

RIVER RE LIMITED
(formerly RenaissanceRe (UK) Limited)

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

REGISTERED IN ENGLAND AND WALES NO. 02553288

WEDNESDAY



AAANOPK0

A15

11/08/2021

#141

COMPANIES HOUSE

CONTENTS

RIVER RE LIMITED

Financial Statements Report For The Year Ended 31 December 2020

Contents	1
Directors, Officers and Professional Advisers	2
Strategic Report	3-6
Directors' Report	7-8
Independent Auditors' Report	9-14
Statement of Comprehensive Income	15-16
Statement of Financial Position: Assets	17
Statement of Financial Position: Liabilities	18
Statement of Changes in Equity	19
Statement of Cash Flows	20
Statement of Accounting Policies	21-25
Notes to the Financial Statements	26-50

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

RIVER RE LIMITED

As at 31 December 2020

DIRECTORS

Sylvain Villeroy de Galhau

Alain de Lavernette

Freda Hewitt

William Bower

COMPANY SECRETARY

Lindsay Francis

REGISTERED OFFICE

Brooke Lawrance House

80 Civic Drive

Ipswich

IP1 2AN

INDEPENDENT AUDITORS

Mazars LLP

Tower Bridge House

St Katharine's Way

London

E1W 1DD

PRINCIPAL BANKERS

HSBC Bank plc

1st Floor

60 Queen Victoria Street

London

EC4N 4TR

STRATEGIC REPORT

RIVER RE LIMITED

Year Ended 31 December 2020

Business Model

River Re Limited (formerly RenaissanceRe (UK) Limited) ("The Company") underwrote non-life insurance/reinsurance risks until 30 June 2015. From 1 July 2015, it ceased underwriting, with all new and renewed risks being underwritten by Tokio Millennium Re AG UK Branch.

Business Review

Strategy and Objectives

The principal activity of the Company is to manage the run-off of its insurance and reinsurance business including motor, liability, property and financial lines. The Company has outsourced the management of the run-off to AXA Liabilities Managers SAS.

The strategy is to deliver a professional run-off where claims will be settled on a fair and proper basis and reinsurance recoveries will be pursued. The Company will seek to maximise shareholder value, by reducing volatility through commutation with cedants and by returning surplus capital to the shareholder.

Results and Performance

The results for the financial year are set out on pages 15 and 16. The Company generated a post-tax profit of £2.4 million (2019 post-tax profit: £14.3 million) during the financial year. The result was driven by an investment return of £8.3 million (2019: £19.5 million) and underwriting loss for the year of £5.6 million (2019: loss £1.3 million). The underwriting result was driven by claims incurred losses of £4.8 million and £2.0 million operating expenses, partially offset by £1.2 million earned premium. Net assets stood at £133.4 million (2019: £221.0 million) at the end of the financial year after payment of a £90.0 million dividend (2019: nil).

Future Development

The Company's strategy will be successful management of its liabilities. The Company will utilise its expertise to maximise opportunities within this strategy while striving to improve profitability by controlling costs, improving efficiency and maximising investment return.

STRATEGIC REPORT

RIVER RE LIMITED

Year Ended 31 December 2020

Principal Risks and Uncertainties

Overall organisational risks

The risk management function oversees the management of all organisational risks and continues to enhance the mechanisms used to identify, quantify and manage accumulated exposures within the limits of the Company's risk appetite. The steering of the overall risk strategy is directed by the Board of Directors.

General insurance risk

General insurance risk arises from:

- fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- unexpected claims arising from a single source;
- inadequate claims reserves; and
- inadequate reinsurance protection.

The adequacy of the Company's general insurance reserves is reviewed by the Reserving Committee and approved by the Board of Directors.

Operational and Strategic risk

Operational risk and Strategic risk are discussed in detail in Notes 1 (h) and 1 (i).

Financial risk

Financial risk arises through the Company's holdings in financial assets, financial liabilities, insurance/reinsurance assets and policyholder/cedant liabilities. The key financial risk is that proceeds from financial assets are insufficient to fund obligations arising from policies as they fall due. The most important components of financial risk are: interest rate risk; currency risk; credit risk; and liquidity risk.

The Company adopts the Enterprise Risk Management framework which is tailored and used as a guide to measure, monitor and control all risks inherent in the business, including those relating to financial risk - by ensuring these remain within its risk appetite limits. This system establishes acceptable levels of measurable risks and ensures the sufficiency of equity in light of those risks. Risk amounts are monitored to ensure these are maintained within permissible ranges based on the Company's economic capital model and are reported to the Board of Directors on a periodic basis within the Own Risk and Solvency Assessment ("ORSA") document.

Interest rate risk

Interest rate risk arises primarily from the Company's investment portfolio which comprise debt securities, money market funds and cash deposits. To the extent that claims inflation is correlated with interest rates, liabilities to policyholders/cedants are also exposed to interest rate risk.

Currency risk

The Company is exposed to currency risk in respect of policyholder/cedant liabilities which are denominated in currencies other than GBP. The Company seeks to mitigate currency risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

Principal Risks and Uncertainties (continued)

Credit risk

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

- exposure to investments in debt securities, money market funds and cash deposits;
- reinsurers' share of insurance/reinsurance claim reserve liabilities;
- claim recovery amounts due from reinsurers in respect of claims already paid;
- premium amounts due from insurance/reinsurance policyholders/cedants; and
- premium amounts due from insurance/reinsurance intermediaries.

The Company monitors its exposure to a single counterparty, or groups of related counterparties, and to territorial and industry segments.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. In order to meet such calls, the Board sets minimum limits on the maintenance of cash deposits and investments.

Brexit

The risk to the Company of Brexit has been considered. As the principal activity of the Company is to manage the run-off of its insurance and reinsurance business Brexit has not adversely impacted the Company or resulted in additional risk.

Key Performance Indicators

The Company uses a number of financial metrics to assist the Board of Directors in assessing performance. The Key Performance Indicators for the Company are underwriting profit/(loss), investment performance and return on equity, which align to the Company's strategy of delivering professional run-off on claims whilst seeking to maximise investment returns and shareholder value.

Key performance indicators	2020 £000	2019 £000	Movement during the financial year
Earned premium	1,232	(48)	The underwriting result for the year was a loss of £5.6 million. £1.2 million earned premiums were more than offset by £4.8m claims incurred losses and operating expenses of £2.0 million.
Underwriting profit/(loss)	-5,647	-1,301	
Investment return	8,274	19,554	Reduction in investments and cash has impacted investment return. During the financial year there has been a restructuring of investments to increase investment yield.
Investments/cash deposits	252,594	370,191	
Investment yield	3.3%	5.3%	
Investments/cash deposits	252,594	370,191	The reduction in investments and cash deposits has been driven by claims payments, operational expenses and dividend payment, which have been somewhat offset by investment returns.
Total assets	262,701	386,827	
Investments/cash deposits composition	96.2%	95.7%	
Pre-tax profit/(loss)	3,041	17,633	A positive return on equity was driven by the investment performance and profit on earned premiums.
Opening shareholder's equity	220,963	206,669	
Return on equity	1.4%	8.5%	

STRATEGIC REPORT

RIVER RE LIMITED

Year Ended 31 December 2020

Section 172 Statement

The directors are fully aware of their responsibilities to promote the success of the company in accordance with s172 of the Companies Act. In addition to the responsibility of the directors to promote the success of the business for the benefit of its shareholder, the directors consider the key stakeholders to be the company's clients, brokers and regulators. The Company does not have any staff and therefore does not need to consider their interests.

The Company has been in run-off since 30 June 2015 but continues to service its clients with outstanding claims diligently, via brokers predominantly. The Board has considered the impact of its operational decisions on the company's stakeholders throughout the year. Two principal decisions made in the year have been identified:

- 1 Following the change of control from RenaissanceRe Specialty Holdings (UK) Limited to AXA DBIO II Holding Sarl ("AXA DBIO II") during the year, the decision to outsource the run-off administration to AXA Liabilities Managers ("AXA LM"). AXA LM is a run-off specialist with the experience and skills-set to manage the run-off of the Company to the benefit of its key stakeholders, its clients.
- 2 The decision to reposition the investment portfolio from primarily money market funds to investment grade bonds was made shortly after AXA DBIO II's acquisition. This has increased investment returns for the Company to the benefit of its shareholder.

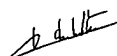
Examples of the way that the Company engages with its stakeholders are as follows:

Shareholder: The Company has one immediate shareholder, AXA DBIO II Holding Sarl which provided its equity capital. The ultimate shareholder is AXA DBIO II SCSp. The shareholder expects a financial return on its investment, and this is delivered through regular dividends.

