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and Financial Reporting Standard 103, "Insurance Contracts" (FRS103).

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

These financial statements have been prepared on the basis that the Syndicate ceased to write new business 1 January 2019 and has reinsured to close its 2018 and prior years of account into Riverstone Syndicate 3500 from 1 January 2021 and therefore is not a going concern.

The assets and liabilities at the balance sheet date have been recognised under the historical cost convention except for certain financial assets which are measured at fair value, using the annual basis of accounting in accordance with Regulation 5 the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts Regulations 2008), and in compliance with United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard Applicable in the UK and republic of Ireland" ("FRS 102") and Financial Reporting Standard 103, "Insurance contracts" ("FRS 103").

There are no other assets or liabilities recognisable as a consequence of not preparing these financial statements on a going concern basis. Therefore, no adjustments are necessary to the amounts at which the net assets are included in these financial statements. FRS 102 and 103 have been consistently applied to all years presented. There have been no changes in accounting policies compared to the 2019 financial statements.

(b) Insurance Contracts

i) Premiums Written

The results for general insurance business written are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

Syndicate 780

Notes to the Financial Statements

For the year ended 31st December 2020

Premiums written relate to adjustments made in the year to estimates of premiums written in prior years. Premiums are shown gross of commission payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, including amounts due to Syndicate 780 not yet notified.

Premiums are accreted to the income statement on a pro-rata basis over the term of the related policy, except for those contracts where the period of risk differs significantly from the contract period. In these cases, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided.

Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date. The unearned premium reserve is translated to US Dollars at closing rates of exchange.

Acquisition costs, which represent commission and other related expenses, are allocated over the period in which the related premiums are earned.

ii) Claims Incurred and Reinsurers' Share

Claims incurred comprise claims and related claims handling expenses paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, reductions are made for salvage and other recoveries.

Provisions for outstanding claims and related reinsurance recoveries are established based on estimates of the ultimate net cost of settlement along with actuarial and statistical projections. Claims provisions are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, levels of unpaid claims, judicial decisions and economic conditions.

Whilst the board of directors of the Managing Agent ("the Board") believes that the provisions for outstanding claims and related reinsurance recoveries including bad debt provisions are fairly stated, these estimates inevitably contain inherent uncertainties because significant periods of time may elapse between the occurrence of an incurred loss, the reporting of that loss to Syndicate 780, Syndicate 780's payment of the loss and the receipt of reinsurance recoveries. These uncertainties are inherent in much of the business previously underwritten and assumed by Syndicate 780. The estimates made are based upon current facts available to Syndicate 780 and the prevailing legal environment and are subjected to continual review, with any resulting adjustments reported in current earnings. Anticipated reinsurance recoveries are disclosed separately as assets on the balance sheet.

(c) Syndicate Operating Expenses

All costs relating to the administration and handling of claims are shown as part of gross claims paid. All other administrative costs of Syndicate 780, including acquisition costs and any members' expenses, are shown as net operating expenses.

Syndicate 780

Notes to the Financial Statements

For the year ended 31st December 2020

(d) Distribution of Profits and Collection of Losses

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses accrue to members according to their membership of a year of account. Normally profits and losses are settled between Syndicate 780 and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. Syndicate 780 may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

(e) Translation of Foreign Currencies

The financial statements are presented in United States Dollars and, unless otherwise stated, are rounded to thousands. Items included in Syndicate 780's financial statements are measured using the currency of the primary economic environment in which it operates. Syndicate 780's functional currency is the United States Dollar.

Foreign currency transactions are translated into the functional currency using the average rate of exchange during the year. At each year end foreign currency monetary items are translated using the year end rate of exchange. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the year.

(f) Tax

No amount has been provided in these financial statements for tax on trading income. 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 Syndicate 780 during the year have been included in the balance sheet under the heading 'other debtors'.

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

(g) Investment Return

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

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

Syndicate 780

Notes to the Financial Statements

For the year ended 31st December 2020

(h) Other Financial Investments

Syndicate 780 has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102 in respect of the financial statements. Syndicate 780 classifies all its investments as financial assets at fair value through profit and loss. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

A financial asset is classified as fair value through profit and loss at inception if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities. All derivatives are classified as at fair value through profit and loss.

Financial assets designated as at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to Syndicate 780's key management personnel. Syndicate 780's investment strategy is to invest in interest rate debt securities and derivatives designated upon initial recognition at fair value through profit and loss.

The fair values of listed investments are based on current bid prices on the balance sheet date. Unlisted investments for which a market exists are also stated at the current bid price on the balance sheet date or the last trading day before that date.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit and loss are presented in the Profit and Loss Account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the year in which they arise.

