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RenaissanceRe Syndicate 1458

Syndicate Annual Report and Accounts
For the year ended 31 December 2021

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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 2021.

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 2021 year of account was £711.0m and continued to show growth. The capacity for the 2020 year of account was £529.8m.

Change in presentation currency

With effect from 1 January 2021, the presentational currency of the Syndicate changed from Sterling to US dollars. This is to align the presentation of the report and accounts with the functional currency of the Syndicate and to align with the way that the business of the Syndicate is managed.

Effects of Coronavirus Pandemic

Management has considered the impact of the ongoing Coronavirus Pandemic on the Syndicate's credit, liquidity and operational risks. Management has concluded that the pandemic does not pose a material risk to the Syndicate. With regards to Operational risk, the office has opened in accordance with applicable rules and regulations. Management believes that the employees have adjusted well to date, benefiting from prior and enhanced investments in technology, systems and training, which have enabled management to maintain robust oversight of the Syndicate and keep the employees connected during the ongoing COVID-19 pandemic.

Results

During the year ended 31 December 2021, the Syndicate generated an underwriting profit of $21.0m (2020 - loss of $26.7m) before deduction of administrative expenses of $59.9m (2020 - $39.2m) and addition of investment loss of $13.5m (2020 - investment return of $33.1m). The overall result, after the inclusion of administrative expenses, profits/losses on exchange and investment income, is a loss of $46.4m (2020 - loss of $37.4m).

Managing agent's report

Business Review

Review of the business of the Syndicate

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

	2021	*2020*	*Change*
	$m	*$m*	*%*
Gross premiums written	1,133.2	954.8	18.7 %
Loss for the financial year	(46.4)	(37.4)	
Combined ratio	106.2 %	117.0 %	(10.8)%
Investment return	(1.4)%	3.8 %	(5.2)%

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 $1,133.2m and represented an 18.7% increase on 2020 gross premiums written. The growth in gross premiums is primarily from Property lines.

Outward reinsurance premiums for the year was $341.3m and represented a 37.3% decrease on 2020. Outwards reinsurance premiums in 2020 were impacted by the purchase of an Adverse Development Cover protecting the Casualty classes on the syndicate for the 2017 and prior underwriting years. No such cover was purchased in 2021. The year on year decrease was also impacted by the non-renewal of the RenaissanceRe Europe AG ("RREAG") whole account quota share for the 2021 underwriting year.

The Syndicate's combined ratio for the year was 106.2% (2020 - 117.0%). The 2021 results were impacted by Weather Related Large Loss Events (e.g. Hurricane Ida, Winter Storm Uri and PCS 2176 Wind and Thunderstorm) occurring during the year. The 2020 results were also impacted by the Weather Related Large Loss Events (e.g. Hurricane Laura, Hurricane Sally and PCS 2016 Wind and Thunderstorm) as well as incurred losses on the Coronavirus Pandemic and the greater level of ceded spend relating to the purchase of the Adverse Development Cover.

Review of financial position

Financial investments as at 31 December 2021 are $908.7m compared to $844.7m as at the prior year with the increase attributable to the growth in the business.

Reinsurers' share of claims outstanding as at 31 December 2021 are $995.6m compared to $903.0m as at the prior year. The increase in reinsurers' share of claims outstanding is primarily from recoveries on Casualty and Specialty quota share contracts in line with the growth in the underlying assumed book. Part of the credit risk arising on recoverables from reinsurers is mitigated by collateral held in trust for certain balances, as disclosed in the notes 19 to the financial statements.

Debtors arising from insurance and reinsurance operations as at 31 December 2021 is $480.2m compared to $437.6m as at the prior year. There have been no collection issues in the year and the increase is attributable to the growth in gross written premiums.

Gross technical provisions have increased to $2,493.5m from $2,215.2m. 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 Weather Related Large Loss Events incurred during the financial year.

Managing agent's report

Principal risks and uncertainties

RSML's risk strategy is based on the integrated management of capital and risk. The risk management tools utilised by RSML allow for the determination of capital to support the risks assumed on an individual basis. The Syndicate's risk tolerance is set by the RSML Board and is reviewed on an ongoing basis as part of the risk management process. RSML has an established Risk Management Function ("RMF") that coordinates the execution of risk management processes across the company by ensuring RSML has an effective and efficient risk management framework which enables risks to be captured, measured and managed appropriately. RSML also has 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.

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. 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. Also, the Syndicate holds collateral which mitigates the credit risk of reinsurers' share of claims outstanding and reinsurance debtors of certain reinsurers. In relation to credit risk on the investment portfolio, the Syndicate manages credit risk by maintaining an investment portfolio which is typically positioned in high quality fixed incomes securities.

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. 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 of the three lines of defense model in conjunction with detailed procedures manuals and a structured programme of monitoring and testing of processes and systems.

Climate change

Natural catastrophes including extreme weather are a material risk that impacts the business of the Syndicate. Climate change is expected to increase the frequency and or severity of future extreme weather events. Some of our principal economic exposures arise from our coverages for natural disasters and catastrophes.

We believe that this potential increase in severe weather, coupled with currently projected demographic trends in catastrophe-exposed regions, contributes to factors that will increase the average economic value of expected losses, increase the number of people exposed per year to natural disasters and in general exacerbate disaster risk, including risks to infrastructure, global supply chains and agricultural production. Accordingly, we expect an increase in both the frequency and magnitude of claims, especially from properties located in coastal areas.

The consideration of the impacts of climate change is integral to our ERM process. We have taken measures to mitigate losses related to climate change through our underwriting process and by continuously monitoring and adjusting our risk management models to reflect the higher level of risk that we think will persist. We have been

Managing agent's report

progressively integrating the consideration of the financial risk from climate change into our governance frameworks, risk management processes, and business strategies over the last several years. We voluntarily report against the Task Force on Climate-Related Financial Disclosures ("TCFD") through our annual ClimateWise submission to provide a detailed insight into our management of climate change risks and opportunities.

Our board of directors and its committees are actively engaged in the oversight of environmental, social and governance initiatives and receive regular updates from management on progress and developments.

We structure our investment portfolio to emphasize the preservation of capital and the availability of liquidity to meet our claims obligations, to be well diversified across market sectors and to generate relatively attractive returns on a risk-adjusted basis over time. To further the sustainability of our investment portfolio, we consider certain environmental, social and governance factors within our investment strategy. In addition to the impacts that environmental incidents have on our business, there has been a proliferation of governmental and regulatory scrutiny related to climate change and greenhouse gases, which will also affect our business.

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 2022 the Syndicate expects to continue to grow across the property, casualty and specialty portfolios, through increased capacity of £722.3m for the 2022 year of account.

Events after the end of the reporting period: Situation in Ukraine

On 24 February 2022, Russia launched an invasion into Ukraine. There is uncertainty associated with the scale, duration and impact of this situation. We continue to monitor the current developments in relation to the Russian invasion of Ukraine though it is too early to determine if the Syndicate will have any loss exposure arising from this situation.

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
H A Brown (appointed 1 April 2021)
S Creedon
E J Cruttenden
R A Curtis
B M Dalton
R J Lang
C S McMenamin
R J Murphy
D D Upadhyaya

Company Secretary

L D Barran

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 are the Syndicate auditors for the 2021 report and accounts. The Managing Agent intends to appoint PriceWaterhouse Coopers LLP as their auditor commencing in 2022.

