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# RenaissanceRe Syndicate 1458

Syndicate Annual Report and Accounts
For the year ended 31 December 2020

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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 2020.

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 2020 year of account was £529.8m and continued to show growth. The capacity for the 2019 year of account was £488.4m.

## Effects of Coronavirus Pandemic

Management has considered the impact of the current Coronavirus Pandemic on the Syndicate's credit, liquidity and operational risks. Management has concluded that the pandemic does not pose material risk to the Syndicate. With regards to Operational risk, the Syndicate is operating a 'working from home' model with meetings taking place via conference call and staff accessing IT systems remotely. Staff and systems are responding well and 'business as usual' is being maintained. The Syndicate has also taken various measures to ensure business continuity and protect the health and safety of its employees. Whilst the current risks are assessed as limited in scope, the situation will be monitored and reassessed as facts and circumstances change.

## Part VII Transfer

On 30 December 2020, the Syndicate transferred impacted EEA policies and related liabilities to Lloyd's Insurance Company S.A. in accordance with part VII of the Financial Services and Markets Act 2000. The impacted EEA policies and related liabilities are not material to the Syndicate. Additional disclosure is included in the Accounting policies and Segmental analysis financial statements notes.

## Results

During the year ended 31 December 2020, the Syndicate generated an underwriting loss before deduction of administrative expenses and addition of investment return of £20.8m (2019 - profit of £10.6m). The underwriting loss was impacted by the Weather Related Large Loss events and loss estimates recorded in relation to the Coronavirus Pandemic. The overall result, after the inclusion of administrative expenses, profits/losses on exchange and investment income, is a loss of £29.2m (2019 - loss of £2.9m). The total comprehensive loss for the year was £29.0m (2019 - loss of £0.5m).

# 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:

| | *2020* | *2019* | *Change* |
|---|---|---|---|
| | *£m* | *£m* | *%* |
| Gross premiums written | 743.8 | 685.4 | 8.5 % |
| Loss for the financial year | (29.2) | (2.9) | |
| Total comprehensive loss | (29.0) | (0.5) | |
| Combined ratio | 117.0 % | 105.9 % | 11.1 % |
| Investment return | 3.8 % | 3.5 % | 0.3 % |

*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 £743.8m and represented a 8.5% increase on 2019 gross premiums written. The growth in gross premiums is primarily from property lines that benefited from a hardening market.

Outward reinsurance premiums for the year was £423.8m and represented a 39.4% increase on 2019. This was primarily as a result of a new Adverse Development Cover that was purchased in the year protecting the Casualty classes on the syndicate for the 2017 and prior underwriting years. The increase was also driven by growth in ceded spend broadly in line with the gross increase and primarily from the impact of the whole account quota share covering the 2019 and 2020 underwriting years.

The Syndicate's net loss ratio for the year was 71.3% (2019 - 71.1%). The key drivers of this were:

- Impact of £88.6m loss from the 2020 Weather Related Large Loss Events and from the loss estimates on the Coronavirus Pandemic (2019 net loss of £32.9m from Weather Related Large Loss Events). The 2020 Weather Related Large Loss Events included Hurricane Laura, Hurricane Sally and PCS 2016 Wind and Thunderstorm.
- Favourable development of £6.6m (2019 unfavourable development of £37.9m) on prior accident year losses. The favorable development was primarily from reductions in loss estimates for the 2017-19 Weather Related Large Loss Events.

### Review of financial position

Financial investments as at 31 December 2020 are £617.9m compared to £601.1m as at the prior year with the increase attributable to the growth in the business.

Reinsurers' share of claims outstanding as at 31 December 2020 are £660.6m compared to £416.9m as at the prior year. The increase in reinsurers' share of claims outstanding is primarily from recoveries on the new Casualty Adverse Development Cover that was purchased by the Syndicate during the year. The increase is also from recoveries on the Weather Related Large Loss Events and Coronavirus Pandemic loss estimates. Part of the credit risk arising on recoverables from reinsurers is mitigated by collateral held in trust for certain balances, as disclosed in the notes to the financial statements.

Debtors arising from insurance and reinsurance operations as at 31 December 2020 is £320.1m compared to £308.9m 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.

# Managing agent's report

Gross technical provisions have increased to £1,620.5m from £1,376.1m. 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 and loss estimates on the Coronavirus Pandemic incurred during the financial year.

### Principal risks and uncertainties

RSML's risk strategy is based on the integrated management of capital and risk. The risk management tools utilised by RSML allow for the determination of capital to support the risks assumed on an individual basis. The Syndicate's risk tolerance is set by the RSML Board and is reviewed on an ongoing basis as part of the risk management process. RSML has an established Risk Management Function ("RMF") that coordinates the execution of risk management processes across the company by ensuring RSML has an effective and efficient risk management framework which enables risks to be captured, measured and managed appropriately. RSML has also established a Risk Committee which oversees the activities of the RMF, ensuring that there is a robust risk management framework in place and monitoring adherence to agreed risk appetite and tolerance levels. The Risk Committee and the RMF are key elements of RSML's governance structure that, as a whole, is designed to provide for clear ownership and accountability for risk throughout the company. Material risk related matters are reported to the Executive Committee and RSML Board, whilst the controls in place to mitigate these risks are monitored for ongoing effectiveness.

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

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

Regulatory risk is the risk of loss and / or damaging of reputation owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Prudential Regulation Authority ("PRA"), Financial Conduct Authority ("FCA") and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. RSML has a Compliance team that monitors regulatory developments and assesses the impact on RSML policy. Further, those responsible for satisfying regulatory requirements are well-versed in those requirements.

### 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

# Managing agent's report

business is considered as part of underwriting risk. Reserve adequacy is monitored through quarterly review of reserves by the RSML Actuarial Function as well as through an annual assessment performed by the Syndicate's Independent Actuary.

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

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet part or all of their obligations or failing to meet them in a timely manner, as well as adverse changes in the market value of assets caused by changed perceptions of the creditworthiness of counterparties. For Syndicate 1458, key counterparties with whom we are exposed to credit risk include reinsurers, brokers, insureds, reinsureds, coverholders and investment counterparties. Credit risk on the investment portfolio is discussed under market risk below. RSML has articulated the credit risk appetite of the Syndicate as well as associated processes and policies in the Credit Risk Policy. Further, the Syndicate has established counterparty credit rating guidelines providing a suggested maximum limit to be exposed to individual reinsurers based on their credit rating. The guidelines also provide some perspective which should facilitate the reinsurance purchasing process and credit risk management and monitoring process. Aged receivable reports are produced on a regular basis and monitored by the Finance Committee.

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

Liquidity risk is the risk that the Syndicate, although solvent, might not have sufficient available liquid resources to enable it to meet its obligations as they fall due, or could secure them only at excessive cost. The liquidity objective is to preserve capital and provide adequate liquidity to support the Syndicate's underwriting and day-to-day operations. RSML has articulated the liquidity risk appetite of the Syndicate as well as associated processes and policies in the Liquidity Risk Policy. Also, Syndicate liquidity is formally reviewed quarterly by the Finance Committee, as well as on an ongoing basis by the Finance Director.