Syndicate 780 discloses its investments in accordance with a fair value hierarchy with the following levels:

- i) Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;
- ii) 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
- iii) Level 3 – inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

(i) Related Party Transactions

Syndicate 780 discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

4. Critical Accounting Judgements and Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Syndicate 780

Notes to the Financial Statements

For the year ended 31st December 2020

Syndicate 780 makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimation of the ultimate liability arising from claims made under insurance contracts is Syndicate 780's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that Syndicate 780 will ultimately pay for such claims. Some of these claims are not expected to be settled for several years and there is uncertainty as to the amounts at which they will be settled. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims and case law.

The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the financial statements for the year in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

5. Management of Insurance and Financial Risk

Financial Risk Management Objectives

Syndicate 780 is exposed to insurance risk through the insurance contracts that it has written and to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

Syndicate 780 has established an overall risk management policy which focuses on the main risks to which it is exposed, paying particular attention to key risks which impact on the overall operation of the business. A risk register is maintained which is updated at least quarterly. All risks on the register are reviewed with key management personnel and the Board reviews the key risks on a quarterly basis.

(a) Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty over the amount of the resulting ultimate claim. By the very nature of an insurance contract, this risk is unpredictable at the outset.

The principal risk that Syndicate 780 faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits arising from insurance contracts will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be materially affected by a change in any subset of the portfolio. Syndicate 780 has a diversified portfolio of insurance risks.

Syndicate 780 mitigates insurance risk through the use of reinsurance, both in the form of third party reinsurance associated with the business originally written and reinsurance with affiliated reinsurers

Syndicate 780

Notes to the Financial Statements

For the year ended 31st December 2020

i) Process for Assessment of Technical Provisions

Syndicate 780 adopts a consistent process to the calculation of an appropriate provision for the exposures arising from the business it has written. A full reserving analysis is conducted at least annually and the technical provisions recorded on the balance sheet are in line with the Board's view of the best estimate value of the underlying liabilities.

The technical provisions recorded at the reporting date comprise the estimated ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid. This is estimated based on known facts at the balance sheet date. The provision is revised as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported.

Syndicate 780 uses assumptions based on a mixture of internal and market data to measure its claims liabilities. This information is used to project the ultimate number and value of claims, by major class of business, using recognised statistical estimation techniques.

Assumptions are reviewed and tested regularly in the light of actual claims development and general market movements and trends.

ii) Sources of Uncertainty in the Estimation of Future Claim Payments

The sources of estimation uncertainty in establishing the ultimate liability arising from claims made under insurance contracts is discussed in Note 4.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. Syndicate 780 takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The liability for insurance contracts comprises a provision for claims incurred but not yet reported and a provision for reported claims not yet paid. The estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimates of claims that have already been notified, for which there is more information available.

iii) Key Assumptions and Sensitivities

The assumptions that have the greatest impact on gross and net technical provisions are those that affect the expected level of claims in the liability and Casualty classes. The largest sensitivities on these classes are in respect of uncertainties around future numbers and amounts of claims. The reserves for these classes will be paid out over many years.

Syndicate 780 is judged not to have material insurance exposure to COVID-19 related claims and has experienced limited claims notifications in this regard during 2020. The 31st December 2020 technical provisions make allowance for potential claims arising in relation to this pandemic based on the detailed knowledge of business written and the expert judgements of actuarial and claims subject matter experts. While the final outcome of any potential claims is subject to uncertainty and is unlikely to be known for some time, the current provisions are deemed sufficient.

Syndicate 780

Notes to the Financial Statements

For the year ended 31st December 2020

iv) Claims Development Tables

The following table presents the comparison of actual claims incurred to previous estimates for the last 9 years.

Claims Outstanding (gross earned) Underwriting Year

	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	Total \$'000
At end of reporting year	237,734	108,765	88,733	76,650	75,346	79,494	160,567	105,240	932,529
- One year later	270,190	144,775	124,358	132,342	160,439	199,800	229,374	168,455	1,429,733
- Two years later	267,570	135,444	115,978	131,438	173,919	196,279	236,618	168,289	1,425,535
- Three years later	252,837	132,612	106,406	121,250	171,044	191,075	234,114		1,209,338
- Four years later	265,289	121,166	102,115	124,646	169,029	190,267			972,512
- Five years later	243,271	122,224	98,983	123,663	165,940				754,081
- Six years later	241,652	122,244	97,664	123,021					584,581
- Seven years later	240,982	119,584	94,754						455,320
- Eight years later	240,257	117,407							357,664
- Nine years later	240,217								240,217
Cumulative payments to date	(227,529)	(111,026)	(86,926)	(111,058)	(145,724)	(168,769)	(196,134)	(125,359)	(1,172,525)
Liability recognised in the balance sheet	\$ 12,688	6,382	7,828	11,964	20,216	21,498	37,980	42,930	161,486
Reserve in respect of prior years									19,155
Total reserve included in balance sheet									180,641