On behalf of the Board

D D Upadhyaya
Director

3 March 2022

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 2021, which comprise the Income Statement, 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP); 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. 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 as applied to other entities of public interest, 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

In auditing the syndicate annual accounts, we have concluded that the managing agent’s use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate’s ability to continue as a going concern for a period of at least twelve months from when the syndicate annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate’s ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 7, other than the syndicate annual accounts and our auditor’s report thereon. The directors of the managing agent are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the syndicate annual accounts themselves. 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. We have nothing to report in this regard.

Independent auditor's report to the member of Syndicate 1458

Opinions on other matters 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 managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 7, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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.
The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP), and requirements

Independent auditor's report to the member of Syndicate 1458

referred to by Lloyd's in the instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.

- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.

- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and their potential to influence management to manage earnings or influence the perceptions of stakeholders. The fraud risk was considered to be higher regarding the valuation of gross claims provisions (comprising Incurred But Not Reported and Additional Case Reserves) and revenue recognition (comprising the determination of estimated premium income and writing and earnings patterns). Our procedures included:

    - Auditing accounting estimates for evidence of management bias in the valuation of key estimates such as the gross claims provisions and revenue recognition;
    - Evaluating the business rationale for significant and/or unusual transactions; and
    - Testing the appropriateness of journal entries recorded in the general ledger relating in particular to judgemental areas to provide reasonable assurance that the syndicate annual accounts were free from fraud or error.

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.

Benjamin Gregory (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
3 March 2022

Income statement
Technical account - General business
For the year ended 31 December 2021

	Notes	2021 $	2020 Restated* $
Gross premiums written	2	1,133,189,377	954,815,934
Outward reinsurance premiums		(341,291,141)	(544,007,604)
Net premiums written		791,898,236	410,808,330
Change in provision for unearned premiums			
- Gross amount		(120,478,193)	(27,581,176)
- Reinsurers' share		(49,332,119)	3,355,308
Change in the net provision for unearned premiums	4	(169,810,312)	(24,225,868)
Earned premiums, net of reinsurance		622,087,924	386,582,462
Allocated investment return transferred from the non-technical account		(13,490,311)	33,078,074
Claims paid			
- Gross amount	3	(477,025,652)	(405,407,907)
- Reinsurers' share	3	122,135,158	130,126,094
Net claims paid		(354,890,494)	(275,281,813)
Change in claims outstanding			
- Gross amount		(164,511,864)	(350,329,210)
- Reinsurers' share		92,076,492	349,832,488
Change in the net provision for claims		(72,435,372)	(496,722)
Claims incurred, net of reinsurance	3	(427,325,866)	(275,778,535)
Net operating expenses	6	(233,622,751)	(176,702,812)
Balance on technical account - general business		(52,351,004)	(32,820,811)

**The 2020 comparative has been restated to align with the updated presentational currency of US dollars. See note 1.3.*

Income statement
Non-technical account - General Business
For the year ended 31 December 2021

	Notes	2021 $	2020 Restated $
Balance on technical account - general business		(52,351,004)	(32,820,811)
Investment income	10	12,029,146	25,142,692
Unrealised (losses)/gains on investments	10	(24,785,295)	8,502,052
Investment expenses and charges	10	(734,162)	(566,670)
Allocated investment return transferred to the general business technical account		13,490,311	(33,078,074)
Exchange gains/(losses)		5,998,835	(4,605,700)
Loss for the financial year		(46,352,169)	(37,426,511)

There is no other comprehensive income or expense not already reported in the Income Statement, thus no Statement of Comprehensive Income has been prepared.

Statement of changes in member's balances
For the year ended 31 December 2021

	Member's balances
	$
At 1 January 2021	(75,717,449)
Loss for the financial year	(46,352,169)
2018 year of account payment of profit	(3,891,418)
At 31 December 2021	(125,961,036)

	Member's balances
	Restated
	$
At 1 January 2020	(82,549,265)
Loss for the financial year	(37,426,511)
2017 year of account settlement of loss	44,258,327
At 31 December 2020	(75,717,449)

Statement of financial position
As at 31 December 2021

	Notes	2021 $	2020 Restated $
ASSETS			
Investments			
Financial investments	11	908,706,451	844,718,977
Deposits with ceding undertakings		64,574,922	41,283,528
		973,281,373	886,002,505
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	106,942,944	156,701,753
Claims outstanding	3	995,571,133	903,014,794
		1,102,514,077	1,059,716,547
Debtors			
Debtors arising out of direct insurance operations		14,657,358	16,196,101
Debtors arising out of reinsurance operations	12	465,590,585	421,446,835
Other debtors		12,295,288	9,026,744
		492,543,231	446,669,680
Cash and other assets			
Cash at bank and in hand	14	5,711,693	11,173,079
Other assets	13	42,914,562	38,695,603
		48,626,255	49,868,682
Prepayments and accrued income			
Accrued interest		2,492,497	2,637,277
Deferred acquisition costs	5	142,469,559	110,282,449
		144,962,056	112,919,726
Total assets		2,761,926,992	2,555,177,140

Statement of financial position (cont'd)
As at 31 December 2021

	Notes	2021	2020 Restated
		$	$
MEMBER'S BALANCES AND LIABILITIES			
Member's balances			
Profit and loss account		(125,961,036)	(75,717,449)
Total member's balances		(125,961,036)	(75,717,449)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	578,011,024	460,486,284
Claims outstanding	3	1,915,469,011	1,754,687,976
		2,493,480,035	2,215,174,260
Deposits received from reinsurers		3,872,148	3,857,006
Creditors			
Creditors arising out of direct insurance operations		1,623,224	527,710
Creditors arising out of reinsurance operations		336,648,814	305,508,827
Other creditors	15	24,400,826	67,710,021
		362,672,864	373,746,558
Accruals and deferred income		27,862,981	38,116,765
Total liabilities		2,887,888,028	2,630,894,589
Total member's balances and liabilities		2,761,926,992	2,555,177,140

The financial statements on pages 12 to 49 were approved by the board of directors on 2 March 2022 and were signed on its behalf by:

D D Upadhyaya
Director

3 March 2022

Statement of cash flows
For the year ended 31 December 2021

	Notes	2021 $	2020 Restated $
Loss on ordinary activities		(46,352,169)	(37,426,511)
Movement in general insurance unearned premiums and outstanding claims		278,320,958	391,796,582
Movement in reinsurers' share of unearned premiums and outstanding claims		(42,797,531)	(354,305,725)
Investment return		(9,658,645)	(6,800,962)
Movements in other assets/liabilities		(122,810,642)	(16,132,405)
Realised/unrealised losses/(gains) on cashflow		18,668,362	(38,892,465)
Currency exchange differences		331,717	(663,729)
Net cash inflow/(outflow) from operating activities		75,702,050	(62,425,215)
Investing activities			
Investment income received		9,658,645	6,800,962
Purchase of debt and equity instruments		(766,327,384)	(783,491,161)
Sales of debt and equity instruments		665,520,689	748,096,397
Net cash outflow from investing activities		(91,148,050)	(28,593,802)
Financing activities			
Payment of profit to member's personal reserve funds		(3,891,418)	44,258,327
Net cash (outflow)/inflow from financing activities		(3,891,418)	44,258,327
Net decrease in cash and cash equivalents		(19,337,418)	(46,760,690)
Foreign exchange on cash and cash equivalents		(331,717)	663,729
Cash and cash equivalents at 1 January		68,571,638	114,668,599
Cash and cash equivalents at 31 December	14	48,902,503	68,571,638

Notes to the financial statements
For the year ended 31 December 2021

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 2021 were approved for issue by the board of directors on 2 March 2022.