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

Market risk is the risk of financial loss due to movements in market factors. For the Syndicate, this can manifest through investment market movements, including movements in interest rates, movements in foreign exchange rates, resulting in mismatches between currencies in which assets and liabilities are denominated, and changes in credit ratings or investment prices. Credit risk on the investment portfolio is deemed largely immaterial given the makeup of that portfolio. RSML has articulated the market risk appetite of the Syndicate as well as associated processes and policies in the 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.

### 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 2021 the Syndicate expects to continue to grow across the property, casualty and specialty portfolios, through increased capacity of £651.7m for the 2021 year of account.

# Managing agent's report

## Directors

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

P M Billingham
H R T Brennan
S Creedon
R A Curtis
B M Dalton
R J Lang
C S McMenamin
R M Merrett (resigned 10 September 2020)
R J Murphy
D D Upadhyaya
E J Cruttenden (appointed 17 September 2020)

## 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 have indicated their willingness to continue in office as the Syndicate's auditors.

On behalf of the Board

D D Upadhyaya
Director

4 March 2021

## 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 2020 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members’ 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008.

## Basis for opinion

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

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

## Conclusions relating to going concern

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 to adopt the going concern basis of accounting 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 6, other than the syndicate annual accounts and our auditor’s report thereon. The directors of the managing agent is 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

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

misstatements, we are required to determine whether there is 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.

### 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 6, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

### 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

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

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 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 the Lloyd’s of London, 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 enquiry of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the managing agent’s methods of enforcing and monitoring compliance with such policies, 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 within the valuation of gross reserves (Incurred But Not Reported (“IBNR”) and Additional Case Reserves (“ACR”)) and revenue recognition, including estimated premium income and writing and earnings patterns.

  Our procedures included:

- Reviewing accounting estimates for evidence of management bias. Supported by EY Actuaries we assessed if there were any indicators of management bias in the valuation of gross reserves (IBNR) and revenue recognition, including estimated premium income;

- Evaluating the business rationale for significant and/or unusual transactions;

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

- Testing the appropriateness of journal entries recorded in the general ledger, particularly in respect of judgemental areas including the valuation of gross reserves (IBNR and ACR) and revenue recognition, including estimated premium income and writing and earnings patterns.

In addition, we considered the impact of Covid-19 on the Syndicate, including an assessment of the consistency of operations and controls in place as they transitioned to operating remotely for a significant proportion of 2020, making enquiries with management via the use of video conferencing.

We performed analytical review procedures to assess for unusual movements throughout the year. Our audit procedures also incorporated unpredictability into the nature, timing and extent of our testing.

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.

## Use of our report

This report is made solely to the syndicate’s members, as a body, in accordance with The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and the syndicate’s members as a body, for our audit work, for this report, or for the opinions we have formed.

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

London
4 March 2021

## Income statement
## Technical account - General business
# For the year ended 31 December 2020

| | Notes | 2020<br>£ | 2019<br>£ |
|---|---|---|---|
| Gross premiums written | 2 | 743,799,902 | 685,428,004 |
| Outward reinsurance premiums | | (423,780,949) | (303,974,127) |
| Net premiums written | | 320,018,953 | 381,453,877 |
| Change in provision for unearned premiums | | | |
| - Gross amount | | (21,485,687) | (32,206,341) |
| - Reinsurers' share | | 2,613,779 | 50,610,104 |
| Change in the net provision for unearned premiums | 4 | (18,871,908) | 18,403,763 |
| Earned premiums, net of reinsurance | | 301,147,045 | 399,857,640 |
| Allocated investment return transferred from the non-technical account | | 25,767,760 | 22,527,302 |
| Claims paid | | | |
| - Gross amount | 3 | (315,812,033) | (279,802,105) |
| - Reinsurers' share | 3 | 101,367,994 | 92,513,974 |
| Net claims paid | | (214,444,039) | (187,288,131) |
| Change in claims outstanding | | | |
| - Gross amount | | (272,905,827) | (122,778,948) |
| - Reinsurers' share | | 272,518,881 | 25,812,590 |
| Change in the net provision for claims | | (386,946) | (96,966,358) |
| Claims incurred, net of reinsurance | 3 | (214,830,985) | (284,254,489) |
| Net operating expenses | 6 | (137,651,174) | (139,359,252) |
| Balance on technical account - general business | | (25,567,354) | (1,228,799) |

## Income statement
## Non-technical account - General Business
# For the year ended 31 December 2020

| | Notes | 2020 £ | 2019 £ |
|---|---|---|---|
| Balance on technical account - general business | | (25,567,354) | (1,228,799) |
| Investment income | 10 | 19,586,112 | 14,127,907 |
| Unrealised gains/(losses) on investments | 10 | 6,623,083 | 9,121,694 |
| Investment expenses and charges | 10 | (441,435) | (722,299) |
| Allocated investment return transferred to the general business technical account | | (25,767,760) | (22,527,302) |
| Exchange losses | | (3,587,832) | (1,647,135) |
| Loss for the financial year | | (29,155,186) | (2,875,934) |

# Statement of comprehensive income
# For the year ended 31 December 2020

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Loss for the financial year | (29,155,186) | (2,875,934) |
| Currency translation differences | 204,102 | 2,370,938 |
| Total comprehensive loss for the year | (28,951,084) | (504,996) |

# Statement of changes in member's balances
## For the year ended 31 December 2020

| | *Member's balances* |
|---|---|
| | £ |
| At 1 January 2020 | (62,277,831) |
| Loss for the financial year | (29,155,186) |
| Currency translation differences | 204,102 |
| 2017 year of account payment of loss | 35,839,413 |
| At 31 December 2020 | (55,389,502) |

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

# Statement of financial position
# As at 31 December 2020

| | Notes | 2020 £ | 2019 £ |
|---|---|---|---|
| ASSETS | | | |
| Investments | | | |
| Financial investments | 11 | 617,936,340 | 601,092,197 |
| Deposits with ceding undertakings | | 30,200,094 | 18,792,609 |
| | | 648,136,434 | 619,884,806 |
| Reinsurers' share of technical provisions | | | |
| Provision for unearned premiums | 4 | 114,631,860 | 115,260,810 |
| Claims outstanding | 3 | 660,581,415 | 416,923,891 |
| | | 775,213,275 | 532,184,701 |
| Debtors | | | |
| Debtors arising out of direct insurance operations | | 11,847,916 | 11,854,997 |
| Debtors arising out of reinsurance operations | 12 | 308,300,538 | 297,085,845 |
| Other debtors | | 6,603,324 | 382,756 |
| | | 326,751,778 | 309,323,598 |
| Cash and other assets | | | |
| Cash at bank and in hand | 14 | 8,173,430 | 15,832,486 |
| Other assets | 13 | 28,306,952 | 23,450,306 |
| | | 36,480,382 | 39,282,792 |
| Prepayments and accrued income | | | |
| Accrued interest | | 1,929,244 | 2,670,064 |
| Deferred acquisition costs | 5 | 80,674,798 | 80,069,158 |
| | | 82,604,042 | 82,739,222 |
| Total assets | | 1,869,185,911 | 1,583,415,119 |