Claims Outstanding (net earned) Underwriting Year

	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	Total \$'000
At end of reporting year	152,518	94,738	76,667	59,787	60,650	66,354	89,023	55,504	655,241
- One year later	180,202	125,851	115,758	106,667	126,514	148,025	125,585	85,535	1,014,137
- Two years later	175,647	117,697	109,266	104,955	140,113	142,922	128,545	92,593	1,011,738
- Three years later	283,012	264,829	100,485	97,654	126,253	139,666	123,344		1,135,243
- Four years later	530,157	92,322	96,133	94,968	126,658	138,722			1,078,960
- Five years later	158,293	106,726	89,162	92,936	124,197				571,314
- Six years later	156,707	106,936	88,025	92,417					444,085
- Seven years later	175,384	100,091	85,856						361,331
- Eight years later	152,562	98,461							251,023
- Nine years later	152,413								152,413
Cumulative payments to date	(142,711)	(93,679)	(79,989)	(83,465)	(109,540)	(124,630)	(101,451)	(66,518)	(801,983)
Liability recognised in the balance sheet	\$ 9,702	4,782	5,867	8,952	14,657	14,092	21,893	26,075	106,020
Reserve in respect of prior years									9,670
Total reserve included in balance sheet									115,690

Syndicate 780

Notes to the Financial Statements

For the year ended 31st December 2020

Insurance Risk Concentrations

The concentration of insurance risk before and after reinsurance by the most material classes of business is summarised below, with reference to the carrying amount of outstanding claims (gross and net of reinsurance) arising from insurance contracts:

	2020		2019	
	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000
Property Binder	21,430	5,497	42,983	6,676
Accident and Health	1,838	-	(540)	(5,434)
Casualty	62,882	46,222	85,627	64,164
Marine	18,868	12,938	23,598	16,387
Terrorism	1,487	932	2,671	1,387
Other Liability	15,842	11,645	21,771	16,317
Property Reinsurance	15,030	6,041	20,018	7,129
Casualty Treaty	28,095	21,043	34,643	25,752
Other	15,169	11,372	19,383	14,841
Total technical provisions	\$ 180,641	\$ 115,690	\$ 250,154	\$ 147,219

(b) Market Risk

i) Interest Rate Risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk. Syndicate 780 works closely with its investment manager to review the duration of the investment portfolio in relation to the estimated mean duration of the liabilities.

Given the predominantly short term nature of the cash and investments of Syndicate 780, it is not exposed to significant interest rate risk since maturing short term investments are repriced at market interest rates on an ongoing basis.

The impact of a 100 basis point increase in interest rates on the value of Syndicate 780's investments held at 31st December 2020 is an approximate \$1.9 million loss (2019: \$2.4 million loss) to the profit and loss account. Similarly, a 100 basis point decrease in interest rates would give rise to an approximate \$2.4 million gain (2019: \$2.9 million gain) to the profit and loss account.

ii) Currency Risk

Syndicate 780 manages its foreign exchange risk against its functional currency, which is the US Dollar. Syndicate 780 has a proportion of its assets and liabilities denominated in currencies other than the US Dollar, the most significant being the Euro, CAD Dollar and Pound Sterling. Syndicate 780 seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency, and by the utilisation of forward currency contracts.

At 31st December 2020, if the Pound had weakened by 10% more in 2020 against the US Dollar with all other variables held constant, profit for the year would have been \$1.2 million higher

Syndicate 780

Notes to the Financial Statements

For the year ended 31st December 2020

(2019: \$400,000 higher), mainly as a result of net foreign exchange gains on the translation of US Dollar denominated financial assets, and US Dollar denominated liabilities.

At 31st December 2020, if the Euro had weakened by 10% more in 2020 against the US Dollar with all other variables held constant, profit for the year would have been \$109,684 higher (2019: \$283,239 higher), mainly as a result of net foreign exchange gains on the translation of US Dollar denominated financial assets, and US Dollar denominated liabilities.

(c) Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where Syndicate 780 is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance intermediaries;
- amounts due from corporate bond issuers;
- counterparty risk with respect to derivative transactions; and
- cash at bank and in hand.