Clients: A core principle of the Company is to manage claims reported by its Cedant's in a consistent and timely basis, that is delivered with integrity and in full compliance with all policy contractual terms and conditions. The Board receives quarterly updates on the status of outstanding claims and premium related adjustments. The Company has established a Governance process whereby monetary thresholds have been assigned to the operational team managing the business.

Brokers: The Company's claims staff continue to engage with brokers, and have established regular bi-weekly calls with them to discuss pressing issues. The feedback received by the Company suggests a high level of satisfaction with the service that is being provided. This feedback is presented informally but is reported back to the Board in verbal updates during Technical Committee meetings.

Regulators: The Company is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") the PRA. The Company aims to maintain strong, effective relations with the PRA and FCA working in a collaborative and transparent manner through continuous engagement. It is vital that these relationships are well maintained as this is directly linked to the Company being able to operate in the UK.



Alain de Lavernette

Director

Signed: 31 March 2021

DIRECTORS' REPORT

RIVER RE LIMITED

Year Ended 31 December 2020

Directors and Their Interests

The following individuals served as directors during the financial year, and up to the approval date of this report:

Names	Appointed	Resigned
Sylvain Villeroy de Galhau	18 August 2020	
Alain de Lavernette	18 August 2020	
Freda Hewitt	18 August 2020	
William Bower	18 August 2020	
Steven Hennessey	18 August 2020	31 January 2021
Hugh Brennan		18 August 2020
Richard Murphy		18 August 2020
David Finch		18 August 2020

Political Donations

The Company made no political donations during the year (2019: £nil).

Directors' Indemnification

The directors benefited from qualifying third party indemnity provisions by way of Directors' and Officers' Insurance, limited to £2.5 million (2019: £10 million) in the aggregate including costs and expenses, plus £1 million additional aggregate (2019: £1 million) for Non-Executive Directors. Coverage was in place during the financial year and remains so at the approval date of this report.

Independent Auditors

The auditors, Mazars LLP, who were appointed on 18 August 2020, have indicated their willingness to continue in office.

Future Outlook

The main features of the Company's future development can be found in the Strategic Report. The future development forms part of this Directors' Report and is incorporated into it by cross-reference.

Dividends Paid and Declared

During the year, an interim dividend of £90 million (2019: £nil) was paid, amounting to 720p (2019: 0p) per ordinary share. The directors do not propose final dividends for the year ended 31 December 2020 (2019: £nil).

Financial Instruments

The financial risk management objectives and policies for the Company can be found within the Strategic Report, with details of exposure being found in Note 1. Financial risk management objectives and policies form part of this Directors' Report and is incorporated into it by cross reference.

DIRECTORS' REPORT

RIVER RE LIMITED

Year Ended 31 December 2020

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards under Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland for entities issuing insurance contracts" ("FRS 103") have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with the above requirements in the preparation of the financial statements.

Going concern and events after the reporting period

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Specific consideration has been given to the current COVID-19 global pandemic. Given that the Company has been in run-off since 2015 with little remaining underwriting exposure and that the investment assets are weighted heavily towards high quality bonds, the potential underwriting and market losses have been assessed as immaterial. The directors have also considered the robust capital position of the company as well as its strong liquidity position compared to future cashflow and liquidity requirements and remain of the view that the Company is a going concern. The ability to cope with unexpected risks to the financial position is shown within the Risk Management note set out pages 26 to 38 of the financial statements.

Whilst the Company assesses the current risks as limited in scope, the situation will be monitored and reassessed as facts and circumstances change.

There has been no impact or disruption to the Company's activities as a result of Brexit.

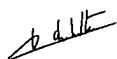
Statement of Information Disclosure to Auditors

Each of the persons who is a director at the date of this report confirms that:

- So far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2020 of which the auditors are unaware; and
- The director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By order of the Board



Alain de Lavernette

Director

Signed: 31 March 2021

INDEPENDENT AUDITORS' REPORT

RIVER RE LIMITED

Year Ended 31 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIVER RE LIMITED

Opinion

We have audited the financial statements of River Re Limited (the 'company') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, 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" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- been prepared in accordance with the requirements of the Companies Act 2006.

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 financial statements" section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, 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 financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the key assumptions they considered and the implication of those when assessing the company's future financial performance;
- Evaluating the appropriateness of the directors' key assumptions in their forecasts and assessing the directors' consideration of a worst-case scenario;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITORS' REPORT

RIVER RE LIMITED

Year Ended 31 December 2020

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
<p>Valuation of Gross IBNRs</p> <p>2020: £36.5m 2019: £38.5m</p> <p><i>Refer to the Accounting policies (pages 21 to 25), Note 5 (Page 41) and Note 6 (page 42) of the financial statements.</i></p> <p>The valuation of Incurred But Not Reported reserves (IBNRs) involves significant judgment on the expected ultimate cost of claims incurred but not yet reported at the reporting date.</p> <p>In determining the amount of IBNRs related to its non-life business, the company uses actuarial techniques that take into account quantitative loss experience data, together with qualitative factors, where appropriate.</p> <p>There is a risk of misstatement of IBNRs due to the use of inappropriate assumptions and methods. The valuation of IBNRs is a high judgmental area.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none">■ Gaining an understanding of the procedures and methods of measurement used in determining the technical reserves, including IBNRs;■ Obtaining an understanding of the flow of data used in the reserving process, testing the IT general controls and key IT reports for accuracy and completeness, and reconciling to the audited accounting ledgers;■ Vouching a sample of claims paid and claims outstanding to supporting documents to test the integrity of data in relation to claims used by the company to calculate IBNRs;■ In conjunction with the actuarial specialist members of our team:<ul style="list-style-type: none">○ Assessing management's methodology and outputs to determine whether the IBNR should include an element of Unexpired Risk Reserves;○ For a selection of actuarial segment reserves we have examined the relevance of actuarial methods and parameters used, and the assumptions chosen;○ Understanding and challenge of the approach to reserving for large bodily injury claims and review of the company's methodology and assumptions over its exposure to Periodical Payment Orders; and○ Performing a recalculation, using our own assumptions and tools, of technical reserves, including IBNRs for the most material and/or uncertain actuarial segment reserves. <p>Our observations Based on these procedures, we found that the valuation of gross IBNRs is reasonable.</p>

INDEPENDENT AUDITORS' REPORT

RIVER RE LIMITED

Year Ended 31 December 2020

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	We determined overall materiality for the company to be £4.4million.
How we determined it	The benchmark applied to determine overall materiality was 3.3% of Total Equity.
Rationale for benchmark applied	As the business of River Re Limited is in run-off, we consider the users of the financial statements are likely to be more focused on the company's capital position rather than the revenue or profit.
Performance materiality	<p>Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.</p> <p>On the basis that this is a first-year audit and a public interest entity, performance materiality was determined to be £2.2 million, 50% of our overall materiality.</p>
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £132k, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the company, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

RIVER RE LIMITED

Year Ended 31 December 2020

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 financial statements.

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

INDEPENDENT AUDITORS' REPORT

RIVER RE LIMITED

Year Ended 31 December 2020

Based on our understanding of the company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory requirements of the PRA and the FCA, UK tax legislation, and the Companies Act 2006. We also identified other laws and regulations, in particular the Health and Safety Act, Bribery Act, Proceeds of Crime and Anti-Money Laundering Act, UK GDPR, and the Data Protection Act and considered the extent to which non-compliance might have a material effect on the financial statements.

In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- At the planning stage of our audit, gaining an understanding of the legal and regulatory framework applicable to the company, the industry in which it operates and considered the risk of acts by the company which were contrary to the applicable laws and regulations;
- Discussing with the directors and management the policies and procedures in place regarding compliance with laws and regulations;
- Discussing amongst the engagement team the identified laws and regulations, and remaining alert to any indications of non-compliance; and
- During the audit, focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the directors (as required by auditing standards), from inspection of the company's regulatory and legal correspondence and review of minutes of directors' meetings in the year.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud such as opportunities for fraudulent manipulation of financial statements, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the valuation of gross IBNRs, and significant one-off or unusual transactions; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matters" within this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITORS' REPORT

RIVER RE LIMITED

Year Ended 31 December 2020

Other matters we are required to address

We were appointed by the Board of Directors on 18th August 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement to date is one year, covering the year ended 31 December 2020 only.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Board of Directors.

Other Matter

For the year ended 31 December 2019, the company (previously RenaissanceRe (UK) Limited) qualified for, and took advantage of, the disclosure exemption under FRS 102 paragraph 1.12(b) from preparing a Statement of Cash Flows. Following a change in ownership, the company does not qualify for this exemption for the year ended 31 December 2020.

The comparative information presented in the Statement of Cash Flows relating to the year ended 31 December 2019 was not subject to our audit and is therefore unaudited.