# Statement of financial position (cont'd)
# As at 31 December 2020

| | Notes | 2020 £ | 2019 £ |
|---|---|---|---|
| MEMBER'S BALANCES AND LIABILITIES | | | |
| **Member's balances** | | | |
| Profit and loss account | | (55,389,502) | (62,277,831) |
| Total member's balances | | (55,389,502) | (62,277,831) |
| | | | |
| **Liabilities** | | | |
| Technical provisions | | | |
| Provision for unearned premiums | 4 | 336,859,023 | 325,042,184 |
| Claims outstanding | 3 | 1,283,604,957 | 1,051,016,570 |
| | | 1,620,463,980 | 1,376,058,754 |
| | | | |
| Deposits received from reinsurers | | 2,821,511 | 2,466,093 |
| | | | |
| Creditors | | | |
| Creditors arising out of direct insurance operations | | 386,035 | 1,874,009 |
| Creditors arising out of reinsurance operations | | 223,488,535 | 198,996,082 |
| Other creditors | 15 | 49,531,837 | 36,346,347 |
| | | 273,406,407 | 237,216,438 |
| | | | |
| Accruals and deferred income | | 27,883,515 | 29,951,665 |
| | | | |
| Total liabilities | | 1,924,575,413 | 1,645,692,950 |
| | | | |
| Total member's balances and liabilities | | 1,869,185,911 | 1,583,415,119 |

The financial statements on pages 10 to 49 were approved by the board of directors on 3 March 2021 and were signed on its behalf by:

D D Upadhyaya
Director

4 March 2021

# Statement of cash flows
# For the year ended 31 December 2020

| | Notes | 2020<br>£ | 2019 restated<br>£ |
|---|---|---|---|
| Loss on ordinary activities | | (29,155,186) | (2,875,934) |
| Movement in general insurance unearned premiums and outstanding claims | | 244,760,644 | 108,646,204 |
| Movement in reinsurers' share of unearned premiums and outstanding claims | | (243,028,574) | (56,086,217) |
| Investment return | | (5,297,938) | (10,153,784) |
| Movements in other assets/liabilities | | 564,686 | 39,014,781 |
| Realised/unrealised (losses)/gains on cashflow | | (20,556,448) | (13,041,385) |
| Currency exchange differences | | 19,832,406 | 24,359,588 |
| Net cash (outflow)/inflow from operating activities | | (32,880,410) | 89,863,253 |
| | | | |
| Investing activities | | | |
| Investment income received | | 5,297,938 | 10,153,784 |
| Purchase of debt and equity instruments | | (672,895,020) | (2,604,146,819) |
| Sales of debt and equity instruments | | 627,808,542 | 2,538,914,554 |
| Movement in overseas deposits | | 507,207 | 136,227 |
| Net cash outflow from investing activities | | (39,281,333) | (54,942,254) |
| | | | |
| Financing activities | | | |
| Payment of profit to member's personal reserve funds | | 35,839,413 | (875,269) |
| Net cash outflow from financing activities | | 35,839,413 | (875,269) |
| | | | |
| Net decrease in cash and cash equivalents | | (36,322,330) | 34,045,730 |
| Foreign exchange on cash and cash equivalents | | (25,228) | (3,518,332) |
| Cash and cash equivalents at 1 January | | 86,509,693 | 55,982,295 |
| Cash and cash equivalents at 31 December | 14 | 50,162,135 | 86,509,693 |

# Notes to the financial statements
# For the year ended 31 December 2020

## 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 2020 were approved for issue by the board of directors on 4 March 2021.

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

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

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

### 1.3 Statement of Cash Flows – prior period adjustment

The prior period comparative on the Statement of Cash Flows that is presented within the report and accounts on page 17 has been restated for misclassification relating to the following areas:

Foreign exchange related balances previously reported on various line items under investing activities and operating activities have all now been reclassified to the line ‘currency exchange differences’ within operating activities.

Realised and unrealised/gains and losses previously reported on various line items under investing and operating activities have now all been reclassified to ‘Realised/unrealised (losses)/gains on cashflow’ within operating activities.

# Notes to the financial statements
# For the year ended 31 December 2020

The restatement resulted in the following adjustments to the cashflow reported in the 2019 financial statements:

| Impacted line | *2019 as previously reported* | *2019 restated* | *Change* |
|---|---|---|---|
| *Operating activities* | | | |
| Investment return | (22,527,302) | (10,153,784) | 12,373,518 |
| Movements in other assets/liabilities | 25,973,396 | 39,014,781 | 13,041,385 |
| Realised/unrealised (losses)/gains on cashflow | 3,518,332 | (13,041,385) | (16,559,717) |
| Currency exchange differences | 2,370,938 | 24,359,588 | 21,988,650 |
| | | | |
| *Investing activities* | | | |
| Investment income received | 13,405,608 | 10,153,784 | (3,251,824) |
| Foreign exchange | 18,470,318 | — | (18,470,318) |
| Other market movements | 9,121,694 | — | (9,121,694) |

The overall impact is a reclassification between operating activities and investing activities of £30.8m. The restatement did not change the final cash position as at 31 December 2019.

**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.

**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 inception. For these investments, the following criteria must be met:

# Notes to the financial statements
# For the year ended 31 December 2020

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

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

**Cash and cash equivalents**

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

**Fair value of financial assets**

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

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

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

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if:

- There is currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**Financial liabilities**

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

**Investment return**

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

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

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

**Insurance contracts - Product classification**

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

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

**Gross Premiums**

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

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

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

**Reinsurance premiums**

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

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

**Profit commission**

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

**Claims provisions and related recoveries**

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

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

# Notes to the financial statements
# For the year ended 31 December 2020

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 including favourable variances. This is because the reporting of losses in excess of expectations tend to have greater credibility than an absence or lower than expected level of reported losses. Over time, as a greater number of claims are reported and the credibility of reported losses improves, actuarial estimates of IBNR are typically based on the Bornhuetter-Ferguson actuarial method.

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

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

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

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

**Provision for unearned premiums**

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

Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Reinstatement premiums are earned when written.

**Unexpired risks provision**

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial year in respect of contracts incepted before that date, are expected to exceed the unearned premiums and premium receivable under these contracts, after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated by reference to years of account. As at 31 December 2020 and 31 December 2019, 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 2020 or 2019.

### Insurance payables

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

### Foreign currencies

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

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

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

### Taxation

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

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

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

### Pension costs

RSML operates a defined contribution pension scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

### 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.

Collateral received in trust is not recognised in the statement of consolidated financial position, unless the counterparty defaults on its obligations under the relevant agreement.

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

# Notes to the financial statements
# For the year ended 31 December 2020

**Part VII Transfer**

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

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the Syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of £13.24m. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of £13.24m. The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there is no impact on the Syndicate's income statement or balance sheet.

## 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* |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| ***2020*** | | | | | | |
| *Direct insurance* | | | | | | |
| Fire and other damage to property | 252,298,685 | 195,118,910 | (167,189,817) | (56,941,826) | 20,400,334 | (8,612,399) |
| Third party liability | 220,312,333 | 235,406,230 | (199,132,000) | (76,394,042) | 28,635,422 | (11,484,390) |
| Marine, Aviation and Transport | 6,891,502 | 9,650,112 | (10,768,344) | (2,717,289) | 2,961,718 | (873,803) |
| Miscellaneous | 12,602,626 | 18,411,074 | (16,091,215) | (9,900,383) | 4,492,599 | (3,087,925) |
| | 492,105,146 | 458,586,326 | (393,181,376) | (145,953,540) | 56,490,073 | (24,058,517) |
| *Reinsurance* | 251,694,756 | 263,727,889 | (195,536,484) | (60,088,842) | (35,379,160) | (27,276,597) |
| | 743,799,902 | 722,314,215 | (588,717,860) | (206,042,382) | 21,110,913 | (51,335,114) |

Current year underwriting results for the transferred policies have been reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December 2020, and in line with Society of Lloyd's guidance no movements were processed on these policies on 31 December 2020. The value of the transferred liabilities as at 30 December 2020 was £13.24m. In future years, results relating to these risks will be reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd's Brussels.