During the year, the presentational currency for the Syndicate has been changed from Sterling to US dollars which is the functional currency of the Syndicate.

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 Changes in presentational currency

With effect from 1 January 2021, the presentational currency of the Syndicate changed from Sterling to US dollars. This is to align the presentation of the report and accounts with the functional currency of the Syndicate and to align with the way that the business of the Syndicate is managed. The Directors believe that the presentation currency change will give stakeholders a clearer understanding of the Syndicate's financial performance and financial position over time. As a result, the 2020 comparative information throughout these financial statements has been restated to align with the updated presentational currency of US dollars. Previously:

- Assets and liabilities were translated from US dollars to Sterling at the closing rate of exchange. This rate was 1.367 as at 31 December 2020;
- The income statement was translated from US dollars to Sterling at the average rate of exchange. For the year to 31 December 2020 this was 1.2837; and
- Currency translation differences of £0.2m for the year ended 31 December 2020 were recognised in the statement of comprehensive income and statement of changes in member's balances. As a result of the change in presentational currency to US dollars, there is no other comprehensive income or expense not already reported in the restated income statement.

1.4 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 ultimate premiums.

Notes to the financial statements
For the year ended 31 December 2021

1.5 Significant accounting policies

Financial investments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 (as adopted under International Accounting Standards in conformity with the requirements of the Companies Act 2006) - *Financial Instruments* 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.

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 initial recognition. 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.

Deposits with ceding undertakings

Deposits with ceded undertakings are primarily premium deposits retained and loss deposits provided on assumed business. Deposits with ceded undertakings are measured at cost less allowance for impairment as appropriate.

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.

Notes to the financial statements
For the year ended 31 December 2021

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. Subsequent to initial recognition, these are re-measured at fair value at each reporting date.

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.

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. In relation to estimation of ultimate premiums, the premium written is initially based on the estimated premium income ('EPI') of each contract. EPI estimates are regularly monitored and reviewed for appropriateness by underwriters and judgements are made to the estimates where it is deemed appropriate. Over time, premiums are adjusted to match the actual reported risk premium. Subsequent differences arising on estimates of ultimate premiums are recorded in the period in which they are determined. Premiums are shown gross of commissions, brokerage and taxes / duties levied on them.

Notes to the financial statements
For the year ended 31 December 2021

Due to the nature of the Lloyd's business and settlement patterns for the underlying business it is also not uncommon for some contracts to take a number of years to finalise and settle, and such remain a receivable on the balance sheet. The amount of estimated future premium that remains in insurance receivables relating to years of account that are more than three years developed is not material.

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 ultimate 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 indicating 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.

The Syndicate establishes a provision for unallocated loss adjustment expenses (“ULAE”) when the related reserve for claims and claim expenses is established. ULAE are expenses that cannot be associated with a specific claim but are related to claims paid or in the process of settlement, such as internal costs of the claims function, and are included in the reserve for claims and claim expenses. The determination of the ULAE provision is subject to judgment.

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 2021 and 31 December 2020, 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 2021 or 2020.

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 and presentational currency is US dollars.

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.

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.

Collateral

The Syndicate receives and pledges collateral in the form of cash or non-cash assets in respect of reinsurance arrangements in order to reduce the credit risk of these transactions. The amount and type of collateral required where the Syndicate receives collateral depends on an assessment of the credit risk of the counterparty.

All collateral received and held in trust by third parties is not recognised in the statement of consolidated financial position, unless the counterparty defaults on its obligations under the relevant agreement.

All collateral pledged by the Syndicate is retained in the statement of financial position, unless the Syndicate defaults on its obligations under the relevant agreement.

Retroactive reinsurance contracts

FRS 103 does not provide guidance on how to account for retroactive reinsurance contracts and an accounting policy choice therefore exists between balance sheet and reinsurance accounting, subject to the stated policy being consistently applied. The Syndicate's policy in respect of retroactive reinsurance is that: i) gains and losses arising are recognised in the income statement immediately at the date of purchase; and ii) premiums ceded and claims reimbursed are presented on a gross basis. This policy has been applied in respect of the Adverse Development Cover protecting the Casualty classes on the Syndicate for the 2017 and prior underwriting years.

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
	$	$	$	$	$	$
2021						
Direct insurance						
Fire and other damage to property	514,500,973	416,469,794	(227,383,452)	(129,319,642)	(92,482,965)	(32,716,265)
Third party liability	306,944,968	276,645,932	(200,422,371)	(91,635,763)	14,647,280	(764,922)
Marine, Aviation and Transport	19,755,850	8,771,964	(6,312,117)	(2,242,562)	579,294	796,579
Miscellaneous	7,346,589	11,020,341	(8,243,873)	(2,375,879)	(1,638,358)	(1,237,769)
	848,548,380	712,908,031	(442,361,813)	(225,573,846)	(78,894,749)	(33,922,377)
Reinsurance	284,640,997	299,803,153	(199,175,703)	(62,136,111)	(43,429,655)	(4,938,316)
	1,133,189,377	1,012,711,184	(641,537,516)	(287,709,957)	(122,324,404)	(38,860,693)

During 2021 the Syndicate changed the presentation of the Segmental Analysis to better align with how the business is managed. Results have been allocated to segments based on Lloyd's classes of business which are closely monitored internally. Previously, results were allocated to segments based on Lloyd's risk codes. The 2020 comparative has been restated below and a comparison of the change has been included. The overall impact is a reclassification between Direct insurance and Reinsurance. The restatement did not change the 2020 financial results.

Notes to the financial statements
For the year ended 31 December 2021

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	$	$	$	$	$	$
2020 Restated						
Direct insurance						
Fire and other damage to property	316,211,551	239,794,729	(197,054,427)	(69,335,366)	14,712,021	(11,883,043)
Third party liability	258,621,966	259,552,908	(221,432,610)	(84,226,666)	24,394,846	(21,711,522)
Marine, Aviation and Transport	577,569	6,440,448	(9,903,282)	(1,343,849)	3,578,326	(1,228,357)
Miscellaneous	(502,752)	9,129,789	(20,594,669)	(2,742,863)	6,645,448	(7,562,295)
	574,908,334	514,917,874	(448,984,988)	(157,648,744)	49,330,641	(42,385,217)
Reinsurance	379,907,600	412,316,884	(306,752,129)	(94,067,897)	(35,010,526)	(23,513,668)
	954,815,934	927,234,758	(755,737,117)	(251,716,641)	14,320,115	(65,898,885)

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	$	$	$	$	$	$
2020 Change to previous presentation						
Direct insurance						
Fire and other damage to property	(7,664,271)	(10,679,416)	17,567,141	3,760,856	(11,475,888)	(827,307)
Third party liability	(24,192,976)	(42,638,069)	34,193,138	13,840,366	(12,364,445)	(6,969,010)
Marine, Aviation and Transport	(8,269,052)	(5,947,401)	3,920,041	2,144,335	(223,631)	(106,656)
Miscellaneous	(16,680,743)	(14,504,507)	61,624	9,966,258	878,299	(3,598,326)
	(56,807,042)	(73,769,393)	55,741,944	29,711,815	(23,185,665)	(11,501,299)
Reinsurance	56,807,042	73,769,393	(55,741,944)	(16,931,850)	10,405,700	11,501,299
	—	—	—	12,779,965	(12,779,965)	—

The above table shows the change that 2020 restated amounts have increased/(decreased) compared to previous presentation.