As Syndicate 780 is in runoff its exposures to other reinsurers and insurance intermediaries are determined by contracts previously written. Syndicate 780 manages the levels of credit risk from reinsurers and insurance intermediaries by quarterly review of receivable balances by counterparty. Management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. It is Syndicate 780's policy to provide for reinsurer bad debts in situations where it does not expect to collect the full amount outstanding due to the financial position of the reinsurer or due to disputes over coverage. In certain circumstances, collateral is held in the form of either deposits or letters of credit from reinsurers. Syndicate 780 reduces its exposure to credit risk in relation to investments by entering into transactions with counterparties that are reputable and by settling trades through recognised exchanges. Syndicate 780 maintains strict control limits on the maximum notional amount of derivative positions. The assets bearing credit risk are summarized below, together with an analysis by credit rating (AM Best or equivalent):

	2020	2019
	\$'000	\$'000
Derivative financial instruments	653	502
Debt securities	107,205	127,695
Deposits with ceded undertakings	16	16
Assets arising from reinsurance contracts held	64,951	102,935
Premium receivable	8,189	15,886
Cash at bank and in hand	24,714	29,808
Overseas deposits	6,913	10,023
Total assets bearing credit risk	\$ 212,641	\$ 286,865

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Notes to the Financial Statements
For the year ended 31st December 2020

	2020	2019
	\$'000	'000
A++	94,615	100,396
A+	6,340	14,574
A, A-	91,071	144,073
B++ and below or not rated	<u>20,615</u>	<u>27,821</u>
Total assets bearing credit risk	\$ <u>212,641</u>	\$ <u>286,864</u>

Assets arising from reinsurance and insurance contracts held are further analysed as follows:

	2020	2019
	\$'000	\$'000
Performing	64,951	102,935
Past due	-	-
Impaired	-	-
Provision for irrecoverable amounts	<u>-</u>	<u>-</u>
	\$ <u>64,951</u>	\$ <u>102,935</u>

(d) Liquidity Risk

The primary liquidity risk is the obligation to pay claims to policy holders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using a combination of operational cash flow forecasting and actuarial techniques. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand. The table below analyses the maturity of Syndicate 780's financial liabilities and outstanding claims. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented in their expected cash flows.

	No Contractual Maturity Date \$'000	< 6 months or on demand \$'000	Between 6 months and 1 year \$'000	Between 1 year and 2 years \$'000	Between 2 years and 5 years \$'000	> 5 Years \$'000	Carrying Value \$'000
At 31st December 2020							
Creditors	-	3,752	3,297	701	469	336	8,555
Claims outstanding	<u>-</u>	<u>26,672</u>	<u>26,672</u>	<u>59,236</u>	<u>39,639</u>	<u>28,422</u>	<u>180,641</u>
Financial liabilities and outstanding claims	\$ <u>-</u>	\$ <u>30,424</u>	\$ <u>29,969</u>	\$ <u>59,937</u>	\$ <u>40,108</u>	\$ <u>28,758</u>	\$ <u>189,196</u>

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Notes to the Financial Statements

For the year ended 31st December 2020

	No Contractual Maturity Date \$'000	< 6 months or on demand \$'000	Between 6 months and 1 year \$'000	Between 1 year and 2 years \$'000	Between 2 years and 5 years \$'000	> 5 Years \$'000	Carrying Value \$'000
At 31st December 2019							
Creditors	-	17,762	675	1,089	821	570	20,917
Claims outstanding	-	44,026	44,026	71,180	53,674	37,248	250,154
Financial liabilities and outstanding claims	-	\$ 61,788	\$ 44,701	\$ 72,269	\$ 54,495	\$ 37,818	\$ 271,071

(e) Capital Management

Syndicate 780 maintains an efficient capital structure comprising only its members' balances, consistent with its risk profile and the regulatory and market requirements of its business. Syndicate 780's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business
- to satisfy the requirements of its policyholders and regulators
- to retain financial flexibility by maintaining adequate liquidity

Syndicate 780 is regulated by the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. Syndicate 780 manages capital in accordance with these rules and performs the necessary tests to ensure continuous and full compliance with such regulations. Syndicate 780 has complied with all of its capital requirements throughout the year.

The minimum capital required to support Syndicate 780 is required to be provided by the corporate member, 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 balances reported on the Balance Sheet, represent resources available to meet member and Lloyd's capital requirements.

6. Segmental Analysis

	Gross premiums written 2020 \$'000	Gross premiums earned 2020 \$'000	Gross claims incurred 2020 \$'000	Gross operating expenses 2020 \$'000	Re- insurance balance 2020 \$'000
Direct Insurance					
Accident and health	2,853	3,756	(4,504)	(1,752)	532
Motor	(1,537)	(933)	31	(110)	306
Marine, aviation and transport	2,066	2,216	(2,092)	(1,175)	(23)
Credit and surety	-	-	-	-	-
Fire and other damage to property	2,241	4,277	3,349	(1,709)	(8,658)
Third party liability	202	531	(334)	(229)	(165)
	<u>5,825</u>	<u>9,847</u>	<u>(3,550)</u>	<u>(4,975)</u>	<u>(8,008)</u>
Reinsurance acceptances	<u>2,484</u>	<u>4,335</u>	<u>21,883</u>	<u>(1,850)</u>	<u>(3,535)</u>
Total	\$ 8,309	\$ 14,182	\$ 18,333	\$ (6,825)	(11,543)