# Notes to the financial statements
# For the year ended 31 December 2020

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

Commissions on direct insurance gross premiums earned during 2020 were £95.6m (2019 - £83.2m).

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:

| | *2020* | *2019* |
|---|---|---|
| | £ | £ |
| UK | 5,386,475 | 8,295,569 |
| Other EU countries | 11,257,491 | 6,325,505 |
| US and Canada | 679,758,796 | 619,000,714 |
| Other | 47,397,140 | 51,806,216 |
| | 743,799,902 | 685,428,004 |

## 3. Claims outstanding

| | *Gross* | *Reinsurers' share* | *Net* |
|---|---|---|---|
| | £ | £ | £ |
| At 1 January 2020 | 1,051,016,570 | (416,923,891) | 634,092,679 |
| Claims incurred during the year | 588,717,860 | (373,886,875) | 214,830,985 |
| Claims paid during the year | (315,812,033) | 101,367,994 | (214,444,039) |
| Foreign exchange | (40,317,440) | 28,861,357 | (11,456,083) |
| At 31 December 2020 | 1,283,604,957 | (660,581,415) | 623,023,542 |

# Notes to the financial statements
# For the year ended 31 December 2020

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

## 4. Provision for unearned premiums

| | Gross | Reinsurers' share | Net |
|---|---|---|---|
| | £ | £ | £ |
| At 1 January 2020 | 325,042,184 | (115,260,810) | 209,781,374 |
| Premiums written in the year | 743,799,902 | (423,780,949) | 320,018,953 |
| Premiums earned in the year | (722,314,215) | 421,167,170 | (301,147,045) |
| Foreign exchange | (9,668,848) | 3,242,729 | (6,426,119) |
| At 31 December 2020 | 336,859,023 | (114,631,860) | 222,227,163 |

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

## 5. Deferred acquisition costs

| | Gross | Reinsurers' share | Net |
|---|---|---|---|
| | £ | £ | £ |
| At 1 January 2020 | 80,069,157 | (29,359,504) | 50,709,653 |
| Change in deferred acquisition costs | 2,765,513 | 1,022,674 | 3,788,187 |
| Foreign exchange | (2,159,872) | 698,792 | (1,461,080) |
| At 31 December 2020 | 80,674,798 | (27,638,038) | 53,036,760 |

# Notes to the financial statements
# For the year ended 31 December 2020

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

## 6. Net operating expenses

| | Technical account - General business | |
|---|---|---|
| | 2020 | 2019 |
| | £ | £ |
| Acquisition costs | 168,303,666 | 152,731,513 |
| Change in deferred acquisition costs | (2,765,514) | (9,983,835) |
| Administrative expenses | 30,548,586 | 34,386,161 |
| Reinsurance commissions and profit participation | (58,435,564) | (37,774,587) |
| | 137,651,174 | 139,359,252 |

Member's standard personal expenses amounting to £7.7m (2019 - £9.3m) are included in administrative expenses. Member's standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, managing agent fees and profit commission.

# Notes to the financial statements
# For the year ended 31 December 2020

## 7. Staff costs

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

| | *2020* | *2019* |
|---|---:|---:|
| | £ | £ |
| Salaries and related costs | 11,031,822 | 12,463,460 |
| Health and social security costs | 993,982 | 1,801,830 |
| Other pension costs | 505,294 | 433,186 |
| | 12,531,098 | 14,698,476 |

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

| | *2020* | *2019* |
|---|---:|---:|
| Administration and finance | 71 | 70 |
| Underwriting | 40 | 36 |
| Claims | 12 | 7 |
| | 123 | 113 |

## 8. Auditor's remuneration

| | *2020* | *2019* |
|---|---:|---:|
| | £ | £ |
| Audit of the Syndicate annual accounts | 235,000 | 175,000 |
| Other services pursuant to Regulations and Lloyd's Byelaws | 121,100 | 97,100 |
| Other assurance fees | 25,000 | 19,000 |
| | 381,100 | 291,100 |

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

# Notes to the financial statements
# For the year ended 31 December 2020

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

5 directors (2019 - 5) of RSML received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

| | *2020* | *2019* |
|---|---|---|
| | £ | £ |
| Aggregate remuneration in respect of qualifying services | 1,854,346 | 1,515,026 |

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

| | *2020* | *2019* |
|---|---|---|
| | £ | £ |
| Emoluments | 546,106 | 655,896 |

## 10. Investment return

| | *2020* | *2019* |
|---|---|---|
| | £ | £ |
| Income from other financial investments | 5,739,373 | 10,876,083 |
| Net gains / (losses) on realisation of investments | | |
| - Fair value through profit or loss designated upon initial recognition | 13,846,739 | 3,251,824 |
| Net unrealised gains on investments | | |
| - Financial investments at fair value through profit and loss | 6,623,083 | 9,121,694 |
| Investment expenses and charges | (441,435) | (722,299) |
| | 25,767,760 | 22,527,302 |

# Notes to the financial statements
# For the year ended 31 December 2020

| Average amount of funds available for investment during the year: | *2020* | *2019* |
|---|---|---|
| | £ | £ |
| Sterling | 9,958,185 | 8,078,798 |
| US dollars | 605,280,665 | 558,528,022 |
| Canadian dollars | 59,627,553 | 67,004,934 |
| Euro | 2,849,874 | 3,531,248 |
| Combined in sterling | 677,716,277 | 637,143,002 |

| Gross calendar year investment yield: | | |
|---|---|---|
| Sterling | 0.5 % | 0.7 % |
| US dollars | 0.6 % | 2.0 % |
| Canadian dollars | 0.3 % | 1.8 % |
| Euro | — % | — % |
| Combined | 0.6 % | 2.0 % |

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

## 11. Financial Investments

| | | *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 | 50,106,770 | 50,032,380 | — |
| Debt securities and other fixed income securities | | | |
| - Designated at fair value through profit or loss | 567,829,570 | 553,059,823 | 342,757,271 |
| | 617,936,340 | 603,092,203 | 342,757,271 |

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

Included within debt securities and other fixed income securities is collateral pledged on assumed business of £25.84m (2019 - £25.09m).

# Notes to the financial statements
# For the year ended 31 December 2020

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 2020* | | | | |
| Shares and other variable yield securities and units in unit trusts | — | 40,451,422 | 9,655,348 | 50,106,770 |
| Debt securities and other fixed income securities | 342,757,271 | 225,072,299 | — | 567,829,570 |
| Overseas deposits | 7,434,251 | 20,872,701 | — | 28,306,952 |
| | 350,191,522 | 286,396,422 | 9,655,348 | 646,243,292 |
| *31 December 2019* | | | | |
| Shares and other variable yield securities and units in unit trusts | — | 69,647,132 | 1,882,039 | 71,529,171 |
| Debt securities and other fixed income securities | 306,373,804 | 223,189,222 | — | 529,563,026 |
| Overseas deposits | 6,498,064 | 16,952,242 | — | 23,450,306 |
| | 312,871,868 | 309,788,596 | 1,882,039 | 624,542,503 |

Included within level 3 investments are the syndicate loans to the Lloyd's Central Fund valued at fair value, based on a Lloyd's of London independent analysis, of £9.7m as at 31 December 2020 (2019: £1.9m).