Commissions on direct insurance gross premiums earned during 2021 were $171.3m (2020 restated - $113.3m).

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

All premiums were concluded in the UK.

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

	2021	2020
	$	$
UK	11,021,160	6,914,618
EU countries	17,733,680	14,451,241
US and Canada	1,048,853,607	872,606,366
Other	55,580,930	60,843,709
	1,133,189,377	954,815,934

Notes to the financial statements
For the year ended 31 December 2021

3. Claims outstanding

	Gross	Reinsurers' share	Net
	$	$	$
At 1 January 2021	1,754,687,976	(903,014,794)	851,673,182
Claims incurred during the year	641,537,516	(214,211,650)	427,325,866
Claims paid during the year	(477,025,652)	122,135,158	(354,890,494)
Foreign exchange	(3,730,829)	(479,847)	(4,210,676)
At 31 December 2021	1,915,469,011	(995,571,133)	919,897,878

	Gross	Reinsurers' share	Net
	$	$	$
At 1 January 2020	1,393,122,464	(552,632,618)	840,489,846
Claims incurred during the year	755,737,117	(479,958,582)	275,778,535
Claims paid during the year	(405,407,907)	130,126,094	(275,281,813)
Foreign exchange	11,236,302	(549,688)	10,686,614
At 31 December 2020	1,754,687,976	(903,014,794)	851,673,182

4. Provision for unearned premiums

	Gross	Reinsurers' share	Net
	$	$	$
At 1 January 2021	460,486,284	(156,701,753)	303,784,531
Premiums written in the year	1,133,189,377	(341,291,141)	791,898,236
Premiums earned in the year	(1,012,711,184)	390,623,260	(622,087,924)
Foreign exchange	(2,953,453)	426,690	(2,526,763)
At 31 December 2021	578,011,024	(106,942,944)	471,068,080

	Gross	Reinsurers' share	Net
	$	$	$
At 1 January 2020	430,843,415	(152,778,204)	278,065,211
Premiums written in the year	954,815,934	(544,007,604)	410,808,330
Premiums earned in the year	(927,234,758)	540,652,296	(386,582,462)
Foreign exchange	2,061,693	(568,241)	1,493,452
At 31 December 2020	460,486,284	(156,701,753)	303,784,531

5. Deferred acquisition costs

	Gross	Reinsurers' share	Net
	$	$	$
At 1 January 2021	110,282,449	(37,781,198)	72,501,251
Change in deferred acquisition costs	32,913,989	10,829,124	43,743,113
Foreign exchange	(726,879)	129,530	(597,349)
At 31 December 2021	142,469,559	(26,822,544)	115,647,015

	Gross	Reinsurers' share	Net
	$	$	$
At 1 January 2020	106,131,669	(38,916,023)	67,215,646
Change in deferred acquisition costs	3,550,090	1,312,807	4,862,897
Foreign exchange	600,690	(177,982)	422,708
At 31 December 2020	110,282,449	(37,781,198)	72,501,251

Reinsurers' share of deferred acquisition costs are separately included in accruals and deferred income on the statement of financial position.

6. Net operating expenses

	Technical account - General business	
	2021	2020
	$	$
Acquisition costs	260,709,017	216,051,416
Change in deferred acquisition costs	(32,913,989)	(3,550,090)
Administrative expenses	59,907,073	39,215,220
Reinsurance commissions and profit participation	(54,079,350)	(75,013,734)
	233,622,751	176,702,812

Reinsurers' share of change in deferred acquisition costs are separately included in reinsurance commissions and profit participation.

Member's standard personal expenses amounting to $18.3m (2020 - $9.9m) are included in administrative expenses. Member's standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, managing agent fees and profit commission.

Notes to the financial statements
For the year ended 31 December 2021

7. Staff costs

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

	2021	*2020*
	$	*$*
Salaries and related costs	12,360,201	14,161,550
Health and social security costs	1,655,226	1,275,975
Other pension costs	679,741	648,646
	14,695,168	16,086,171

The average monthly number of employees of RenaissanceRe Services (UK) Limited that worked for the Syndicate during the year were as follows:

	2021	*2020*
Administration and finance	72	71
Underwriting	41	40
Claims	14	12
	127	123

8. Auditor's remuneration

	2021	*2020*
	$	*$*
Audit of the Syndicate annual accounts	330,168	301,670
Other services pursuant to Regulations and Lloyd's Byelaws	169,788	155,456
Other assurance fees	35,768	32,093
	535,724	489,219

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

4 directors (2020 - 6) of RSML received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2021	2020
	$	$
Aggregate remuneration in respect of qualifying services	1,262,943	2,380,980

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

	2021	2020
	$	$
Emoluments	494,589	701,200

10. Investment return

	2021	2020
	$	$
Income from other financial investments	10,392,807	7,367,633
Net gains on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	1,636,339	17,775,059
Net unrealised (losses)/gains on investments		
- Fair value through profit or loss designated upon initial recognition	(24,785,295)	8,502,052
Investment expenses and charges	(734,162)	(566,670)
	(13,490,311)	33,078,074

Notes to the financial statements
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Average amount of funds available for investment:	*2021*	*2020*
	$	*$*
Sterling	15,897,969	12,847,743
US dollars	864,269,830	777,142,475
Canadian dollars	89,121,970	76,642,974
Euro	3,166,519	3,687,640
Combined in US dollars	972,456,288	870,320,832

Gross calendar year investment yield:		
Sterling	0.9 %	0.5 %
US dollars	0.8 %	0.6 %
Canadian dollars	0.5 %	0.3 %
Euro	— %	— %
Combined	0.7 %	0.6 %

"Average amount of funds" 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

		2021	
	Carrying value	*Purchase price*	*Listed*
	$	*$*	*$*
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	50,345,147	51,737,235	38,772,283
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	858,361,304	862,292,318	573,974,113
	908,706,451	914,029,553	612,746,396

		2020	
	Carrying value	*Purchase price*	*Listed*
	$	*$*	*$*
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	68,495,955	68,394,263	—
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	776,223,022	756,032,779	468,549,189
	844,718,977	824,427,042	468,549,189

Included within debt securities and other fixed income securities is collateral pledged on assumed business of $37.16m (2020 - $35.32m).

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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 2021				
Shares and other variable yield securities and units in unit trusts	38,772,283	—	11,572,864	50,345,147
Debt securities and other fixed income securities	573,974,113	284,387,191	—	858,361,304
Overseas deposits	6,227,724	36,686,838	—	42,914,562
	618,974,120	321,074,029	11,572,864	951,621,013
31 December 2020				
Shares and other variable yield securities and units in unit trusts	—	55,297,094	13,198,861	68,495,955
Debt securities and other fixed income securities	468,549,189	307,673,833	—	776,223,022
Overseas deposits	10,162,621	28,532,982	—	38,695,603
	478,711,810	391,503,909	13,198,861	883,414,580

Level 3 investments comprise the syndicate loans provided to the Lloyd's Central Fund in respect of the 2019 and 2020 underwriting years. These investments are not tradeable and are valued using discounted cash flow models at fair value based on management's analysis of $11.6m as at 31 December 2021 (2020: $13.2m). Management's analysis considered the Lloyd's valuation and assessed the likelihood of a full repayment of these loans. Based on this assessment an impairment of $1.6m has been recorded against unrealised losses on investments. The Syndicate Loans have been classified as Level 3 investments as the valuation approach includes significant unobservable inputs.