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Notes to the Financial Statements
For the year ended 31st December 2020

	Gross premiums written 2019 \$'000	Gross premiums earned 2019 \$'000	Gross claims incurred 2019 \$'000	Gross operating expenses 2019 \$'000	Re- insurance balance 2019 \$'000
Direct Insurance					
Accident and health	6,131	34,500	(26,391)	(12,993)	4,710
Motor	7,742	11,166	(6,899)	(3,382)	(990)
Marine, aviation and transport	5,313	11,991	4,906	(4,427)	(4,066)
Credit and surety	-	-	-	-	-
Fire and other damage to property	21,891	52,497	(25,881)	(16,501)	(18,303)
Third party liability	1,186	2,899	(1,026)	(1,279)	(439)
	<u>42,263</u>	<u>113,053</u>	<u>(55,291)</u>	<u>(38,582)</u>	<u>(19,088)</u>
Reinsurance acceptances	1,781	23,054	(4,648)	(5,187)	(2,382)
Total	\$ 44,044	\$ 136,107	\$ (59,939)	\$ (43,769)	(21,470)

All premiums written were in respect of insurance contracts concluded in the UK.

Total commissions for direct insurance accounted for in the year amounted to \$2 million (2019: \$11.7 million).

On 30 December 2020, the Members and former Members of the Syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to Lloyd's Insurance Company S.A. ('Lloyd's Brussels'), in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby Lloyd's Brussels reinsured all risks on the same policies back to the relevant open years of account of the Syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the Syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of \$5.5 million. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of £5.5 million. The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there is no impact on the Syndicate's income statement or balance sheet.

Current year underwriting results for the transferred policies have been reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December 2020, and in line with Society of Lloyd's guidance no movements were processed on these policies on 31 December 2020. In future years, results relating to these risks will be reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd's Brussels.

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For the year ended 31st December 2020

The geographical analysis of gross premiums written by location is as follows:

	2020	2019
	\$'000	\$'000
US and Canada	284	24,706
UK	1,922	10,539
Other	4,564	7,389
Other EU	<u>1,539</u>	<u>1,410</u>
Total Gross Written Premium	\$ <u>8,309</u>	\$ <u>44,044</u>

7. Technical Provisions – Claims Outstanding

The change in the provisions for claims outstanding during the year was as follows:

	2020			2019		
	Gross	Reinsurers'	Net	Gross	Reinsurer'	Net
	\$'000	Share	\$'000	\$'000	Share	\$'000
		\$'000	\$'000		\$'000	\$'000
Claims outstanding at 1 January	250,154	102,935	147,219	362,149	150,620	211,529
Change in estimates of technical provision provisions, including foreign exchange	(17,705)	(5,533)	(12,172)	61,245	35,500	25,745
Paid claims	<u>(51,808)</u>	<u>(32,451)</u>	<u>(19,357)</u>	<u>(173,240)</u>	<u>(83,185)</u>	<u>(90,055)</u>
Claims outstanding at 31 December	\$ <u>180,641</u>	\$ <u>64,951</u>	\$ <u>115,690</u>	\$ <u>250,154</u>	\$ <u>102,935</u>	\$ <u>147,219</u>

Included within reinsurers' share of technical provisions – claims outstanding are amounts recoverable from affiliated companies of \$50.7 million (2019: \$30.6 million).

8. Net Operating Expenses

Syndicate operating expenses included within net operating expenses comprise:

	2020	2019
	\$'000	\$'000
Administrative expenses	3,496	7,192
Gross Acquisition costs	2,510	12,041
Change in deferred acquisition costs	1,427	24,623
Reinsurance commission and profit participation	<u>(1,845)</u>	<u>(18,634)</u>
	\$ <u>5,588</u>	\$ <u>25,222</u>

The management and administration of RiverStone Managing Agency is carried out by RiverStone Management Limited ("RiverStone Management"), a fellow subsidiary, which also provides these services to other group companies. RiverStone Management recharges these costs to RiverStone Managing Agency, which in turn recharges them to Syndicate 780.

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Operating costs charged to Syndicate 780 by RiverStone Managing Agency during the year were \$6,802,128 (2019: \$6,418,903).