## 12. Debtors arising out of reinsurance operations

| | *2020* | *2019* |
|---|---|---|
| | £ | £ |
| Due from ceding insurers and intermediaries under reinsurance business | 282,884,186 | 254,827,802 |
| Due from reinsurers and intermediaries under reinsurance contracts ceded | 25,416,352 | 42,258,043 |
| | 308,300,538 | 297,085,845 |

## 13. Other assets

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

## 14. Cash and cash equivalents

| | *2020* | *2019* |
|---|---|---|
| | £ | £ |
| Cash at bank and in hand | 8,173,430 | 15,832,486 |
| Short term deposits with financial institutions | 41,988,705 | 70,677,207 |
| | 50,162,135 | 86,509,693 |

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

## 15. Creditors

| | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| **Amounts due within one year** | | |
| Amounts due to related parties | 17,970,201 | 34,081,779 |
| Unsettled investment trades | 5,007,447 | — |
| Other payables | 2,047,965 | 1,614,650 |
| | 25,025,613 | 35,696,429 |
| **Amounts due after one year** | | |
| Amounts due to related parties | 24,506,224 | 649,918 |
| | 49,531,837 | 36,346,347 |

## 16. Related parties

**RenaissanceRe Holdings Ltd**

During the year the Syndicate received a three year loan of $33.5m from RenaissanceRe Holdings Ltd, the ultimate parent company. The loan amount was retranslated to £24.5m at the rate of exchange on the reporting date.

**Renaissance Reinsurance Ltd**

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

The Syndicate has intercompany creditor balances to RRL relating to group quota share reinsurance contracts whereby settlements to counterparties are transacted by RRL on behalf of the group and subsequently settled internally. The Syndicate has an intercompany creditor balance of £5.4m within other creditors (2019 - £16.8m).

The Syndicate entered into a Whole Account Stop Loss arrangement with RRL. The Syndicate recorded ceded net written premium of £1.2m (2019 - £4.7m) and has an intercompany creditor balance of £4.8m within creditors arising out of reinsurance operations (2019 - £6.0m).

The Syndicate entered into a quota share arrangement with RRL during the year to cover specific contracts on a facultative basis. The Syndicate recorded ceded net written premium of £7.0m (2019 - £10.1m) and has an intercompany creditor balance of £6.4m within creditors arising out of reinsurance operations (2019 - £10.3m).

The Syndicate entered into a new whole account quota share arrangement during the year with RRL. The Syndicate ceded £20.8m (2019 - £63.9m) during the year and has an intercompany creditor balance of £57.5m within creditors arising out of reinsurance operations (2019 - £43.9m) at the year end.

The Syndicate entered into an excess of loss contract with RRL from January to May 2019, within the property line of business, with ceded spend of £2.4m. The balance of £2.3m is outstanding within creditors arising out of reinsurance operations (2019 - £2.4m) at the year end.

**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 entered into a Whole Account Stop Loss arrangement with RREAG. The Syndicate recorded ceded net written premium of £4.8m (2019 - nil) and has an intercompany creditor balance of £0.3m within creditors arising out of reinsurance operations (2019 - nil) at the year end.

The Syndicate entered into a new whole account quota share arrangement during the year with RREAG. The Syndicate ceded £68.2m (2019 - nil) during the year and has an intercompany creditor balance of £47.7m within creditors arising out of reinsurance operations (2019 - nil) at the year end.

During the year, the Syndicate was charged £6.7m (2019 - nil) by RREAG for its share of operating expenses incurred. The Syndicate has an intercompany debtor balance from RREAG of £1.9m within other debtors (2019 - nil) 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.

The Syndicate entered into a quota share arrangement during the year with Upsilon. The Syndicate ceded £26.1m (2019 - nil) during the year and has an intercompany creditor balance of £3.2m within creditors arising out of reinsurance operations (2019 - nil) 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 £8.0m (2019 - £9.4m) 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 £3.0m within other creditors (2019 - £12.4m).

**RenaissanceRe Services (UK) Limited**

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

RSUKL are a UK service company, operating on behalf of the Syndicate, via a service level agreement with RSML. Total recharged expenses for the period were £16.4m (2019 - £20.8m). The Syndicate has an overall intercompany creditor balance to RSUKL of £8.9m within other creditors (2019 - £4.8m) at the year end.

**RenaissanceRe Syndicate Management Limited**

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

Under the terms of the managing agency agreement between RSML and the Syndicate, RSML is entitled to charge the Syndicate a management fee based on the Syndicate capacity and a flat management fee. In 2020 RSML charged management fees of £3.7m to the Syndicate (2019 - £3.7m).

# Notes to the financial statements
# For the year ended 31 December 2020

During the year, the Syndicate released £0.3m (2019 - charge of £0.6m) due to RSML in respect of profit commission in respect of the 2018 and 2019 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 £1.8m within other creditors (2019 - £0.7m).

**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 £0.1m (2019 - nil) by RCC for its share of operating expenses incurred and has an intercompany creditor balance of £0.2m within other creditors (2019 - nil) 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 £1.2m (2019 - nil) by RIPUK for for its share of global expenses incurred centrally by the group  and has an intercompany creditor balance of £1.1m within other creditors (2019 - nil) 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 2020 the Syndicate recorded £9.2m (2019 - £6.3m) of net written premium from Tower Hill and its subsidiaries and affiliates. The Syndicate has a net related outstanding receivable balance of £2.3m with debtors arising out of reinsurance operations (2019 - £1.9m) and a reserve for claims and claims expenses of £1.4m (2019 - £1.5m).

## 17. Funds at Lloyd's

Underwriting capacity of a member of Lloyd's must be supported by providing a deposit in the form of cash, securities or letters of credit, which are referred to as Funds at Lloyd's ("FAL"). This amount is determined by Lloyd's and is based on the Syndicate’s solvency and capital requirement as calculated through the Syndicate’s internal model. In addition, if the FAL are not sufficient to cover all losses, the Lloyd's Central Fund provides an additional level of security for policyholders. Since FAL is not under the management of the managing agent, no amounts have been shown in these annual accounts by way of such capital resource. However, the managing agent is able to make a call on member's FAL to meet liquidity requirements or settle losses.

## 18. Off-balance sheet items

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

## 19. Risk management

(a) Governance framework

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

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

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

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.