Use of our report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Lionel Cazali

Lionel Cazali (Mar 31, 2021 19:04 GMT+1)

Lionel Cazali (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD
31 March 2021

STATEMENT OF COMPREHENSIVE INCOME

RIVER RE LIMITED

Year Ended 31 December 2020

TECHNICAL ACCOUNT - GENERAL BUSINESS

	Notes	2020 £000	2019 £000
EARNED PREMIUMS, NET OF REINSURANCE			
Premiums written			
Gross amount	2(a),2(b)	785	162
Reinsurers' share		97	(596)
		882	(434)
Change in the provision for unearned premiums			
Gross amount	3	350	416
Reinsurers' share	3	(0)	(30)
		350	386
Earned premiums, net of reinsurance	4	1,232	(48)
CLAIMS INCURRED, NET OF REINSURANCE			
Claims paid			
Gross amount	5	(32,531)	(28,765)
Reinsurers' share	5	960	235
		(31,571)	(28,530)
Change in the provision for claims			
Gross amount	5,6(a)	27,030	30,998
Reinsurers' share	5,6(a)	(300)	92
		26,730	31,090
Claims incurred, net of reinsurance	5	(4,841)	2,560
Operating expenses, net of reinsurance			
Gross amount	7	(1,607)	(3,563)
Reinsurers' share	7	(431)	(250)
		(2,038)	(3,813)
BALANCE ON THE TECHNICAL ACCOUNT	2(a)	(5,647)	(1,301)
NON-TECHNICAL ACCOUNT			
INVESTMENT RETURN			
Investment income	8	4,247	7,242
Realised gain/(loss) on investments		2,506	10,604
Unrealised gain/(loss) on investments		1,728	2,069
Investment expenses and charges		(207)	(361)
Total investment return		8,274	19,554
OTHER INCOME AND CHARGES			
Other income	9(a)	416	64
Other charges	9(b)	(2)	(684)
		414	(620)
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		3,041	17,633
Tax charge on profit on ordinary activities	10(a)	(596)	(3,339)
PROFIT FOR THE FINANCIAL YEAR		2,445	14,294

STATEMENT OF COMPREHENSIVE INCOME**RIVER RE LIMITED**

Year Ended 31 December 2020

	Notes	2020 £000	2019 £000
PROFIT FOR THE FINANCIAL YEAR		2,445	14,294
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,445	14,294

STATEMENT OF FINANCIAL POSITION : ASSETS**RIVER RE LIMITED**

As at 31 December 2020

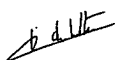
	Notes	2020 £000	2019 £000
INVESTMENTS			
Other financial investments	11	235,103	346,089
Deposits with ceding undertakings	12	678	747
		235,781	346,836
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Provision for unearned premiums	3	-	1
Claims outstanding	6(a)	1,669	1,966
		1,669	1,967
DEBTORS			
Debtors arising out of direct insurance operations	13	56	-
Debtors arising out of reinsurance operations	14	5,123	3,890
Other debtors	15	50	9,431
		5,229	13,321
OTHER ASSETS			
Cash at bank and in hand	16	17,491	24,102
Deferred tax asset	10(d)	-	-
		17,491	24,102
PREPAYMENTS AND ACCRUED INCOME			
Accrued interest		2,523	534
Deferred acquisition costs	17	(5)	29
Other prepayments and accrued income	18	13	38
		2,531	601
TOTAL ASSETS		262,701	386,827

STATEMENT OF FINANCIAL POSITION : LIABILITIES**RIVER RE LIMITED**

As at 31 December 2020

	Notes	2020 £000	2019 £000
CAPITAL AND RESERVES			
Called up share capital	19	125,000	125,000
Profit and loss account		8,408	95,963
Total equity		133,408	220,963
TECHNICAL PROVISIONS			
Provision for unearned premium	3	-	346
Claims outstanding	6(a)	119,739	146,754
		119,739	147,100
PROVISIONS FOR OTHER RISKS AND CHARGES			
Provision for taxation	10(d)	20	180
		20	180
CREDITORS			
Creditors arising out of insurance operations		49	26
Creditors arising out of reinsurance operations		6,551	6,549
Other creditors including taxation and social security	21	1,351	11,569
		7,951	18,144
ACCRUALS AND DEFERRED INCOME			
Reinsurers' share of deferred acquisition costs	17	-	1
Other accruals and deferred income	22	1,583	439
		1,583	440
TOTAL EQUITY AND LIABILITIES		262,701	386,827

The financial statements on pages 15 to 50 were approved by the Board of Directors on 31 March 2021 and signed on its behalf by:



Alain de Lavernette
Chief Executive Officer

Signed: 31 March 2021

River Re Limited
Registered no. 02553288

STATEMENT OF CHANGES IN EQUITY

RIVER RE LIMITED

As at 31 December 2020

	2020		
	Share capital £000	Profit and loss account £000	Total equity £000
At beginning of year	125,000	95,963	220,963
Profit after tax	-	2,445	2,445
Dividends paid (refer to note 20)	-	(90,000)	(90,000)
At end of year	125,000	8,408	133,408

	2019		
	Share capital £000	Profit and loss account £000	Total equity £000
At beginning of year	125,000	81,669	206,669
Profit after tax	-	14,294	14,294
At end of year	125,000	95,963	220,963

STATEMENT OF CASH FLOWS

RIVER RE LIMITED

As at 31 December 2020

	2020 £000	Unaudited 2019 £000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the financial year	2,445	14,294
Tax on profit	596	3,339
Net interest expenses	(4,247)	(7,242)
Operating profit	(1,206)	10,391
Other provisions less payments	(788)	1,524
Working capital movements:		
- (Decrease) in technical reserves	(27,063)	(33,672)
- Decrease/(increase) in receivables	8,092	(7,480)
- (Decrease)/increase in payables	(10,448)	10,342
Cash flow from operating activities	(31,413)	(18,895)
Taxation paid	(500)	(2,797)
Net cash generated from operating activities	(31,913)	(21,692)
CASH FLOW FROM INVESTING ACTIVITIES		
Change in invested assets	(114,826)	190,480
Interest received	4,247	7,242
Net cash generated from investing activities	(110,579)	197,722
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(90,000)	-
Net cash generated from financing activities	(90,000)	-
Net movement in cash and cash equivalents	(232,492)	176,030
Cash and cash equivalents at the beginning of the year	259,355	83,325
Cash and cash equivalents at the end of the year	26,863	259,355
Cash and cash equivalents consists of:		
Cash at bank and in hand	17,491	24,102
Short term deposits (included in investments)	9,372	235,253
CASH AND CASH EQUIVALENTS	26,863	259,355

In prior year no Statement of Cash Flows was prepared and audited as the Company had taken advantage of the exemption under FRS 102 paragraph 1.12(b).

STATEMENT OF ACCOUNTING POLICIES

RIVER RE LIMITED

Year Ended 31 December 2020

STATEMENT OF ACCOUNTING POLICIES

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

(a) Statement of compliance

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland for entities issuing insurance contracts" ("FRS 103") and the Companies Act 2006, under the provisions of Schedule 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410").

The Company has applied FRS 102 and FRS 103, both as issued in March 2018, which reflects the amendments made as part of the Triennial Review 2017. The Triennial Review amendments have had no material impact on the financial statements.

(b) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

(c) Going concern

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Specific consideration has been given to the current COVID-19 global pandemic. Given that the Company has been in run-off since 2015 with little remaining underwriting exposure and that the investment assets are weighted heavily towards high quality bonds, the potential underwriting and market losses have been assessed as immaterial. The directors have also considered the robust capital position of the company as well as its strong liquidity position compared to future cashflow and liquidity requirements and remain of the view that the Company is a going concern. The ability to cope with unexpected risks to the financial position is shown within the Risk Management note set out on pages 26 to 38 of the financial statements.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRS 102 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Estimates

The most significant estimates made by management are in relation to technical provisions. The carrying value of technical provisions at the reporting date is £119.7 million (2019: £147.1 million). The estimates employed in the assessment of provisions for outstanding claims and IBNR are discussed in statement of accounting policy (g) – claims incurred and note 1 (c) – Underwriting Risk – reserve.

Judgements

Management use judgements over the appropriate estimation techniques and assumptions to be applied for technical provisions. Judgements are based on claims and actuaries knowledge, supplemented by industry data where appropriate.

(e) Basis of accounting for underwriting activities

The results are determined on an annual basis whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance, as described below.

(f) Premiums earned and unearned

Premiums

Premiums are recognised within the Statement of Comprehensive Income - Technical Account, with the gross and ceded amounts disclosed separately. Premiums are stated gross of acquisition costs payable to intermediaries, but net of any premium levies or indirect taxes.

Premiums relate to business inception during the financial period, together with any differences between booked premiums and those previously accrued on contracts which inception in prior financial periods.