12. Debtors arising out of reinsurance operations

	2021	*2020*
	$	*$*
Due from ceding insurers and intermediaries under reinsurance business	445,226,382	386,702,682
Due from reinsurers and intermediaries under reinsurance contracts ceded	20,364,203	34,744,153
	465,590,585	421,446,835

13. Other assets

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

Notes to the financial statements
For the year ended 31 December 2021

14. Cash and cash equivalents

	2021	2020
	$	$
Cash at bank and in hand	5,711,693	11,173,079
Short term deposits with financial institutions	38,772,285	55,297,094
Overseas deposits as other assets	4,418,525	2,101,465
	48,902,503	68,571,638

Short term deposits with financial institutions are included within financial investments as shares and other variable yield securities and units in unit trusts. Overseas deposits as other assets are included within Other assets. These are classified as cash and cash equivalents as they are readily convertible or have a maturity of less than 3 months.

15. Other creditors

	2021	2020
	$	$
Amounts due within one year		
Amounts due to related parties	8,869,707	24,565,265
Unsettled investment trades	12,040,569	6,845,180
Other payables	779,611	2,799,568
	21,689,887	34,210,013
Amounts due after one year		
Amounts due to related parties	2,710,939	33,500,008
	24,400,826	67,710,021

16. Related parties

RenaissanceRe Holdings Ltd

In the prior year, the Syndicate received a loan of $33.5m from RenaissanceRe Holdings Ltd, the ultimate parent company. This has subsequently been repaid in full.

Renaissance Reinsurance Ltd

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

The Syndicate has intercompany balances from 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 debtor balance of $3.4m within other debtors (2020 - $0.7m).

The Syndicate has entered into Whole Account Stop Loss arrangements with RRL for the 2017 to 2019 underwriting years. The Syndicate recorded ceded net written premium of $0.2m (2020 - $1.5m) and has an intercompany debtor balance of $1.3m within debtors arising out of reinsurance operations (2020 - $6.5m).

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The Syndicate has entered into a quota share arrangement with RRL to cover specific contracts on a facultative basis. In the prior year, the Syndicate recorded ceded net written premium of $9.0m. In the current year, the Syndicate has an intercompany creditor balance of $1.9m within creditors arising out of reinsurance operations (2020 - $8.7m).

The Syndicate has entered into Whole Account Quota Share arrangements with RRL for the 2019 underwriting year. The Syndicate recorded a ceded recovery of $0.1m (2020 - ceded net written premium of $26.8m) during the year and has an intercompany creditor balance of $78.9m within creditors arising out of reinsurance operations (2020 - $78.6m) at the year end.

The Syndicate has entered into an excess of loss contract with RRL from January to May 2019, within the property line of business, with ceded spend of $3.1m. In the prior year, the balance of $3.1m was outstanding within creditors arising out of reinsurance operations at the year end. This has subsequently been settled in full.

RenaissanceRe Europe AG

RenaissanceRe Europe AG ("RREAG") is a wholly owned subsidiary of RenaissanceRe Specialty Holdings (UK) Limited, which is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

The Syndicate has entered into Whole Account Stop Loss arrangements with RREAG for the 2020 and 2021 underwriting years. The Syndicate recorded ceded net written premium of $25.2m (2020 - $6.2m) and has an intercompany debtor balance of $4.4m within debtors arising out of reinsurance operations (2020 - $0.4m) at the year end.

The Syndicate has entered into Whole Account Quota Share arrangements with RREAG for the 2020 underwriting year. The Syndicate ceded $18.4m (2020 - $87.5m) during the year and has an intercompany creditor balance of $79.2m within creditors arising out of reinsurance operations (2020 - $65.3m) at the year end.

The Syndicate entered into a new quota share arrangement with RREAG during the year in relation to certain property contracts. The Syndicate recorded ceded net written premium of $16.0m (2020 - nil) and has an intercompany creditor balance of $3.9m within creditors arising out of reinsurance operations (2020 - nil) at the year end.

In the prior year, the Syndicate was charged $8.6m by RREAG for its share of operating expenses incurred. The Syndicate has an intercompany debtor balance from RREAG of $2.8m within other debtors (2020 - $2.6m) at year end.

Upsilon RFO Re Ltd

Upsilon RFO Re Ltd ("Upsilon") is a managed joint venture and consolidated within the group financial statements of RenaissanceRe Holdings Ltd, the ultimate parent company.

In the prior year, the Syndicate entered into a quota share arrangement with Upsilon with ceded net written premium of $33.5m. The Syndicate has an intercompany debtor balance of $5.8m within debtors arising out of reinsurance operations (2020 - $4.4m intercompany creditor balance within creditors arising out of reinsurance operations) 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 $11.3m (2020 - $10.3m) 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 $3.9m within other creditors (2020 - $4.1m).

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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 is a UK service company, operating on behalf of the Syndicate, via a service level agreement with RSML. Total recharged expenses for the period were $20.9m (2020 - $21.1m). The Syndicate has an overall intercompany creditor balance to RSUKL of $2.7m within other creditors (2020 - $12.2m) 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 2021 RSML charged management fees of $6.4m to the Syndicate (2020 - $4.8m).

During the year, the Syndicate was charged $2.7m (2020 - release of $0.4m) by RSML in respect of profit commission in respect of the 2020 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 $4.3m within other creditors (2020 - $2.4m).

RenaissanceRe Corporate Capital (UK) Limited

RenaissanceRe Corporate Capital (UK) Limited ("RCC") is a wholly owned subsidiary of RRL, which is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

During the year, the Syndicate was charged $0.2m (2020 - income of $0.1m) by RCC for its share of operating expenses incurred. In prior year, the Syndicate had an intercompany creditor balance of $0.3m within other creditors at year end.

RenaissanceRe IP UK Limited

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

During the year, the Syndicate was charged $3.3m (2020 - $1.6m) by RIPUK for for its share of global expenses incurred centrally by the group and has an intercompany creditor balance of $0.7m within other creditors (2020 - $1.6m) at year end.

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 2021 the Syndicate recorded $14.8m (2020 - $11.8m) of net written premium from Tower Hill and its subsidiaries and affiliates. The Syndicate has a net related outstanding receivable balance of $6.5m within debtors arising out of reinsurance operations (2020 - $3.1m) and a reserve for claims and claims expenses of $2.5m (2020 - $2.0m).

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 (note 17) and Collateral (notes 1 and 19 (d)(1)).

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'.

As described in the managing agent's report, the Coronavirus Pandemic does not pose a material risk to the syndicate.

(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.

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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.

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 claims arising for various realistic disaster scenarios based on the Syndicate's risk exposures during 2021.