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 hypothetical claims arising for various realistic disaster scenarios based on the Syndicate’s risk exposures during 2020.

| *Realistic disaster scenarios* | *Industry loss* | *Estimated gross claims* | *Estimated net claims* |
|---|---|---|---|
| | *£m* | *£m* | *£m* |
| Two events (North East Windstorm, followed by Carolinas Windstorm) | 87,783 | 661.2 | 140.8 |
| Florida Windstorm - Miami-Dade | 95,830 | 540.5 | 16.2 |
| Florida Windstorm - Pinellas | 98,025 | 489.9 | 45.0 |
| Gulf of Mexico Windstorm - Galveston, Texas | 86,394 | 561.0 | 75.9 |
| California Earthquake - Los Angeles | 57,059 | 429.5 | 18.5 |

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

| | *31 December 2020* | | | *31 December 2019* | | |
|---|---|---|---|---|---|---|
| | *Gross liabilities* | *Reinsurance of liabilities* | *Net liabilities* | *Gross liabilities* | *Reinsurance of liabilities* | *Net liabilities* |
| | £ | £ | £ | £ | £ | £ |
| United Kingdom | 12,980,597 | 6,680,211 | 6,300,386 | 8,069,404 | 3,201,022 | 4,868,382 |
| EU | 15,215,664 | 7,830,445 | 7,385,219 | 9,731,312 | 3,860,278 | 5,871,034 |
| US and Canada | 1,104,251,725 | 568,281,627 | 535,970,098 | 899,542,107 | 356,836,044 | 542,706,063 |
| Other | 151,156,971 | 77,789,132 | 73,367,839 | 133,673,747 | 53,026,547 | 80,647,200 |
| Total | 1,283,604,957 | 660,581,415 | 623,023,542 | 1,051,016,570 | 416,923,891 | 634,092,679 |

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

| | *31 December 2020* | | | *31 December 2019* | | |
|---|---|---|---|---|---|---|
| | *Gross liabilities* | *Reinsurance of liabilities* | *Net liabilities* | *Gross liabilities* | *Reinsurance of liabilities* | *Net liabilities* |
| | £ | £ | £ | £ | £ | £ |
| Direct insurance | | | | | | |
| Fire and other damage to property | 180,931,909 | 115,777,206 | 65,154,703 | 69,639,444 | 25,936,888 | 43,702,556 |
| Third party liability | 523,249,555 | 252,490,281 | 270,759,274 | 435,781,359 | 132,307,369 | 303,473,990 |
| Marine, Aviation and Transport | 6,555,645 | 3,586,114 | 2,969,531 | 13,656,253 | 10,509,000 | 3,147,253 |
| Miscellaneous | 42,243,073 | 18,112,724 | 24,130,349 | 33,352,436 | 12,230,395 | 21,122,041 |
| | 752,980,182 | 389,966,325 | 363,013,857 | 552,429,492 | 180,983,652 | 371,445,840 |
| Reinsurance | 530,624,775 | 270,615,090 | 260,009,685 | 498,587,078 | 235,940,239 | 262,646,839 |
| Total | 1,283,604,957 | 660,581,415 | 623,023,542 | 1,051,016,570 | 416,923,891 | 634,092,679 |

# Notes to the financial statements
# For the year ended 31 December 2020

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 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 | 739,615,433 | 16,811,141 | 1.3 % | (58.1)% | (30.4)% |
| Recorded | 722,804,292 | — | — % | — % | — % |
| Lower | 711,023,953 | (11,780,338) | (0.9)% | 40.7 % | 21.3 % |

*31 December 2019*

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

# Notes to the financial statements
# For the year ended 31 December 2020

Attritional claim liabilities sensitivity analysis

*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 | 101,820,019 | 7.9 % | (351.7)% | (183.8)% |
| Increase expected claims and claim expense ratio by 10% | Expected reporting | 60,874,225 | 4.7 % | (210.3)% | (109.9)% |
| Increase expected claims and claim expense ratio by 10% | Faster reporting | 29,067,179 | 2.3 % | (100.4)% | (52.5)% |
| Expected claims and claim expense ratio | Slower reporting | 37,223,449 | 2.9 % | (128.6)% | (67.2)% |
| Expected claims and claim expense ratio | Expected reporting | — | — % | — % | — % |
| Expected claims and claim expense ratio | Faster reporting | (28,915,497) | (2.3)% | 99.9 % | 52.2 % |
| Decrease expected claims and claim expense ratio by 10% | Slower reporting | (27,373,122) | (2.1)% | 94.5 % | 49.4 % |
| Decrease expected claims and claim expense ratio by 10% | Expected reporting | (60,874,225) | (4.7)% | 210.3 % | 109.9 % |
| Decrease expected claims and claim expense ratio by 10% | Faster reporting | (86,898,173) | (6.8)% | 300.2 % | 156.9 % |

*31 December 2019*

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

# Notes to the financial statements
# For the year ended 31 December 2020

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.

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

# Notes to the financial statements
# For the year ended 31 December 2020

Gross insurance contract outstanding claims provision as at 31 December 2020:

| Underwriting year (u/w year) | Earlier | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Estimate of cumulative claims incurred | | | | | | | | | | | | |
| At end of u/w year | | 29,750,016 | 48,550,062 | 51,775,002 | 65,841,830 | 68,401,577 | 75,890,002 | 367,646,144 | 217,836,404 | 160,553,677 | 280,362,340 | |
| 12 months later | | 37,120,996 | 63,273,677 | 79,048,980 | 109,141,597 | 144,883,938 | 187,369,357 | 481,959,100 | 379,536,508 | 389,771,549 | | |
| 24 months later | | 34,669,458 | 59,543,819 | 78,001,698 | 115,145,720 | 173,023,465 | 220,580,778 | 503,935,167 | 420,780,455 | | | |
| 36 months later | | 33,612,807 | 58,050,740 | 70,739,757 | 110,032,100 | 177,025,413 | 248,507,742 | 488,335,325 | | | | |
| 48 months later | | 35,635,679 | 56,120,319 | 72,407,896 | 107,025,556 | 176,367,858 | 266,707,348 | | | | | |
| 60 months later | | 35,848,015 | 55,410,284 | 68,955,718 | 109,473,522 | 179,449,464 | | | | | | |
| 72 months later | | 36,763,818 | 53,972,639 | 70,620,803 | 111,258,138 | | | | | | | |
| 84 months later | | 49,571,312 | 56,823,160 | 70,011,324 | | | | | | | | |
| 96 months later | | 51,679,743 | 55,586,974 | | | | | | | | | |
| 108 months later | | 51,342,983 | | | | | | | | | | |
| Current estimate of cumulative claims incurred | 39,023,755 | 51,342,983 | 55,586,974 | 70,011,324 | 111,258,138 | 179,449,464 | 266,707,348 | 488,335,325 | 420,780,455 | 389,771,549 | 280,362,340 | |
| Cumulative claims paid | | | | | | | | | | | | |
| At end of u/w year | | (2,022,467) | (2,841,337) | (1,890,327) | (10,587,414) | (6,090,471) | (3,805,790) | (46,511,907) | (13,116,750) | (4,864,193) | (12,344,230) | |
| 12 months later | | (3,810,854) | (10,798,792) | (12,151,200) | (21,251,272) | (21,539,547) | (35,353,353) | (125,843,039) | (95,684,819) | (79,624,535) | | |
| 24 months later | | (6,347,236) | (16,155,772) | (21,619,425) | (35,640,236) | (57,705,090) | (78,354,853) | (213,068,638) | (161,484,711) | | | |
| 36 months later | | (11,704,600) | (23,264,665) | (29,030,121) | (51,363,466) | (87,848,122) | (117,205,214) | (281,759,488) | | | | |
| 48 months later | | (15,498,033) | (29,020,656) | (35,916,620) | (59,583,501) | (108,316,373) | (158,389,185) | | | | | |
| 60 months later | | (20,024,614) | (33,978,276) | (44,017,869) | (73,265,502) | (124,755,924) | | | | | | |
| 72 months later | | (24,211,026) | (37,265,814) | (49,850,067) | (82,517,764) | | | | | | | |
| 84 months later | | (27,334,837) | (42,540,179) | (55,106,327) | | | | | | | | |
| 96 months later | | (30,152,763) | (45,920,809) | | | | | | | | | |
| 108 months later | | (30,750,433) | | | | | | | | | | |
| Cumulative payments to date | (36,371,292) | (30,750,433) | (45,920,809) | (55,106,327) | (82,517,764) | (124,755,924) | (158,389,185) | (281,759,488) | (161,484,711) | (79,624,535) | (12,344,230) | |
| Total gross outstanding claims provision per the statement of financial position | 2,652,463 | 20,592,550 | 9,666,165 | 14,904,997 | 28,740,374 | 54,693,540 | 108,318,163 | 206,575,837 | 259,295,744 | 310,147,014 | 268,018,110 | 1,283,604,957 |