Premium is initially recognised based on estimates of ultimate premiums. Adjustments to the amounts of premium are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

STATEMENT OF ACCOUNTING POLICIES

RIVER RE LIMITED

Year Ended 31 December 2020

STATEMENT OF ACCOUNTING POLICIES (continued)

(f) Premiums earned and unearned (continued)

Earned premiums

Premiums are earned on a time-apportionment basis to reflect the risk profile of each contract.

Unearned premium reserves ("UPR")

Premiums not earned, are deferred within the Statement of Financial Position as unearned premium reserves ("UPR"). UPR are retranslated at closing rate and will be recognised as earned premiums in the Statement of Comprehensive Income - Technical Account in future financial periods¹.

(g) Claims incurred

Claims incurred are recognised within the Statement of Comprehensive Income - Technical Account, with the gross and ceded amounts disclosed separately. Claims incurred comprise:

- Claims paid during the financial period;
- Movements in claim provisions during the financial period;
- Related internal and external claims handling costs attributable to the above; and
- Where applicable, deductions for salvage and other recoveries.

Claims provisions and related reinsurance recoveries

Claims provisions within the Statement of Financial Position comprise the following:

- Estimated costs of claims notified but not yet settled at the financial period end ("outstandings");
- Incurred but not reported claims at the financial period end ("IBNRs");
- Related internal and external claims handling costs attributable to the above; and
- Salvage and subrogation deductions, plus other recoveries where applicable.

Claims provisions are estimated at each financial period end based on best available information. The Company takes all reasonable steps to ensure that it has appropriate information regarding its estimated claim exposures and these are set so that no adverse run-off deviation is envisaged. Given the uncertainties in establishing claims provisions, it is likely that the final liability will prove different from the original estimates established. Where such uncertainty is deemed considerable, a degree of caution is exercised in setting claims provisions.

Notified outstanding claims

In estimating outstanding claims within the Statement of Financial Position, the Company considers the claim circumstances as reported, including any information available from loss adjusters.

The Company's gross outstanding claim estimates of large losses are based on best estimates of claims given the currently available information from: industry assessments of exposures; preliminary claims information obtained from policyholders, cedants and brokers to-date; and a review of in-force contracts. Actual gross losses from these events may vary materially from initial estimates due to the inherent uncertainties in making such determinations.

Incurred but not reported ("IBNR") claims

The estimation of IBNR claims within the Statement of Financial Position is generally subject to a greater degree of uncertainty than the estimation of notified outstanding claims as less information is available. IBNR claims may often not be apparent to the insured until many years have passed following the event which trigger such claims. Business classes where the proportion of IBNR claims are high in relation to total claims provisions will typically display greater variations between initial estimates and the final outcomes because of greater difficulties estimating these. Business classes where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

In calculating IBNR claims, the Company applies the three reserving methods of a priori loss ratio, link ratio and Bornhuetter Ferguson. The Company then selects the most appropriate method based on information derived by underwriters and actuaries during the initial pricing of the business, supplemented by industry data where appropriate.

These methods consider, among other things, premium rate changes, claims inflation and changes in terms and conditions that have been observed in the market.

The IBNR for each class of business is set to represent the best estimate of future claims with appropriate allowance for all risks faced. There is no longer a margin included in the IBNR. The IBNR in previous years has included a margin to take into account uncertainties in its estimation that arise from the fact that the claims experience is underdeveloped and that industry benchmark data is at times used in the reserving methodologies. The level of this margin has generally been decreasing each year as these uncertainties have reduced.

STATEMENT OF ACCOUNTING POLICIES

RIVER RE LIMITED

Year Ended 31 December 2020

STATEMENT OF ACCOUNTING POLICIES (continued)

(g) Claims incurred (continued)

Unallocated Loss Adjustment Expense ("ULAER")

Provision for ULAE which cannot be allocated to specific claims is made within the Statement of Financial Position. It is estimated as a percentage of outstanding claims and IBNR. This estimation is based on historical ULAE paid in proportion to claims reserves. Due to the purely administrative nature of the annual payments made under Periodical Payment Orders (PPOs), PPOs have been isolated and a separate provision is estimated for them within the ULAE reserve.

Assumed treaty contracts

These contracts currently comprise a mixed portfolio of Property, Liability, Accident/Health, Motor, Financial, Marine, Transport and Aggregate lines. The majority are short-to-medium tail in nature and there is generally not expected to be a significant delay between the occurrence of the claim and the claim being reported to the Company. Certain contracts have exposure to periodic payment orders and these are longer tail in nature where the claim payments are structured as annuities over an extended time horizon.

Direct contracts, assumed facultative contracts

These contracts comprise principally Property and Engineering lines. These are short-to-medium tail in nature and there is generally not expected to be a significant delay between the occurrence of the claim and the claim being reported to the Company.

Reinsurance recoveries

For ceded outstanding claims within the Statement of Financial Position, a separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provision.

For ceded IBNR claims within the Statement of Financial Position, these are assumed to be consistent with the historical pattern of recoveries, and adjusted to reflect changes in the Company's reinsurance programme over time.

An assessment is also made of their recoverability having regard to market data on the financial strength of the underlying reinsurers and their associated default probabilities.

(h) Unexpired risk provisions ("URP")

Unexpired risk provisions ("URP") are established within the Statement of Financial Position for any deficiencies arising when unearned premium reserves ("UPR"), net of associated deferred acquisition costs ("DAC") are insufficient to meet expected claims and expenses after taking into account future investment return arising from investments supporting the URP and UPR. The expected claims are calculated based on information available at the Statement of Financial Position date.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises. URP has not been provided for in both the current financial year or in the 2019 comparatives, as UPR is immaterial for both years.

(i) Acquisition costs

Acquisition costs within the Statement of Comprehensive Income - Technical Account represent both external commissions and internal expenses associated with acquiring insurance contracts written during the financial period. Acquisition costs are recognised in the financial period in which the related premiums are earned, with the gross and ceded amounts disclosed separately.

Deferred acquisition costs ("DAC")

Acquisition costs are deferred over the period in which related premiums are earned and are recognised within the Statement of Financial Position as deferred acquisition costs ("DAC"). DAC are retranslated at closing rate and will be charged in future financial periods' Statement of Comprehensive Income - Technical Account.

(j) Financial instruments

The Company has chosen to adopt FRS 102 section 11 and 12 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, bonds and similar debt instruments are initially recognised at transaction price. Upon their initial recognition, debt instruments are designated by the entity as fair value through profit or loss as this results in more relevant information, because debt instruments are managed and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy. Any changes in fair value are recognised in the Statement of Comprehensive Income - Non Technical Account.

STATEMENT OF ACCOUNTING POLICIES

RIVER RE LIMITED

Year Ended 31 December 2020

STATEMENT OF ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

Financial assets are derecognised when: (a) the contractual rights to the cash flows from the asset expire or are settled; or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party; or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price and are subsequently stated at amortised cost. Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised at the transaction price when recorded.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(l) Investment return

Investment return is recognised within the Statement of Comprehensive Income and comprises:

- Investment income earned during the financial period;
- Investment expenses, charges or interest incurred during the financial period;
- Movements in unrealised market value gains/losses during the financial period; and
- Realised investment gains/losses arising from the sales and maturities of investments during the financial period.

Investment income

Investment income comprises:

- Interest on bank balances, which are accounted for on an accruals basis;
- Coupons on bonds, which are accounted for on an accruals basis; and
- Returns on money market funds, which are accounted for on an accruals basis.

Investment expenses, charges or interest

These are recognised on an accruals basis.

Movements in unrealised gains/(losses)

Unrealised gains/(losses) on investments arising during the financial period represent the difference between:

- The market value of investments at the Statement of Financial Position date, and their acquired cost if purchased during the financial period; or
- The market value of investments at the Statement of Financial Position date, and their market value at the last Statement of Financial Position date if purchased in previous financial periods.

Realised gains/(losses)

These represent the difference between the net sales proceeds and acquired cost. Any unrealised gains/(losses) previously recognised will be reclassified as realised gains/(losses) upon the sale or maturity of investments.

STATEMENT OF ACCOUNTING POLICIES

RIVER RE LIMITED

Year Ended 31 December 2020

STATEMENT OF ACCOUNTING POLICIES (continued)

(m) Foreign currency translations and settlements

The Company's presentational and functional currency is GBP.

The Company operates in the three transactional currencies of GBP/EUR/USD. All non-GBP/EUR/USD transactions are translated into GBP/EUR/USD at the actual rates prevailing on the respective dates of the transactions. At each period end:

- Foreign currency monetary items, including the Statement of Comprehensive Income, are translated at closing rates. Individual line items in the Statement of Comprehensive Income are translated at the average rate, with the retranslation into closing rates taken to exchange gains and losses.
- Foreign currency non-monetary items measured at historical cost are translated using the exchange rate prevailing at the date of the transaction.
- Foreign currency non-monetary items measured at fair value are translated using the exchange rate prevailing at the date fair value was determined.