Realistic disaster scenarios	*Industry loss*	*Estimated gross claims*	*Estimated net claims*
	$m	*$m*	*$m*
Two events (North East Windstorm, followed by Carolinas Windstorm)	120,000	838.6	162.2
Florida Windstorm - Miami-Dade	131,000	798.9	87.9
Florida Windstorm - Pinellas	134,000	745.9	90.4
Gulf of Mexico Windstorm - Galveston, Texas	118,100	726.7	100.3
California Earthquake - Los Angeles	78,000	693.9	68.9

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

	31 December 2021			*31 December 2020*		
	Gross liabilities	*Reinsurance of liabilities*	*Net liabilities*	*Gross liabilities*	*Reinsurance of liabilities*	*Net liabilities*
	$	*$*	*$*	*$*	*$*	*$*
United Kingdom	21,204,524	11,021,136	10,183,388	17,744,476	9,131,848	8,612,628
EU	21,717,774	11,287,900	10,429,874	20,799,813	10,704,218	10,095,595
US and Canada	1,689,115,435	877,924,515	811,190,920	1,509,512,108	776,840,984	732,671,124
Other	183,431,278	95,337,582	88,093,696	206,631,579	106,337,744	100,293,835
Total	1,915,469,011	995,571,133	919,897,878	1,754,687,976	903,014,794	851,673,182

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

	31 December 2021			*31 December 2020 (Restated)*		
	Gross liabilities	*Reinsurance of liabilities*	*Net liabilities*	*Gross liabilities*	*Reinsurance of liabilities*	*Net liabilities*
	$	*$*	*$*	*$*	*$*	*$*
Direct insurance						
Fire and other damage to property	309,823,957	156,084,289	153,739,668	227,143,274	136,475,292	90,667,982
Third party liability	659,561,617	357,281,509	302,280,108	565,776,789	286,016,337	279,760,452
Marine, Aviation and Transport	12,230,405	5,097,683	7,132,722	7,642,449	5,682,846	1,959,603
Miscellaneous	30,872,276	15,923,193	14,949,083	29,899,749	15,017,814	14,881,935
	1,012,488,255	534,386,674	478,101,581	830,462,261	443,192,289	387,269,972
Reinsurance	902,980,756	461,184,459	441,796,297	924,225,715	459,822,505	464,403,210
Total	1,915,469,011	995,571,133	919,897,878	1,754,687,976	903,014,794	851,673,182

During 2021 the Syndicate changed the presentation of the Segmental Analysis to better align with how the business is managed. Results have been allocated to segments based on Lloyd's classes of business which are closely monitored internally. Previously, results were allocated to segments based on Lloyd's risk codes.

The restatement resulted in the following adjustments to outstanding claims liabilities by type of contract. The overall impact is a reclassification between Direct insurance and Reinsurance. The restatement did not change the outstanding claims liabilities position as at 31 December 2020.

The below table shows the change that 2020 restated amounts have increased/(decreased) compared to previous presentation.

	31 December 2020 (Change to previous presentation)		
	Gross liabilities	*Reinsurance of liabilities*	*Net liabilities*
	$	*$*	*$*
Direct insurance			
Fire and other damage to property	(20,190,646)	(21,792,149)	1,601,503
Third party liability	(149,505,353)	(59,137,877)	(90,367,476)
Marine, Aviation and Transport	(1,319,118)	780,628	(2,099,746)
Miscellaneous	(27,846,532)	(9,742,280)	(18,104,252)
	(198,861,649)	(89,891,678)	(108,969,971)
Reinsurance	198,861,649	89,891,678	108,969,971
Total	—	—	—

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 2021

	$ Gross ultimate claims incurred	*$ Impact on gross ultimate claims incurred*	*% Impact on gross claims outstanding*	*% Impact on profit*	*% Impact on member's balances*
Higher	1,254,843,221	24,455,778	1.3 %	(52.8)%	(19.4)%
Recorded	1,230,387,443	—	— %	— %	— %
Lower	1,212,936,239	(17,451,204)	(0.9)%	37.6 %	13.9 %

31 December 2020

	$ Gross ultimate claims incurred	*$ Impact on gross ultimate claims incurred*	*% Impact on gross claims outstanding*	*% Impact on profit*	*% Impact on member's balances*
Higher	1,011,054,297	22,980,830	1.3 %	(61.4)%	(30.4)%
Recorded	988,073,466	—	— %	— %	— %
Lower	971,969,744	(16,103,722)	(0.9)%	43.0 %	21.3 %

Attritional claim liabilities sensitivity analysis

31 December 2021

	Estimated loss reporting pattern	*$ Impact on gross claims outstanding*	*% Impact on gross claims outstanding*	*% Impact on profit*	*% Impact on member's balances*
Increase expected claims and claim expense ratio by 10%	Slower reporting	183,648,356	9.6 %	(396.2)%	(145.8)%
Increase expected claims and claim expense ratio by 10%	Expected reporting	91,317,669	4.8 %	(197.0)%	(72.5)%
Increase expected claims and claim expense ratio by 10%	Faster reporting	15,702,418	0.8 %	(33.9)%	(12.5)%
Expected claims and claim expense ratio	Slower reporting	83,936,989	4.4 %	(181.1)%	(66.6)%
Expected claims and claim expense ratio	Expected reporting	—	— %	— %	— %
Expected claims and claim expense ratio	Faster reporting	(68,741,137)	(3.6)%	148.3 %	54.6 %
Decrease expected claims and claim expense ratio by 10%	Slower reporting	(15,774,379)	(0.8)%	34.0 %	12.5 %
Decrease expected claims and claim expense ratio by 10%	Expected reporting	(91,317,669)	(4.8)%	197.0 %	72.5 %
Decrease expected claims and claim expense ratio by 10%	Faster reporting	(153,184,692)	(8.0)%	330.5 %	121.6 %

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31 December 2020

	Estimated loss reporting pattern	*$ Impact on gross claims outstanding*	*% Impact on gross claims outstanding*	*% Impact on profit*	*% Impact on member's balances*
Increase expected claims and claim expense ratio by 10%	Slower reporting	139,187,966	7.9 %	(371.9)%	(183.8)%
Increase expected claims and claim expense ratio by 10%	Expected reporting	83,215,066	4.7 %	(222.3)%	(109.9)%
Increase expected claims and claim expense ratio by 10%	Faster reporting	39,734,834	2.3 %	(106.2)%	(52.5)%
Expected claims and claim expense ratio	Slower reporting	50,884,455	2.9 %	(136.0)%	(67.2)%
Expected claims and claim expense ratio	Expected reporting	—	— %	— %	— %
Expected claims and claim expense ratio	Faster reporting	(39,527,484)	(2.3)%	105.6 %	52.2 %
Decrease expected claims and claim expense ratio by 10%	Slower reporting	(37,419,058)	(2.1)%	100.0 %	49.4 %
Decrease expected claims and claim expense ratio by 10%	Expected reporting	(83,215,066)	(4.7)%	222.3 %	109.9 %
Decrease expected claims and claim expense ratio by 10%	Faster reporting	(118,789,802)	(6.8)%	317.4 %	156.9 %

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

Claims development table

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

Notes to the financial statements
For the year ended 31 December 2021

Gross insurance contract outstanding claims provision as at 31 December 2021:

Underwriting year (u/w year)	Earlier	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	$	$	$	$	$	$	$	$	$	$	$	$
Estimate of cumulative claims incurred												
At end of u/w year		66,065,572	69,994,863	89,639,289	93,023,639	103,333,648	501,853,506	295,444,366	217,994,065	382,887,313	365,077,791	
12 months later		86,033,421	107,125,676	148,657,222	197,086,166	255,023,491	656,857,087	513,640,009	528,676,487	603,525,172		
24 months later		80,909,625	105,792,827	156,768,380	235,313,133	300,220,233	686,687,157	569,632,494	614,862,383			
36 months later		78,898,690	95,886,508	149,865,789	240,875,699	338,302,283	665,334,919	548,635,465				
48 months later		76,263,206	98,186,957	145,761,956	240,069,539	363,213,389	636,468,721					
60 months later		75,179,864	93,501,775	149,106,548	244,261,197	373,540,963						
72 months later		73,259,831	95,769,505	151,484,722	249,773,135							
84 months later		77,161,189	94,907,980	156,492,704								
96 months later		75,461,079	93,963,529									
108 months later		76,836,203										
Current estimate of cumulative claims incurred	122,017,776	76,836,203	93,963,529	156,492,704	249,773,135	373,540,963	636,468,721	548,635,465	614,862,383	603,525,172	365,077,791	
Cumulative claims paid												
At end of u/w year		(3,890,439)	(2,577,222)	(14,474,977)	(8,296,883)	(5,175,511)	(63,577,651)	(17,854,259)	(6,604,692)	(16,834,550)	(57,725,068)	
12 months later		(14,664,936)	(16,390,169)	(28,852,587)	(29,137,228)	(47,990,740)	(171,633,558)	(128,640,375)	(106,687,009)	(153,253,091)		
24 months later		(21,923,326)	(29,127,221)	(48,420,037)	(78,432,115)	(106,522,413)	(290,196,634)	(217,971,786)	(213,346,723)			
36 months later		(31,554,416)	(39,145,881)	(69,856,518)	(119,508,559)	(159,458,256)	(383,518,290)	(272,142,223)				
48 months later		(39,370,386)	(48,529,891)	(81,083,417)	(147,378,821)	(215,645,742)	(428,447,455)					
60 months later		(46,130,661)	(59,585,560)	(99,720,179)	(169,783,257)	(246,218,039)						
72 months later		(50,588,387)	(67,504,462)	(112,301,800)	(193,189,013)							
84 months later		(57,743,723)	(74,638,362)	(122,735,419)								
96 months later		(62,356,183)	(80,088,181)									
108 months later		(64,136,006)										
Cumulative payments to date	(94,443,613)	(64,136,006)	(80,088,181)	(122,735,419)	(193,189,013)	(246,218,039)	(428,447,455)	(272,142,223)	(213,346,723)	(153,253,091)	(57,725,068)	
Total gross outstanding claims provision per the statement of financial position	27,574,163	12,700,197	13,875,348	33,757,285	56,584,122	127,322,924	208,021,266	276,493,242	401,515,660	450,272,081	307,352,723	1,915,469,011

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Net insurance contract outstanding claims provision as at 31 December 2021:

Underwriting year (u/w year)	Earlier	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	$	$	$	$	$	$	$	$	$	$	$	$
Estimate of cumulative claims incurred												
At end of u/w year		65,064,323	69,910,832	81,719,663	77,894,417	78,117,193	161,628,304	149,777,303	140,911,592	154,495,867	269,753,948	
12 months later		85,975,107	105,711,667	132,248,634	155,527,984	190,790,690	278,796,294	292,926,330	324,628,036	259,801,017		
24 months later		79,948,635	104,169,662	136,768,036	184,619,816	222,815,128	326,609,845	335,797,531	374,950,671			
36 months later		77,924,121	94,996,050	129,771,888	183,066,887	249,369,370	289,423,208	342,408,411				
48 months later		75,563,235	96,040,316	125,279,475	176,905,511	226,503,845	280,163,923					
60 months later		74,370,657	91,321,864	129,229,946	167,340,283	229,467,811						
72 months later		72,551,960	92,605,699	117,262,039	169,546,927							
84 months later		76,429,844	84,935,514	117,687,629								
96 months later		70,438,581	84,764,908									
108 months later		70,519,432										
Current estimate of cumulative claims incurred	109,590,316	70,519,432	84,764,908	117,687,629	169,546,927	229,467,811	280,163,923	342,408,411	374,950,671	259,801,017	269,753,948	
Cumulative claims paid												
At end of u/w year		(389,439)	(2,577,222)	(9,571,826)	(7,949,670)	(4,660,019)	(58,994,504)	(13,566,018)	(4,974,273)	(14,466,768)	(57,637,888)	
12 months later		(14,607,748)	(16,390,169)	(23,676,226)	(26,999,751)	(41,503,126)	(62,261,773)	(84,409,441)	(80,171,832)	(122,751,255)		
24 months later		(21,271,115)	(28,847,243)	(42,300,648)	(69,257,223)	(87,737,431)	(130,960,467)	(144,436,575)	(175,104,570)			
36 months later		(30,859,419)	(38,529,911)	(60,140,660)	(101,613,186)	(125,642,923)	(179,921,745)	(187,424,104)				
48 months later		(38,675,390)	(47,913,922)	(70,055,306)	(121,916,844)	(162,724,496)	(176,001,200)					
60 months later		(45,435,664)	(58,486,391)	(85,432,574)	(136,341,356)	(184,598,820)						
72 months later		(49,887,105)	(65,562,889)	(95,966,201)	(150,108,870)							
84 months later		(57,047,116)	(72,614,053)	(103,861,394)								
96 months later		(61,659,576)	(76,703,908)									
108 months later		(63,439,399)										
Cumulative payments to date	(91,125,707)	(63,439,399)	(76,703,908)	(103,861,394)	(150,108,870)	(184,598,820)	(176,001,200)	(187,424,104)	(175,104,570)	(122,751,255)	(57,637,888)	
Total net outstanding claims provision per the statement of financial position	18,464,609	7,080,033	8,061,000	13,826,235	19,438,057	44,868,991	104,162,723	154,984,307	199,846,101	137,049,762	212,116,060	919,897,878

During 2020 an Adverse Development Cover was purchased protecting the Casualty classes on the Syndicate for the 2017 and prior underwriting years.

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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 2021, the Syndicate holds collateral of $275.5m (2020 - $310.3m) which mitigates the credit risk pertaining to $479.0m (2020 - $494.6m) 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 2021	*Neither past due nor impaired*	*Past due*	*Impaired*	*Total*
	$	*$*	*$*	*$*
Other financial investments				
- Debt securities	858,361,304	—	—	858,361,304
Shares and other variable yield securities	50,345,147	—	—	50,345,147
Overseas deposits as investments	42,914,562	—	—	42,914,562
Deposits with ceding undertakings	64,574,922	—	—	64,574,922
Reinsurers' share of claims outstanding	995,571,133	—	—	995,571,133
Debtors arising out of direct insurance operations	14,276,476	380,882	—	14,657,358
Debtors arising out of reinsurance contracts	458,636,339	6,954,246	—	465,590,585
Other debtors	264,200,288	—	—	264,200,288
Cash at bank and in hand	5,711,693	—	—	5,711,693
	2,754,591,864	7,335,128	—	2,761,926,992