The Directors, Run-off Manager and other key management personnel of Syndicate 780 receive no emoluments from RiverStone Managing Agency. The contracts of employment of the U.K. executive Directors and employees are with RiverStone Management which makes charges for the services described above. Emoluments paid by RiverStone Management to the key management personnel of Syndicate 780 in respect of their services in relation to Syndicate 780 are summarised below. These amounts represent emoluments based on an apportionment of time.

	2020	2019
	\$'000	\$'000
Total emoluments: Directors, run off manager and key management personnel	\$ <u>422</u>	<u>456</u>
Run-off Manager	\$ <u>287</u>	<u>241</u>

Further information in respect of the directors of RiverStone Managing Agency is provided in that company's financial statements.

9. Auditors' Remuneration

	2020	2019
	\$'000	\$'000
Audit	165	170
Audit related assurance services	67	66
Non-audit related actuarial and valuation services	<u>139</u>	<u>140</u>
	\$ <u>371</u>	\$ <u>376</u>

10. Investment Income

	2020	2019
	\$'000	\$'000
Income from financial assets at fair value through profit and loss	\$ <u>2,599</u>	\$ <u>4,106</u>

11. Investment Expenses and Charges

	2020	2019
	\$'000	\$'000
Investment expenses	\$ <u>349</u>	\$ <u>270</u>

Syndicate 780
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12. Result for the year

	2020	2019
	\$'000	\$'000
The profit for the year is stated after crediting/(charging):		
Foreign exchange gains/(losses)	\$ <u>1,785</u>	\$ <u>(1,638)</u>

13. Other Financial Investments

(a) Other Financial Investments by Category

	Market Value	Market Value	Historic Cost	Historic Cost
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Financial Assets – at fair value through profit and loss				
Debt securities and other fixed interest securities designated at fair value through profit and loss on initial recognition	107,205	127,695	103,139	121,714
Derivative financial instruments - at fair value through profit and loss, held for trading	653	502	259	761
Overseas deposits	6,913	10,023	6,913	10,024
Deposits with Ceded undertakings	<u>16</u>	<u>16</u>	<u>16</u>	<u>16</u>
	\$ <u>114,787</u>	\$ <u>138,236</u>	\$ <u>110,327</u>	\$ <u>132,515</u>

Financial Liabilities

Derivative financial instruments - at fair value through profit and loss, held for trading	<u>\$ 447</u>	<u>\$ 573</u>	<u>\$ -</u>	<u>\$ -</u>
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(b) Listed Investments

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

	2020	2019
	\$'000	\$'000
At fair value through profit and loss		
Debt securities and other fixed interest securities	<u>89,997</u>	<u>104,619</u>
Total listed investments	\$ <u>89,997</u>	\$ <u>104,619</u>

Syndicate 780
Notes to the Financial Statements
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Derivative Financial Instruments at Fair Value through Profit and Loss

	Market Value 2020 \$'000	Market Value 2019 \$'000	Historic Cost 2020 \$'000	Historic Cost 2019 \$'000
Derivative financial instruments assets				
Inflation floors	12	84	259	-
Foreign currency forward contracts	641	418	-	761
	\$ 653	\$ 502	\$ 259	\$ 761
Derivative financial instruments liabilities				
Inflation floors	-	-	-	-
Foreign currency forward contracts	447	573	-	-
	\$ 443	\$ 573	\$ -	\$ -

The functional currency of Syndicate 780 is United States Dollars and consequently it is exposed to foreign exchange movements in currencies other than United States Dollars. Syndicate 780 has foreign currency forward contracts in place to provide protection against the impact of potential adverse fluctuations in exchange rates on Syndicate 780's net asset positions.

The foreign currency forward contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for USD: GBP.

	Market Value		Contract/Notional Amount	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Inflation floors	12	84	1,250,038	2,709,268
Foreign currency contracts	641	418	26,684	40,651
	\$ 653	\$ 502	\$ 1,276,722	\$ 2,749,919

Syndicate 780
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(c) Disclosures of Fair Values in Accordance with the Fair Value Hierarchy

	Level 1	Level 2	Level 3	Total
	2020	2020	2020	2020
	\$'000	\$'000	\$'000	\$'000
Debt securities and other fixed interest securities	79,534	27,671	-	107,205
Derivative financial instruments at fair value through profit or loss, held for trading	-	-	653	653
Overseas deposits	2,255	4,658	-	6,913
Deposits with ceded undertakings	16	-	-	16
	<u>\$ 81,805</u>	<u>\$ 32,329</u>	<u>\$ 653</u>	<u>\$ 114,787</u>

	Level 1	Level 2	Level 3	Total
	2019	2019	2019	2019
	\$'000	\$'000	\$'000	\$'000
Debt securities and other fixed interest securities	30,062	97,633	-	127,695
Derivative financial instruments at fair value through profit or loss, held for trading	-	-	502	502
Overseas deposits	2,284	7,739	-	10,023
Deposits with ceded undertakings	16	-	-	16
	<u>\$ 32,362</u>	<u>\$ 105,372</u>	<u>\$ 502</u>	<u>\$ 138,236</u>

Level 3 investments valuations are based on third party broker quotes.