All foreign exchange gains and losses are recognised in the Statement of Comprehensive - Non Technical Account. These arise from:

- Settlements of non-GBP/EUR/USD foreign currency transactions.
- Retranslations of monetary items at period end exchange rates.

(n) Current and deferred taxation

Current tax

Current tax is recognised in the Statement of Comprehensive Income - Non Technical Account and reflects:

- Estimated tax charges/credits associated with the current financial period's taxable profits/losses; and
- Changes in previously estimated tax charges/credits associated with previous financial periods' taxable profits/losses.

Deferred tax

Deferred tax assets/liabilities within the Statement of Financial Position arise from differences in timing between the recognition of taxable profits/losses in the financial statements, versus their recognition in the tax computation.

Provision is made for all material timing differences, including revaluations of investment gains/losses recognised within the Statement of Comprehensive Income - Non Technical Account. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference. This provision is not discounted.

Deferred tax assets are recognised to the extent that it is regarded more likely than not that these will be recovered.

(o) Distributions to equity shareholders

Dividends and other distributions to Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the Statement of Changes in Equity.

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

1. RISK MANAGEMENT

The Company, through its risk management function and the Risk Committee, seeks to identify all material risks inherent in its business including emerging risks, understand the manifestations of each risk, then assess, control, mitigate and manage these risks appropriately.

The objectives of the Company's risk management function are to ensure that:

- all material risks are proactively identified;
- the probability and impact of each risk are quantified on a pre-mitigation and post-mitigation basis;
- the potential to cause losses or generate profits is understood and assessed;
- appropriate action is taken to manage the assumption of each risk based on that assessment and the Company's stated risk appetite;
- an appropriate level of capital is held to cover financial and non-financial risks from all sources; and
- following a severe catastrophic event(s), appropriate capital action can be executed to remain solvent and meet its obligations under reinsurance contracts.

The oversight of the Company's risk management function falls within the remit of the Risk Committee, a sub-committee of the Executive Committee which reports to the Board of Directors. The Risk Committee is charged with setting the orientation of the Company's business. It pays particular attention to business strategy, capital allocation, risk control framework and ensures these are implemented.

The Company is exposed to risks from several sources. These fall into the broad categories of: underwriting risk (comprising premium, catastrophe and reserve); financial risk (comprising interest rate, foreign exchange, credit and liquidity); operational risk; and strategic risk.

The Company has assessed its exposure to the current COVID-19 global pandemic. The potential underwriting and market losses for the Company have been assessed as immaterial. This view has been reached by considering the Company is deep into run-off with little remaining underwriting exposure and that the investment assets are weighted heavily towards high quality government bonds. The directors have also considered the robust capital position of the company as well as its strong liquidity position compared to future cashflow and liquidity requirements. In respect of operational risk, the Company's operations and finance functions are outsourced to AXA Liabilities Managers which has enacted its Business continue plan and is operating a 'working from home' model with all internal and external 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 as far as practicable.

Underwriting risk

Underwriting risk consists of premium risk, catastrophe risk, reserve risk and reinsurance protection.

Underwriting risk arise either from the acceptance of risks that do not comply with the Company's underwriting guidelines and corporate strategy, or from the acceptance of risks that result in losses and expenses greater than it had anticipated at the time of underwriting.

The Company's risk limits are defined in the Company's risk appetite and risk tolerance limits for all underwriting risks.

The Company had underwriting guidelines in place that clearly define each underwriter's authority, permitted territorial scope, risks to be written, risks to be avoided, acceptance limits, maximum policy period, maximum net retention, and outward reinsurance. Now the Company is in run-off, there is no new underwriting.

Financial risk

Financial risk refers to the risk of financial loss due to a change in the value of the Company's assets, or a change of market risk factors that affect the value of such assets. The Company has identified the following as its main sources of financial risks: interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Operational risk

Operational risk refers to the risk of financial or other loss, or potential damage to the Company's reputation resulting from inadequate or failed internal processes, people and systems, or from external events.

Strategic risk

Strategic risk is the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions, or inability to act in response to business opportunities, or to adapt to changes in its operating environment.

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

1. RISK MANAGEMENT (continued)

(a) Underwriting risk - premium

Premium risk is the risk that the premium to be earned over the next 12 month period from the in-force, new or renewal reinsurance contracts is insufficient to cover the claim costs, claim adjustment expenses as well as the acquisition costs to be incurred by those contracts over the same period.

Gross written premium of £785 thousand (2019: £162 thousand) relates to revisions in premium estimates primarily on Property and Financial Lines.

Details of gross premiums written by geographical area of risk insured are set out below.

	2020		2019	
	Gross written premiums		Gross written premiums	
	£000	%	£000	%
Geographic area of risk insured				
Worldwide	824	105%	667	414%
Asia and Australia	(271)	(35)%	204	127%
Africa and Middle East	28	4%	(142)	(88)%
North, Central and South America	158	20%	-	0%
United Kingdom	42	5%	(216)	(135)%
Europe	4	1%	(351)	(217)%
	785	100%	162	100%

Details of gross premiums written by line of business are provided below.

	2020		2019	
	Gross written premiums		Gross written premiums	
	£000	%	£000	%
Line of business				
Property	249	32%	(628)	(388)%
Financial Lines	137	18%	271	167%
Transport	13	2%	190	117%
Marine	513	65%	174	108%
Accident and Health	(311)	(40)%	1	1%
Aggregate Cover	-	0%	-	0%
Motor	-	0%	-	0%
Liability	184	23%	154	95%
	785	100%	162	100%

(b) Underwriting risk - catastrophe

Catastrophe risk is the risk that the premium to be earned over the next 12 month period from the catastrophe exposed reinsurance contracts (in-force, new or renewal) is insufficient to cover potential claim costs, claim adjustment expenses as well as the acquisition costs associated with those contracts that may originate from extreme or exceptional catastrophic events over the same period, such as but not limited to hurricanes, earthquakes, windstorms, landslides, and terrorist attacks.

Catastrophe risk is classified as a separate and distinct class of underwriting risk mainly due to its low frequency and high severity characteristics, its potential to affect numerous contracts simultaneously, and inflict significant erosion of the Company's capital.

The Company has made a series of strategic moves to diversify, spread and dilute its catastrophic exposures as well as optimise its underwriting portfolio through geographical diversification and by spreading risks across multiple lines of businesses.

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

1. RISK MANAGEMENT (continued)

(c) Underwriting risk - reserve

Reserve risk is the risk that the best (point) estimate of unpaid loss and loss adjustment expense reserves (collectively "claims reserves") are inadequate to cover all future payments for the settlement of claims from all prior accident years occurring at or before the valuation date.

Reserve risk is distinct from premium risk and is related to premium exposures that have already been earned, as well as claims outstanding.

A summary of changes in claims reserves is presented in Note 6. This comprises outstanding claims reserves, claims incurred but not reported reserves, unallocated loss adjustment reserves and any reinsurers' share thereof. There was no change to the Company's reserving methodology during the year.

To manage reserving risk, the Company's actuarial team uses a range of recognised actuarial techniques to project gross premiums written to ultimate, monitor claims development patterns, and stress test ultimate insurance liabilities.

A full analysis of claims reserves is performed on a quarterly basis. The analysis is reviewed by and discussed with actuaries, claims, finance and senior management prior to submission to the Reserve Committee, a sub-committee of the Executive Committee. The Reserve Committee's remit is to review the sufficiency of the estimated claims reserves and to critically assess the claims reserving practices of the Company.

The claims reserves established can be more or less than adequate to meet individual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate reserves for known large losses and catastrophes, or from inadequate provision for unknown losses. The Company believes that the claims reserves established are adequate, however a 1% improvement/deterioration in the total estimated losses would have an impact on profit before tax of £1,197 thousand gain/loss (2019: £1,468 thousand).

Concentrations of claims reserves by line of business are provided below.

Gross claims reserves	2020		2019	
	Claims reserves £000	%	Claims reserves £000	%
Line of business				
Motor	69,853	58%	85,316	58%
Liability	27,425	23%	32,929	22%
Property	10,558	9%	12,782	9%
Financial Lines	8,015	7%	11,500	8%
Marine	1,540	1%	3,160	2%
Transport	326	0%	497	0%
Aggregate Cover	371	1%	460	1%
Accident and Health	1,651	1%	110	0%
	119,739	100%	146,754	100%

Lump sum payments in settlement of bodily injury claims that are decided by the UK courts are calculated in accordance with the Ogden Tables and discount rate. The Ogden discount rate is set by the Lord Chancellor and is applied when calculating the present value of future care costs and loss of earnings for claims settlement purposes. Following the announcement by the Lord Chancellor on 15 July 2019 the Ogden rate is -0.25%, at December 2020 the claim reserves have been calculated using this rate. Of the total motor gross claims reserves 25% relate to periodical payment orders.