RenaissanceRe

# Notes to the financial statements
# For the year ended 31 December 2020

Net insurance contract outstanding claims provision as at 31 December 2020:

| Underwriting year (u/w year) | Earlier | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Estimate of cumulative claims incurred | | | | | | | | | | | | |
| At end of u/w year | | 29,750,016 | 47,817,619 | 51,713,531 | 60,048,394 | 57,334,114 | 57,443,436 | 118,761,579 | 111,276,739 | 104,165,619 | 113,278,553 | |
| 12 months later | | 37,120,996 | 63,231,018 | 78,014,591 | 97,138,601 | 114,482,927 | 140,381,207 | 205,396,706 | 218,078,070 | 240,456,897 | | |
| 24 months later | | 34,669,458 | 58,840,826 | 76,814,304 | 100,514,891 | 135,939,838 | 163,956,709 | 240,528,209 | 249,673,954 | | | |
| 36 months later | | 33,612,807 | 57,337,813 | 70,088,359 | 95,332,831 | 134,736,597 | 183,450,749 | 213,345,048 | | | | |
| 48 months later | | 35,635,679 | 55,608,270 | 70,837,564 | 92,042,030 | 130,161,548 | 166,700,369 | | | | | |
| 60 months later | | 35,848,015 | 54,818,326 | 67,361,048 | 94,933,214 | 123,180,887 | | | | | | |
| 72 months later | | 36,763,818 | 53,454,812 | 68,306,384 | 86,223,256 | | | | | | | |
| 84 months later | | 49,571,312 | 56,288,161 | 62,716,174 | | | | | | | | |
| 96 months later | | 51,683,410 | 51,912,873 | | | | | | | | | |
| 108 months later | | 45,675,612 | | | | | | | | | | |
| Current estimate of cumulative claims incurred | 35,380,181 | 45,675,612 | 51,912,873 | 62,716,174 | 86,223,256 | 123,180,887 | 166,700,369 | 213,345,048 | 249,673,954 | 240,456,897 | 113,278,553 | |
| Cumulative claims paid | | | | | | | | | | | | |
| At end of u/w year | | (2,022,467) | (2,841,337) | (1,890,327) | (7,000,618) | (5,836,475) | (3,428,693) | (43,159,202) | (9,979,778) | (3,671,494) | (10,612,129) | |
| 12 months later | | (3,810,854) | (10,756,958) | (12,151,200) | (17,464,616) | (19,975,921) | (30,607,475) | (45,834,418) | (63,328,613) | (60,187,611) | | |
| 24 months later | | (6,347,236) | (15,678,662) | (21,414,613) | (31,163,726) | (50,993,391) | (64,613,096) | (96,582,780) | (107,691,578) | | | |
| 36 months later | | (11,704,600) | (22,756,257) | (28,579,522) | (44,256,035) | (74,757,140) | (92,468,321) | (132,822,733) | | | | |
| 48 months later | | (15,498,033) | (28,512,248) | (35,466,021) | (51,516,120) | (89,690,202) | (119,675,765) | | | | | |
| 60 months later | | (20,024,614) | (33,469,868) | (43,213,795) | (62,813,707) | (100,293,417) | | | | | | |
| 72 months later | | (24,211,026) | (36,752,808) | (48,429,750) | (70,567,802) | | | | | | | |
| 84 months later | | (27,334,837) | (42,030,593) | (53,625,487) | | | | | | | | |
| 96 months later | | (30,132,884) | (45,411,223) | | | | | | | | | |
| 108 months later | | (30,730,554) | | | | | | | | | | |
| Cumulative payments to date | (33,901,963) | (30,730,554) | (45,411,223) | (53,625,487) | (70,567,802) | (100,293,417) | (119,675,765) | (132,822,733) | (107,691,578) | (60,187,611) | (10,612,129) | |
| Total net outstanding claims provision per the statement of financial position | 1,478,218 | 14,945,058 | 6,501,650 | 9,090,687 | 15,655,454 | 22,887,470 | 47,024,604 | 80,522,315 | 141,982,376 | 180,269,286 | 102,666,424 | 623,023,542 |

# Notes to the financial statements
# For the year ended 31 December 2020

(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 2020, the Syndicate holds collateral of £227.0m (2019 - £154.6m) which mitigates the credit risk pertaining to £361.8m (2019 - £283.9m) 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 2020* | *Neither past due nor impaired* | *Past due* | *Impaired* | *Total* |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Other financial investments | | | | |
| - Debt securities | 567,829,570 | — | — | 567,829,570 |
| Shares and other variable yield securities | 50,106,770 | — | — | 50,106,770 |
| Overseas deposits as investments | 28,306,952 | — | — | 28,306,952 |
| Deposits with ceding undertakings | 30,200,094 | — | — | 30,200,094 |
| Reinsurers' share of claims outstanding | 660,581,415 | — | — | 660,581,415 |
| Debtors arising out of direct insurance operations | 11,493,375 | 354,541 | — | 11,847,916 |
| Debtors arising out of reinsurance contracts | 303,551,560 | 4,748,979 | — | 308,300,539 |
| Other debtors | 203,839,225 | — | — | 203,839,225 |
| Cash at bank and in hand | 8,173,430 | — | — | 8,173,430 |
| | 1,864,082,391 | 5,103,520 | — | 1,869,185,911 |

# Notes to the financial statements
## For the year ended 31 December 2020

| *31 December 2019* | *Neither past due nor impaired* | *Past due* | *Impaired* | *Total* |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Other financial investments | | | | |
| - Debt securities | 529,563,026 | — | — | 529,563,026 |
| Shares and other variable yield securities | 71,529,171 | — | — | 71,529,171 |
| Overseas deposits as investments | 23,450,306 | — | — | 23,450,306 |
| Deposits with ceding undertakings | 18,792,609 | — | — | 18,792,609 |
| Reinsurers' share of claims outstanding | 416,923,891 | — | — | 416,923,891 |
| Debtors arising out of direct insurance operations | 11,142,081 | 712,916 | — | 11,854,997 |
| Debtors arising out of reinsurance contracts | 285,127,364 | 11,958,481 | — | 297,085,845 |
| Other debtors | 198,382,788 | | — | 198,382,788 |
| Cash at bank and in hand | 15,832,486 | — | — | 15,832,486 |
| | 1,570,743,722 | 12,671,397 | — | 1,583,415,119 |