(d) Level 3 Pricing

Level 3 valuation techniques are used by Syndicate 780's investment manager's independent pricing service providers and third-party broker-dealers and include comparisons with similar instruments where observable market prices exist, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants. Syndicate 780's investment manager assesses the reasonableness of pricing received from these third party sources by comparing the fair values received to recent transaction prices for similar assets, where available, to industry accepted discounted cash flow models (that incorporate estimates of the amount and timing of future cash flows and market observable inputs such as credit spreads and discount rates) and to option pricing models (that incorporate market observable inputs including the quoted price, volatility and dividend yield of the underlying security and the risk free rate).

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(e) **Reconciliation of Movements in Level 3 Financial Investments Measured at Fair Value**

	At Fair Value Through Profit and Loss		
	Equity Shares 2020 \$'000	Derivatives 2020 \$'000	Total 2020 \$'000
At 1 st January	-	502	502
Total gains recognised in the profit and loss account	-	151	151
Total	\$ -	\$ 653	\$ 653

	At Fair Value Through Profit and Loss		
	Equity Shares 2019 \$'000	Derivatives 2019 \$'000	Total 2019 \$'000
At 1 st January	1	598	599
Total (losses) recognised in the profit and loss account	(1)	(96)	(97)
Total	\$ -	\$ 502	\$ 502

Total gains of \$75,000 (2019: gains \$41,000) comprise unrealised gains of \$147,000 and unrealised losses of \$72,000 on Level 3 financial investments held during the year, all of which are presented in the net investment return in the profit and loss account.

f) Collateralised Cash and Investments

Syndicate 780 has Lloyds trust funds and overseas deposits which are classified as collateralised and are held as security for business written in certain jurisdictions of \$96,645,621, (2019: \$128,151,121), of this investments have a market value of \$95,345,334 and cost of \$91,369,725 (2019: market value \$111,768,175 and a cost of \$105,578,802).

14. Debtors Arising Out of Direct Insurance Operations

	2020 \$'000	2019 \$'000
Amount owed from intermediaries, due within one year	\$ 508	\$ 4,415

Syndicate 780
Notes to the Financial Statements
For the year ended 31st December 2020

15. Debtors Arising Out of Reinsurance Operations

	2020	2019
	\$'000	\$'000
Amount owed from intermediaries	3,939	2,827
Premiums receivable from cedants	<u>8,189</u>	<u>15,886</u>
	\$ <u>12,128</u>	\$ <u>18,713</u>

16. Other Debtors

	2020	2019
	\$'000	\$'000
Receivable for securities sold	-	11
Receivable for closed FX Forwards	94	-
LCA Debtors	-	321
RI Profit commissions	-	39
Amounts due from group undertakings	-	295
Actuarial surplus recognised in the Technical Account	649	-
Federal Income Tax	94	-
Prepayment	<u>551</u>	<u>310</u>
	\$ <u>1,388</u>	\$ <u>976</u>

17. Creditors Arising out of Reinsurance Operations

	2020	2019
	\$'000	\$'000
Amounts owed to group undertakings	-	14,431
Amounts owed to intermediaries	<u>2,138</u>	<u>-</u>
	\$ <u>2,138</u>	\$ <u>14,431</u>

18. Other Creditors Including Taxation and Social Security

	2020	2019
	\$'000	\$'000
Amounts owed to group undertakings	4,519	3,987
LCA Creditors	1,398	1,867
Payable for closed FX forwards	8	-
Derivative Liabilities	447	567
Other	<u>45</u>	<u>65</u>
	\$ <u>6,417</u>	\$ <u>6,486</u>

Syndicate 780
Notes to the Financial Statements
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19. Movement in Opening and Closing Portfolio Investments Net of Financing

	2020	2019
	\$'000	\$'000
Net cash (outflow) inflow for the year	(5,420)	13,757
(Decrease) increase in overseas deposits	(3,429)	55
Net portfolio investment	<u>(21,549)</u>	<u>(33,131)</u>
Movement arising from cash flows	(30,398)	(19,319)
Changes in market value and exchange rates	<u>1,855</u>	<u>4,407</u>
Total movement in portfolio investments, net of financing	(28,543)	(14,912)
Balance brought forward at 1 st January, net of financing	<u>168,044</u>	<u>182,956</u>
Balance carried forward at 31st December, net of financing	\$ <u>139,501</u>	\$ <u>168,044</u>