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

1. RISK MANAGEMENT (continued)

(c) Underwriting risk - reserve (continued)

The table below summarises the development of gross ultimate cumulative claim estimates at the end of each financial year, illustrating how amounts estimated have changed from the first estimate made.

Gross ultimate liability estimates at end of financial years	Underwriting years					
	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000	2010 £000
End of financial year 1	17,474	11,230	19,639	43,205	29,520	44,369
End of financial year 2	25,287	27,944	54,944	58,392	53,457	61,896
End of financial year 3	22,947	40,886	54,431	61,402	52,591	53,030
End of financial year 4	24,896	35,449	53,777	64,093	50,098	50,859
End of financial year 5	23,325	35,595	60,522	69,561	51,286	50,525
End of financial year 6	22,505	31,542	64,342	68,261	50,873	50,385
End of financial year 7	22,317	32,675	65,825	65,796	50,763	50,046
End of financial year 8	22,497	32,163	61,899	63,182	52,632	47,510
End of financial year 9	22,674	30,774	60,106	64,609	51,597	47,401
End of financial year 10	22,584	30,556	60,519	65,011	52,577	47,193
End of financial year 11	22,534	30,501	59,525	64,992	51,603	47,212
End of financial year 12	22,158	30,398	59,591	64,508	51,700	
End of financial year 13	22,537	30,813	59,389	64,413		
End of financial year 14	22,442	30,443	59,929			
End of financial year 15	22,362	30,281				
End of financial year 16	22,302					
Ultimate liability	22,302	30,281	59,929	64,413	51,700	47,212
Paid to-date	(22,067)	(29,882)	(58,625)	(62,106)	(48,934)	(46,183)
Unpaid liability (excluding ULAE)	235	399	1,305	2,308	2,767	1,029
ULAE liability	5	9	29	52	62	23
Unpaid liability (including ULAE) at 31 December 2020	241	407	1,333	2,359	2,828	1,052

Gross ultimate liability estimates at end of financial years	Underwriting years					
	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	Total £000
End of financial year 1	35,481	35,314	40,679	58,555	76,746	
End of financial year 2	52,632	53,808	80,172	109,511	132,391	
End of financial year 3	45,713	51,991	86,084	120,341	129,323	
End of financial year 4	43,929	52,238	96,091	122,936	131,572	
End of financial year 5	43,911	65,248	96,227	119,993	128,943	
End of financial year 6	44,158	60,954	90,958	117,211	132,464	
End of financial year 7	43,478	60,789	94,114	119,511		
End of financial year 8	41,889	60,781	95,150			
End of financial year 9	41,894	60,502				
End of financial year 10	41,896					
End of financial year 11						
End of financial year 12						
End of financial year 13						
End of financial year 14						
End of financial year 15						
End of financial year 16						
Ultimate liability	41,896	60,502	95,150	119,511	132,464	725,361.2
Paid to-date	(41,644)	(47,733)	(73,893)	(82,909)	(94,373)	(608,348)
Unpaid liability (excluding ULAE)	252	12,769	21,257	36,602	38,091	117,013
ULAE liability	6	302	499	855	884	2,726
Unpaid liability (including ULAE) at 31 December 2020	258	13,072	21,755	37,457	38,975	119,739

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

1. RISK MANAGEMENT (continued)

(c) Underwriting risk - reserve (continued)

The table below summarises the development of net ultimate cumulative claim estimates at the end of each financial year, illustrating how amounts estimated have changed from the first estimate made.

Net ultimate liability estimates at end of financial years	Underwriting years					
	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000	2010 £000
End of financial year 1	12,511	11,230	19,639	43,205	29,520	44,369
End of financial year 2	20,603	27,944	54,944	58,392	53,457	61,896
End of financial year 3	19,815	40,886	54,431	61,402	52,591	53,030
End of financial year 4	19,079	35,449	53,777	64,093	50,098	50,859
End of financial year 5	18,866	35,595	60,522	69,561	51,286	50,525
End of financial year 6	18,046	31,542	64,342	68,261	50,873	50,385
End of financial year 7	17,858	32,675	65,825	65,796	50,763	50,046
End of financial year 8	18,038	32,163	61,899	63,182	52,632	47,510
End of financial year 9	18,215	30,774	60,106	64,609	51,597	47,401
End of financial year 10	18,125	30,556	60,519	65,011	52,577	47,193
End of financial year 11	18,075	30,501	59,525	64,992	51,603	47,152
End of financial year 12	17,699	30,398	59,591	64,508	51,650	
End of financial year 13	18,078	30,813	59,389	64,368		
End of financial year 14	17,983	30,443	59,874			
End of financial year 15	17,903	30,249				
End of financial year 16	17,840					
Ultimate liability	17,840	30,249	59,874	64,368	51,650	47,152
Paid to-date	(17,608)	(29,882)	(58,625)	(62,106)	(48,934)	(46,183)
Unpaid liability (excluding ULAE)	232	367	1,249	2,262	2,716	969
ULAE liability	5	9	29	52	62	23
Unpaid liability (including ULAE) at 31 December 2020	237	375	1,278	2,314	2,777	992

Net ultimate liability estimates at end of financial years	Underwriting years					
	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	Total £000
End of financial year 1	35,122	26,435	39,427	57,534	76,746	
End of financial year 2	52,632	44,156	78,742	105,555	132,391	
End of financial year 3	45,713	41,548	84,763	117,865	129,323	
End of financial year 4	43,929	42,996	94,522	119,024	131,572	
End of financial year 5	43,911	55,444	96,227	116,080	128,943	
End of financial year 6	44,158	51,887	90,958	113,268	132,464	
End of financial year 7	43,478	51,178	94,114	115,563		
End of financial year 8	41,889	50,943	95,150			
End of financial year 9	41,894	50,309				
End of financial year 10	41,896					
End of financial year 11						
End of financial year 12						
End of financial year 13						
End of financial year 14						
End of financial year 15						
End of financial year 16						
Ultimate liability	41,896	50,309	95,150	115,563	132,464	706,513
Paid to-date	(41,644)	(38,862)	(73,893)	(79,060)	(94,373)	(591,169)
Unpaid liability (excluding ULAE)	252	11,447	21,257	36,503	38,090	115,344
ULAE liability	6	302	499	855	884	2,546
Unpaid liability (including ULAE) at 31 December 2020	258	11,749	21,756	37,359	38,974	117,890

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

1. RISK MANAGEMENT (continued)

(d) Financial risk - interest

Interest rate risk is a function of general economic and financial market factors (such as the level, trend and volatility of interest rates) as well as the characteristics of the individual financial investments held in the Company's investment portfolio. The Company cannot control the former but it can control the latter.

Investment guidelines are established to manage this risk. These guidelines set parameters within which the external investment managers must operate. The guidelines are approved by the Audit Committee which is a sub-committee of the Board of Directors. The investment guidelines specify the limitations on the maximum percentage of assets that can be invested in a single issuer or in a single asset class. There are also specific limitations on the maximum maturity for various asset classes and minimum requirements of credit ratings.

The investment mix of debt securities held in the portfolio is as follows:

	2020					
	Fixed Rate		Floating Rate		Total	
	Fair values		Fair values		Fair values	
	£000	%	£000	%	£000	%
Debt securities						
UK government	32,789	15%	-	0%	32,789	15%
Non-UK government	2,632	1%	-	0%	2,632	1%
UK Government agencies	-	0%	-	0%	-	0%
Non-UK government agencies	-	0%	-	0%	-	0%
Supranational	393	0%	-	0%	393	0%
Corporate	185,782	82%	-	0%	185,782	82%
Government backed	4,135	2%	-	0%	4,135	2%
	225,731	100%	-	0%	225,731	100%

	2019					
	Fixed Rate		Floating Rate		Total	
	Fair values		Fair values		Fair values	
	£000	%	£000	%	£000	%
Debt securities						
UK government	98,379	89%	-	0%	98,379	89%
Non-UK government	12,457	11%	-	0%	12,457	11%
UK Government agencies	-	0%	-	0%	-	0%
Non-UK government agencies	-	0%	-	0%	-	0%
Supranational	-	0%	-	0%	-	0%
Corporate	-	0%	-	0%	-	0%
Government backed	-	0%	-	0%	-	0%
	110,836	100%	-	0%	110,836	100%

The sensitivity analysis for interest rate risk illustrates how changes in the portfolio's fair values will fluctuate because of changes in market interest rates at the reporting date. This is detailed below assuming linear movements in interest rates.