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 2020* | *AAA* | *AA* | *A* | *BBB* | *BBB or less* | *Not readily available/not rated* | *Total* |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| Shares and other variable yield securities and unit trusts | 22,486,258 | — | 27,572,584 | — | — | 47,928 | 50,106,770 |
| Other financial investments | | | | | | | |
| - Debt securities | 423,212,817 | 21,607,571 | 121,493,826 | — | — | 1,515,356 | 567,829,570 |
| Overseas deposits as investments | 11,708,826 | 8,715,246 | 2,923,691 | 3,421,906 | — | 1,537,283 | 28,306,952 |
| Deposits with ceding undertakings | — | — | 5,712,134 | — | — | 24,487,960 | 30,200,094 |
| Reinsurers' share of claims outstanding | — | 62,770,582 | 416,551,382 | 375,459 | — | 180,883,992 | 660,581,415 |
| Debtors arising out of reinsurance contracts ceded | — | 307,389 | 15,962,804 | — | — | 9,146,159 | 25,416,352 |
| Cash at bank and in hand | 226,586 | — | — | 7,946,844 | — | — | 8,173,430 |
| | 457,634,487 | 93,400,788 | 590,216,421 | 11,744,209 | — | 217,618,678 | 1,370,614,583 |

# Notes to the financial statements
## For the year ended 31 December 2020

| *31 December 2019* | *AAA* | *AA* | *A* | *BBB* | *BBB or less* | *Not readily available/not rated* | *Total* |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| Shares and other variable yield securities and unit trusts | 50,755,083 | — | 20,774,088 | — | — | — | 71,529,171 |
| Other financial investments | | | | | | | |
| - Debt securities | 387,290,588 | 20,942,313 | 120,482,588 | — | — | 847,537 | 529,563,026 |
| Overseas deposits as investments | 14,307,587 | 2,317,573 | 3,248,509 | 2,546,552 | — | 1,030,085 | 23,450,306 |
| Deposits with ceding undertakings | — | — | 4,343,833 | — | — | 14,448,776 | 18,792,609 |
| Reinsurers' share of claims outstanding | — | 32,425,394 | 273,749,454 | 64,671 | — | 110,684,372 | 416,923,891 |
| Debtors arising out of reinsurance contracts ceded | — | 674,829 | 16,808,267 | — | — | 24,774,947 | 42,258,043 |
| Cash at bank and in hand | 2,642,226 | — | — | 13,190,260 | — | — | 15,832,486 |
| | 454,995,484 | 56,360,109 | 439,406,739 | 15,801,483 | — | 151,785,717 | 1,118,349,532 |

(2) Liquidity risk

Liquidity risk is the risk that the Syndicate, although solvent, might not have sufficient available liquid resources to enable it to meet its obligations as they fall due, or could secure them only at excessive cost. The liquidity objective is to preserve capital and provide adequate liquidity to support the Syndicate's underwriting and day-to-day operations.

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

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

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

In addition, RenaissanceRe Corporate Capital (UK) Limited which acts as the Syndicate's corporate name has agreed a short term funding arrangement with RenaissanceRe Holdings Ltd, whereby the latter company will make available funds on a short-term basis, in loan format. The arrangement has been agreed by both parties in principle to expedite its execution following the occurrence of any large loss event which might materially increase the liquidity risk faced by the Syndicate. It is expected that such an increase in liquidity risk would be temporary in nature and would arise due to the need to potentially fund situs requirements and also related claims payments.

# Notes to the financial statements
# For the year ended 31 December 2020

Maturity profiles

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

| | *Carrying amount* | *Up to a year* | *1-3 years* | *3-5 years* | *> 5 years* | *Total* |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| *31 December 2020* | | | | | | |
| Claims outstanding | 1,283,604,957 | 396,031,051 | 455,967,946 | 222,913,171 | 208,692,789 | 1,283,604,957 |
| Deposits received from reinsurers | 2,821,511 | 870,521 | 1,002,270 | 489,989 | 458,731 | 2,821,511 |
| Creditors | 273,406,407 | 141,623,179 | 131,783,228 | — | — | 273,406,407 |

| | *Carrying amount* | *Up to a year* | *1-3 years* | *3-5 years* | *> 5 years* | *Total* |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| *31 December 2019* | | | | | | |
| Claims outstanding | 1,051,016,570 | 300,981,819 | 383,273,066 | 186,939,023 | 179,822,662 | 1,051,016,570 |
| Deposits received from reinsurers | 2,466,093 | 706,220 | 899,307 | 438,632 | 421,934 | 2,466,093 |
| Creditors | 237,216,438 | 191,012,643 | 46,203,795 | — | — | 237,216,438 |

(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 FSA and US Situs fund asset admissibility criteria.

In terms of its investment portfolio, the Syndicate has a tolerance for holding only investment grade fixed income securities and cash. The Syndicate has no tolerance to invest in securities with a rating less than A3 (Moody's), A- (S&P) or A- (Fitch). If two ratings are provided, the lower of the two ratings will apply.

Market risk comprises two types of risk:

(a) Currency risk

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

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

| *Converted £* | *GBP* | *USD* | *EUR* | *CAD* | *AUD* | *OTH* | *Total* |
|---|---|---|---|---|---|---|---|
| *31 December 2020* | | | | | | | |
| Total assets | 50,644,337 | 1,729,991,375 | 22,833,260 | 65,665,932 | 51,007 | — | 1,869,185,911 |
| Total liabilities | (121,160,831) | (1,725,750,288) | (43,556,137) | (34,108,157) | — | — | (1,924,575,413) |
| Net assets | (70,516,494) | 4,241,087 | (20,722,877) | 31,557,775 | 51,007 | — | (55,389,502) |
| *31 December 2019* | | | | | | | |
| Total assets | 35,201,120 | 1,463,770,558 | 13,442,996 | 71,000,445 | — | — | 1,583,415,119 |
| Total liabilities | (96,900,681) | (1,474,839,950) | (41,005,992) | (32,946,327) | — | — | (1,645,692,950) |
| Net assets | (61,699,561) | (11,069,392) | (27,562,996) | 38,054,118 | — | — | (62,277,831) |

Sensitivity to changes in foreign exchange rates

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

| | *Impact on profit* | | *Impact on member's balances* | |
|---|---|---|---|---|
| | *2020* | *2019* | *2020* | *2019* |
| | £ | £ | £ | £ |
| Sterling weakens | | | | |
| 10% against other currencies | 4,922,283 | 3,432,163 | 1,042,628 | (1,320,531) |
| Sterling strengthens | | | | |
| 10% against other currencies | (4,922,283) | (3,432,163) | (1,042,628) | 1,320,531 |

(b) Interest rate risk

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

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

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

# Notes to the financial statements
# For the year ended 31 December 2020

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 2020 | | |
| +50 basis points | (10,436,198) | (10,436,198) |
| -50 basis points | 10,615,594 | 10,615,594 |
| 31 December 2019 | | |
| +50 basis points | (8,947,565) | (8,947,565) |
| -50 basis points | 9,110,650 | 9,110,650 |