20. Movement in Cash, Portfolio Investments and Financing

	At 1st January 2020 \$'000	Cash Flow \$'000	Changes to Market Value and Currencies \$'000	At 31st December 2020 \$'000
Cash at bank and in hand	29,808	(5,420)	326	24,714
Overseas deposits	<u>10,023</u>	<u>(3,429)</u>	<u>319</u>	<u>6,913</u>
	<u>39,831</u>	<u>(8,849)</u>	<u>645</u>	<u>31,627</u>
Portfolio investments:				
Debt and other fixed income	127,695	(21,700)	1,210	107,205
Deposits with ceded undertakings	16	-	-	16
Derivatives	<u>502</u>	<u>151</u>	<u>-</u>	<u>653</u>
Total portfolio investments	<u>128,213</u>	<u>(21,549)</u>	<u>1,210</u>	<u>107,874</u>
Total cash, portfolio investments and financing	\$ <u>168,044</u>	\$ <u>(30,398)</u>	\$ <u>1,855</u>	\$ <u>139,501</u>

21. Net Cash Outflow on Portfolio Investments

	2020	2019
	\$'000	\$'000
Debt and other fixed income securities	(21,700)	(26,889)
Derivatives	151	(96)
Participation in investment pools	<u>-</u>	<u>(6,146)</u>
Net cash outflow on portfolio investments	\$ <u>(21,549)</u>	\$ <u>(33,131)</u>

Syndicate 780

Notes to the Financial Statements

For the year ended 31st December 2020

22. Commitments and Contingent Liabilities

As at 31st December 2020, there were no outstanding commitments or contingent liabilities (2019: nil).

23. Funds at Lloyd's

Every member of Lloyd's is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's ("FAL"). These funds are required primarily in case syndicate assets prove insufficient to meet members' underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's according to the nature and the amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of that business. FAL is not hypothecated to any specific syndicate participation by a member, therefore there are no specific funds available to a Syndicate which can be precisely identified as its capital. Consequently, no amount has been shown in these financial statements by way of capital reserves. In addition to the FAL and any additional funds a member may introduce to meet losses, there is a Central Guarantee Fund controlled by Lloyd's which they may utilise to meet any syndicate liabilities that are not met by a member.

24. Related Parties

The managing agent of the syndicate, RiverStone Managing Agency, and the corporate member that provides capital to the syndicate, RiverStone Corporate Capital, are wholly owned subsidiaries of RiverStone Holdings Limited which is registered in England and Wales. The ultimate parent company and controlling party is RiverStone Barbados Limited ("RiverStone Barbados") which is registered in Barbados.

RiverStone Holdings is the smallest and largest group of undertakings to consolidate these financial statements and its registered office is Park Gate, 161-163 Preston Road, Brighton, East Sussex, United Kingdom, BN1 6AU. The financial statements of RiverStone Holdings can be obtained from the Corporate Secretary at this address or from the website at www.rsml.co.uk.

Exemption has been taken under FRS102 section 33.1A to not disclose group related balances.

Syndicate 780 accepted inwards reinsurance premiums from affiliated companies of Nil in 2020 (2019: \$95,587) as set out below:

	2020	2019
	\$'000	\$'000
Zenith National Insurance Corp	-	5
Hudson Insurance Group	-	84
Crum and Forster Insurance Company	-	-
Brit Syndicate 2987	-	6
	<u> </u>	<u> </u>
	\$ -	\$ 95

Syndicate 780
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Syndicate 780 ceded outwards reinsurance premiums and related reinsurance recoveries to/from affiliated companies as set out in the table below.

	Reinsurance Premiums		Reinsurance Recoveries	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Wentworth Insurance Company Limited	1,611	3,285	1,777	8,434
Odyssey re Holdings Corp	24	85	194	(727)
Allied World Assurance Company Holdings GmbH	-	207	-	500
Brit Re Bermuda	1,047	26,265	(1,920)	8,918
Crum and Forster Insurance Company	569	1,255	65	13,531
	\$ 3,251	\$ 31,097	\$ 116	\$ 30,636

25. Subsequent Events

Effective 1st January 2021, the liabilities of Syndicate 780 were reinsured to close into Syndicate 3500, which is also under the management of RiverStone Managing Agency.

On 20th December 2020, Fairfax entered into a binding agreement with CVC Capital Partners to sell all of its equity interest in the European Run-off group to CVC Strategic Opportunities Fund II. OMERS has also agreed to sell all its interests the European Run-off group as part of the transaction. The transaction is subject to regulatory approval and is expected to close in the first quarter of 2021.

Directors' Interests

All of the directors of RiverStone Managing Agency listed on page 7 hold, or held in the year, directorships of other companies within the Riverstone Barbados group.