Shifts in market interest rates	2020		2019	
	Fair Value Movement		Fair Value Movement	
	£000	%	£000	%
100 basis points	(11,558)	(4.9%)	(8,378)	(7.6%)
75 basis points	(8,805)	(3.7%)	(6,423)	(5.8%)
50 basis points	(5,961)	(2.5%)	(4,379)	(4.0%)
25 basis points	(3,026)	(1.3%)	(2,241)	(2.0%)
(25) basis points	3,117	1.3%	2,350	2.1%
(50) basis points	6,325	2.7%	4,820	4.3%
(75) basis points	9,623	4.1%	7,416	6.7%
(100) basis points	13,013	5.5%	10,152	9.2%

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

1. RISK MANAGEMENT (continued)

(e) Financial risk - foreign exchange

Although the Company's presentation and reporting currency is GBP, it operates internationally and its exposures to foreign exchange risk arise primarily from USD and EUR currencies when these exchange rates fluctuate against GBP. This impacts the USD and EUR - denominated transactions, assets and liabilities. The Company seeks to mitigate foreign exchange risk by closely matching the estimated foreign currency denominated liabilities with assets in the same currency.

The Company's USD and EUR - denominated assets and liabilities, translated into their carrying GBP amounts at these exchange rates of GBP 1 : USD 1.3669 : EUR 1.1172 (2019: GBP 1 : USD 1.3255 : EUR 1.1820) are as follows.

	2020			Total £000
	GBP denominations	USD denominations	EUR denominations	
	£000	£000	£000	
Total assets	225,948	26,749	10,004	262,701
Total liabilities	87,715	30,604	10,974	129,293
Total equity	138,233	(3,855)	(970)	133,408

	2019			Total £000
	GBP denominations	USD denominations	EUR denominations	
	£000	£000	£000	
Total assets	320,429	54,138	12,260	386,827
Total liabilities	96,238	57,089	12,537	165,864
Total equity	224,191	(2,951)	(277)	220,963

The impact on equity of a USD and EUR foreign exchange rate shift of 10% weakening or strengthening against GBP is detailed below. This assumes all other variables, such as interest rates, remain constant while the underlying assets and liabilities in their base currencies also remain unchanged.

	2020		
	USD denominated equity	EUR denominated equity	Total in/ (de)crease
	£000	£000	£000
Shifts in foreign exchange rates against GBP			
10% weaker	350	88	438
10% stronger	(428)	(108)	(536)

	2019		
	USD denominated equity	EUR denominated equity	Total in/ (de)crease
	£000	£000	£000
Shifts in foreign exchange rates against GBP			
10% weaker	268	25	294
10% stronger	(328)	(31)	(359)

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

1. RISK MANAGEMENT (continued)

(f) Financial risk - credit

Credit risk is the risk of potential financial loss due to unexpected default, or deterioration in the credit ratings of asset counterparties - causing a loss in asset values. These include in/reinsurance debtors receivable from brokers/cedants and financial investments with a diverse range of counterparty issuers.

Credit risk on in/reinsurance debtors is managed by conducting business with reputable intermediaries, with whom the Company has established relationships, and by rigorous cash collection procedures on overdue debtors.

Credit risk on financial investment is managed by stipulating a minimum credit rating score for each security within an asset class, setting exposure limits in each credit rating band, and limiting the amounts of credit exposure with any one counterparty.

The maturity dates of in/reinsurance debtors are as follows.

	2020 £000	2019 £000
Less than 3 months overdue	3,564	4,251
Between 4 and 12 months overdue	1,611	-
Between 1 and 2 years overdue	214	-
Beyond 2 years overdue	-	-
Doubtful debt provision	(210)	(361)
	5,179	3,890

An analysis of the financial investment, cash and in/reinsurance debtor exposures by counterparty credit ratings is as follows.

	2020					
	Debt securities £000	Participations in investment pools £000	Deposits with credit institutions £000	Cash at bank and in hand £000	Debtors arising out of in/ reinsurance operations £000	Total £000
AAA	12,011	1,005	-	-	-	13,016
AA+	3,241	3,813	-	-	-	7,054
AA	40,843	1,099	-	-	-	41,942
AA-	17,682	1,106	-	-	-	18,788
A+	21,729	-	-	17,491	-	39,220
A	22,827	-	-	-	2,281	25,108
A-	48,261	912	-	-	-	49,173
BBB+	35,642	1,027	-	-	-	36,669
BBB	20,821	410	-	-	15	21,246
BBB-	2,674	-	-	-	-	2,674
BB	-	-	-	-	2,436	2,436
Not rated	-	-	-	-	447	447
	225,731	9,372	-	17,491	5,179	257,773

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

1. RISK MANAGEMENT (continued)

(f) Financial risk - credit (continued)

	2019					
	Debt securities £000	Participations in investment pools £000	Deposits with credit institutions £000	Cash at bank and in hand £000	Debtors arising out of in/reinsurance operations £000	Total £000
AAA	-	-	-	-	-	-
AA+	12,457	6,854	-	-	156	19,467
AA	98,379	-	-	-	-	98,379
AA-	-	-	-	24,102	-	24,102
A+	-	-	-	-	2,616	2,616
A	-	-	8	-	37	44
A-	-	227,032	-	-	162	227,193
BBB+	-	-	-	-	-	-
BBB	-	-	-	-	-	-
Not rated	-	1,359	-	-	920	2,279
	110,836	235,245	8	24,102	3,890	374,081

Debtors arising out of in/reinsurance operations

- These reflect counterparty credit exposures to policyholders/cedants that arise in the course of conducting underwriting activities. Exposures in the "not rated" category relate to policyholders/cedants that do not have a credit rating. Notwithstanding, the Company transacts most of its in/reinsurance business through major and reputable intermediaries, where the relationships are either governed by terms of business agreements of a non-risk transfer type, or the law of agency in the absence of agreements - where the legal effect of either is the same.
- Legally, this means the Company is not on risk until the monies are received from policyholders/cedants by the Company - as the intermediary is acting in its capacity as agent rather than as principal. Consequently, monies received from policyholders/cedants by intermediaries that fail to pass these on will not result in the Company being on risk. Therefore, the Company's overall counterparty credit exposures are deemed to be low as the in/reinsurance coverage with policyholders/cedants could be cancelled pro rata temporis if monies are not received.

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

1. RISK MANAGEMENT (continued)

(g) Financial risk - liquidity

Liquidity risk is the risk that the Company is unable to meet its contractual obligations in a timely manner due to the inability of its investment assets to be sold without causing a significant movement in the price and with minimum loss in value.

The Company aims to keep liquidity risk as low as possible to be able to meet its contractual obligations in a timely manner, even under stressed scenarios such as following a major catastrophic event.

The Company's investment guidelines aim at matching cash flows and take moderate risk on the asset side through investments in predominantly government bonds and investment grade credit. River re assesses the likely pay out pattern of liabilities by currency and buys liquid assets with durations to match these pay outs. Moreover, selection of corporate bonds abides by strict concentration risk limits per rating category. As at Q4 2020, average credit portfolio was A with more than 70% of the bonds rated A and above and none rated below investment grade.

The maturity dates of financial investment and cash at bank and in hand are as follows.

	2020				Total £000
	0-1 year £000	2-3 years £000	4-5 years £000	> 5 years £000	
Listed debt securities	5,336	62,773	58,354	99,268	225,731
Participations in investment pools	9,372	-	-	-	9,372
Deposits with credit institutions	-	-	-	-	-
Cash at bank and in hand	17,491	-	-	-	17,491
	32,199	62,773	58,354	99,268	252,594

	2019				Total £000
	0-1 year £000	2-3 years £000	4-5 years £000	> 5 years £000	
Listed debt securities	-	32,140	38,828	39,868	110,836
Participations in investment pools	235,245	-	-	-	235,245
Deposits with credit institutions	8	-	-	-	8
Cash at bank and in hand	24,102	-	-	-	24,102
	259,356	32,140	38,828	39,868	370,192

The maturity dates of claim reserves (excluding unearned premium reserves) shown below are based on estimated future payment outflows.

	2020				Total £000
	0-1 year £000	2-3 years £000	4-5 years £000	> 5 years £000	
Outstanding claims reserves	30,108	26,680	17,436	6,226	80,450
Claims incurred but not reported reserves	13,684	12,125	7,924	2,830	36,563
Unallocated loss adjustment expense reserves	1,020	904	591	211	2,726
	44,812	39,709	25,951	9,267	119,739

	2019				Total £000
	0-1 year £000	2-3 years £000	4-5 years £000	> 5 years £000	
Outstanding claims reserves	37,437	35,084	19,850	12,977	105,348
Claims incurred but not reported reserves	13,672	12,813	7,249	4,741	38,475
Unallocated loss adjustment expense reserves	1,040	976	552	362	2,930
	52,149	48,874	27,650	18,080	146,753

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

1. RISK MANAGEMENT (continued)

(h) Operational risk

Operational risk refers to the risk of financial or other loss, or potential damage to the Company's reputation resulting from inadequate or failed internal processes, people and systems or from external events.