Notes to the financial statements
For the year ended 31 December 2021

31 December 2020	*Neither past due nor impaired*	*Past due*	*Impaired*	*Total*
	$	*$*	*$*	*$*
Other financial investments				
- Debt securities	776,223,022	—	—	776,223,022
Shares and other variable yield securities	68,495,955	—	—	68,495,955
Overseas deposits as investments	38,695,603	—	—	38,695,603
Deposits with ceding undertakings	41,283,528	—	—	41,283,528
Reinsurers' share of claims outstanding	903,014,794	—	—	903,014,794
Debtors arising out of direct insurance operations	15,711,443	484,658	—	16,196,101
Debtors arising out of reinsurance contracts	414,954,981	6,491,854	—	421,446,835
Other debtors	278,648,223		—	278,648,223
Cash at bank and in hand	11,173,079	—	—	11,173,079
	2,548,200,628	6,976,512	—	2,555,177,140

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 2021	*AAA*	*AA*	*A*	*BBB*	*BBB or less*	*Not readily available/not rated*	*Total*
	$	*$*	*$*	*$*	*$*	*$*	*$*
Shares and other variable yield securities and unit trusts	15,878,430	—	34,466,717	—	—	—	50,345,147
Other financial investments							
- Debt securities	62,451,953	627,447,612	130,697,513	37,764,226	—	—	858,361,304
Overseas deposits as investments	19,961,337	10,449,359	4,278,776	4,878,478	—	3,346,612	42,914,562
Deposits with ceding undertakings	—	—	35,744,816	—	—	28,830,106	64,574,922
Reinsurers' share of claims outstanding	—	18,808,353	734,026,334	418,986	—	242,317,460	995,571,133
Debtors arising out of reinsurance contracts ceded	—	84,989	16,223,312	—	—	4,055,902	20,364,203
Cash at bank and in hand	—	—	3,673,496	2,038,197	—	—	5,711,693
	98,291,720	656,790,313	959,110,964	45,099,887	—	278,550,080	2,037,842,964

Included in investments rated AA above are certain assets that are rated AA+ that have been included within this rating categorisation in line with the classification applied by the investment managers. In the previous year, $449.2m of AA+ assets have been categorised within AAA.

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31 December 2020	*AAA*	*AA*	*A*	*BBB*	*BBB or less*	*Not readily available/not rated*	*Total*
	$	*$*	*$*	*$*	*$*	*$*	*$*
Shares and other variable yield securities and unit trusts	30,738,715	—	37,691,722	—	—	65,518	68,495,955
Other financial investments							
- Debt securities	578,531,921	29,537,550	166,082,060	—	—	2,071,491	776,223,022
Overseas deposits as investments	16,005,965	11,913,741	3,996,686	4,677,746	—	2,101,465	38,695,603
Deposits with ceding undertakings	—	—	7,808,487	—	—	33,475,041	41,283,528
Reinsurers' share of claims outstanding	—	85,807,386	569,425,739	513,252	—	247,268,417	903,014,794
Debtors arising out of reinsurance contracts ceded	—	420,201	21,821,153	—	—	12,502,799	34,744,153
Cash at bank and in hand	309,743	—	—	10,863,336	—	—	11,173,079
	625,586,344	127,678,878	806,825,847	16,054,334	—	297,484,731	1,873,630,134

(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.

During 2021, the Syndicate became a participant of a cash pooling arrangement with certain subsidiaries of the group to facilitate liquidity management. Cash pooling is a centralized cash management strategy to concentrate and centralize cash balances across accounts of a group’s subsidiaries. Excess cash balances in the pool can be used to meet short term liquidity needs across participants. The Syndicate is a beneficiary to the cash pooling arrangement but not a contributor.

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Maturity profiles

The tables below summarises 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 2021						
Claims outstanding	1,915,469,011	595,841,675	678,422,310	333,223,990	307,981,036	1,915,469,011
Deposits received from reinsurers	3,872,148	1,204,502	1,371,440	673,618	622,588	3,872,148
Creditors	362,672,864	280,013,301	82,659,563	—	—	362,672,864

	Carrying amount	*Up to a year*	*1-3 years*	*3-5 years*	*> 5 years*	*Total*
	$	*$*	*$*	*$*	*$*	*$*
31 December 2020						
Claims outstanding	1,754,687,976	541,374,446	623,308,182	304,722,305	285,283,043	1,754,687,976
Deposits received from reinsurers	3,857,006	1,190,003	1,370,103	669,815	627,085	3,857,006
Creditors	373,746,558	193,598,885	180,147,673	—	—	373,746,558

(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.

Currently, the Syndicate holds a mix of cash and cash equivalents (including collective investment schemes), fixed and variable 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 FCA 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:

(3)(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 2021							
Total assets	74,280,026	2,580,199,511	19,614,905	87,832,550	—	—	2,761,926,992
Total liabilities	(168,585,879)	(2,602,998,877)	(67,556,276)	(48,746,996)	—	—	(2,887,888,028)
Net assets	(94,305,853)	(22,799,366)	(47,941,371)	39,085,554	—	—	(125,961,036)
31 December 2020							
Total assets	69,230,809	2,364,898,210	31,213,066	89,765,329	69,726	—	2,555,177,140
Total liabilities	(165,626,856)	(2,359,100,644)	(59,541,239)	(46,625,850)	—	—	(2,630,894,589)
Net assets	(96,396,047)	5,797,566	(28,328,173)	43,139,479	69,726	—	(75,717,449)

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 US dollar against other currencies. The analysis is based on the information as at 31 December.

	Impact on profit		*Impact on member's balances*	
	2021	*2020*	*2021*	*2020*
	$	*$*	*$*	*$*
US dollar weakens				
10% against other currencies	(11,767,757)	(9,924,786)	(11,767,757)	(9,924,786)
US dollar strengthens				
10% against other currencies	11,767,757	9,924,786	11,767,757	9,924,786

(3)(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.

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The correlations of the risk factors to which the fixed rate financial assets are exposed will have a significant effect in determining the ultimate contribution of interest rate risk to total market risk, but to demonstrate the standalone impact of interest rate risk, rate factors were altered on an individual basis. It should be noted that the price movements considered are linear approximations calculated using interest rate duration.

Changes in variables	*Impact on profit*	*Impact on member's balances*
	$	*$*
31 December 2021		
+50 basis points	(15,407,876)	(15,407,876)
-50 basis points	15,439,565	15,439,565
31 December 2020		
+50 basis points	(14,266,283)	(14,266,283)
-50 basis points	14,511,517	14,511,517

(e) Climate risk

Natural catastrophes including extreme weather are a material risk that impacts the business of the Syndicate. Climate change is expected to increase the frequency and or severity of future extreme weather events. Some of our principal economic exposures arise from our coverages for natural disasters and catastrophes.

We believe that this potential increase in severe weather, coupled with currently projected demographic trends in catastrophe-exposed regions, contributes to factors that will increase the average economic value of expected losses, increase the number of people exposed per year to natural disasters and in general exacerbate disaster risk, including risks to infrastructure, global supply chains and agricultural production. Accordingly, we expect an increase in both the frequency and magnitude of claims, especially from properties located in coastal areas.

The consideration of the impacts of climate change is integral to our ERM process. We have taken measures to mitigate losses related to climate change through our underwriting process and by continuously monitoring and adjusting our risk management models to reflect the higher level of risk that we think will persist. We have been progressively integrating the consideration of the financial risk from climate change into our governance frameworks, risk management processes, and business strategies over the last several years.

Our board of directors and its committees are actively engaged in the oversight of environmental, social and governance initiatives and receive regular updates from management on progress and developments.