The following are some examples of operational risks facing the Company:

- Legal and compliance risk.
- Information technology risk.
- Loss of key officers or employees.
- System failure and business interruption.
- Execution errors.
- Employment practice liability.
- Internal and external fraud.

These risks are managed through internal control processes and monitoring tools such as the risk register.

The Company has a low appetite for operational risk. Unlike underwriting and financial risks, operational risk has no upside and only downside, and therefore should be avoided if feasible and cost-effective.

Operational risk is difficult to quantify but can only be controlled through appropriate corporate governance and internal control measures. The Company has developed a number of policies and procedures aimed to control or mitigate the negative impact that may potentially result from operational risk events.

(i) Strategic risk

Strategic risk is the risk to earnings or capital arising from adverse business decisions or the improper implementation of those decisions, or the inability to act in response to business opportunities or adapt to changes in its operating environment.

The following are examples of strategic risks facing the Company:

- Planning processes that are not fully integrated with internal financial indicators and external benchmarks, or are based on forecasts that are inherently optimistic.
- Deficiencies and weaknesses in understanding of regulatory requirements, and risk comprehension by claims handling staff.
- Failure of large information technology and infrastructure projects to achieve specified goals.

The responsibility for strategic risk control and mitigation rests with the Risk Committee.

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

1. RISK MANAGEMENT (continued)

(j) Capital management

The Company attempts to identify and appropriately define all material risks internal and external to the Company, understand the manifestations of each risk, and ensure that risks are managed, controlled or mitigated. To the extent that a risk is not fully mitigated, the Company will measure the financial impact of the risk and include it in its capital adequacy assessment and measurement framework. The internal capital model covers all of the material risks identified above, including regulatory obligations.

The Company's objectives in managing its capital are:

- To match the profile of its assets and liabilities, taking account of the risks inherent in the business.
- To satisfy the requirements of its policyholders, regulators and rating agencies.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To allocate capital efficiently in order to support stability.
- To manage exposures in line with movements in exchange rates.

The Company has various sources of capital available to it and seeks to optimise its capital usage to consistently optimise shareholder returns. The Company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance when assessing its capital deployment and associated usage. The Company manages as capital, all items that are eligible to be treated as capital for regulatory purposes.

The Company is regulated by the Prudential Regulation Authority and the Financial Conduct Authority. As a regulated entity, it is subject to insurance solvency regulations under the EU Directive and the Solvency II Directive - which specify the minimum amount and type of capital that must be held in excess of its insurance liability obligations - in order to meet a certain solvency threshold. The Company manages capital in accordance with these rules and has embedded in its asset liability management framework the necessary tests to ensure continuous and full compliance with such regulations. In summary:

- At 31 December 2020, under the Solvency II Directive (effective 1 January 2016) the estimated (unaudited) total capital available to meet the Solvency Capital Requirement (being the Own Funds) is £104.0 million (2019: £193.8 million) with the estimated (unaudited) Solvency Capital Requirement at £64.2million (2019: £69.5 million) and the estimated (unaudited) total capital available to meet the Minimum Capital Requirement (being the Own Funds) is £104.0 million (2019: £193.8 million) with the (unaudited) Minimum Capital Requirement at £16.0 million (2019: £20.0 million). The Company has complied with all externally imposed capital requirements throughout the year.

In addition, the Company manages capital by reference to various self-assessed risk-based measures, including but not limited to the use of internal models, throughout the year.

(k) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- **Level 1**
Valuations based on quoted prices in active markets. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.
- **Level 2**
Valuations based on prices of recent transactions when no quoted active price is available for identical assets or liabilities that the Company has the ability to access. Reference is also made to quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals, broker quotes and certain pricing indices.

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

1. RISK MANAGEMENT (continued)

(k) Fair value estimation (continued)

■ Level 3

Valuations based on a valuation technique. These measurements include circumstances where there is little, if any, market activity for the asset or liability. In these cases, significant management assumptions can be used to establish management's best estimate of the assumptions used by other market participants in determining the fair value of the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and the Company considers factors specific to the asset or liability.

Below is a summary of assets that are measured at fair value on a recurring basis:

	2020			Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Financial assets at fair value				
Listed debt securities				
UK government	32,789	-	-	32,789
Non-UK government	2,632	-	-	2,632
Non-UK government agencies	-	-	-	-
Supranational	393	-	-	393
Corporate	185,782	-	-	185,782
Government backed	4,135	-	-	4,135
Participations in investment pools	9,372	-	-	9,372
Deposits with credit institutions	-	-	-	-
	235,103	-	-	235,103

	2019			Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
Financial assets at fair value				
Listed debt securities				
UK government	-	98,379	-	98,379
Non-UK government	-	12,457	-	12,457
Non-UK government agencies	-	-	-	-
Supranational	-	-	-	-
Corporate	-	-	-	-
Government backed	-	-	-	-
Participations in investment pools	235,245	-	-	235,245
Deposits with credit institutions	8	-	-	8
	235,253	110,836	-	346,089

During the year, there were no transfers (2019: none) made from Levels 1 or 2 into Level 3, and vice versa, within the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

2. SEGMENTAL INFORMATION

(a) Analyses by placing type

	2020					
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsu- rance balances	Underwriting profit/(loss)
	£000	£000	£000	£000	£000	£000
Assumed treaty business						
Proportional reinsurance	422	609	(6,224)	(1,818)	-	(7,433)
Non-proportional reinsurance	362	525	(1,488)	(435)	-	(1,398)
Direct and assumed facultative business	1	1	2,211	646	326	3,184
	785	1,135	(5,501)	(1,607)	326	(5,647)
	2019					
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsu- rance balances	Underwriting profit/(loss)
	£000	£000	£000	£000	£000	£000
Assumed treaty business						
Proportional reinsurance	545	900	1,778	(3,179)	-	(501)
Non-proportional reinsurance	(156)	(125)	43	(53)	-	(135)
Direct and assumed facultative business	(227)	(197)	412	(331)	(549)	(665)
	162	578	2,233	(3,562)	(549)	(1,301)

The reinsurance balance represents the change to the Statement of Comprehensive Income - Technical Account Balance from the aggregate of all items relating to reinsurance outwards.

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

2. SEGMENTAL INFORMATION (continued)

(b) Analyses by geographical area

	2020			2019		
	Assumed treaty £000	Direct/ assumed facultative £000	Total £000	Assumed treaty £000	Direct/ assumed facultative £000	Total £000
By destination						
Gross premiums written						
United Kingdom	42	-	42	(225)	8	(217)
North, Central and South America	38	120	158	90	(90)	-
Europe	4	-	4	(22)	(329)	(351)
Worldwide	823	1	824	650	16	666
Africa and Middle East	12	16	28	(308)	166	(142)
Asia and Australia	(135)	(136)	(271)	205	1	206
	784	1	785	390	(228)	162

	2020			2019		
	Assumed treaty £000	Direct/ assumed facultative £000	Total £000	Assumed treaty £000	Direct/ assumed facultative £000	Total £000
By origin						
United Kingdom						
Gross premiums written	784	1	785	389	(227)	162
Profit/(loss) before tax	(143)	3,184	3,041	18,298	(665)	17,633
Profit/(loss) after tax	(1,344)	3,789	2,445	14,960	(665)	14,294
Net assets	128,523	4,885	133,408	224,646	(3,684)	220,963

Net assets attributable to assumed treaty operations, and to direct and facultative operations have been distributed based on total capital as a % of total liabilities.

3. PROVISION FOR UNEARNED PREMIUMS

	2020 £000	2019 £000
Gross		
At beginning of year	346	766
Exchange gain/(loss) on retranslation of brought forward balances from last to this year closing rates	(3)	(15)
Decrease during year (refer Note 4)	(350)	(416)
Exchange gain/(loss) on retranslation of in-year movement from average to closing rates	7	11
At end of year	-	346
Reinsurers' share		
At beginning of year	1	31
Exchange gain/(loss) on retranslation of brought forward balances from last to this year closing rates	(1)	1
Decrease during year (refer Note 4)	-	(30)
Exchange loss/(gain) on retranslation of in-year movement from average to closing rates	-	(1)
At end of year	-	1

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

4. EARNED PREMIUMS, NET OF REINSURANCE

	2020			2019		
	Gross £000	Reinsurance £000	Net £000	Gross £000	Reinsurance £000	Net £000
Premiums written	785	97	882	162	(596)	(434)
Change in the provision for unearned premiums (refer Note 3)	350	-	350	416	(30)	386
Earned premiums	1,135	97	1,232	578	(626)	(48)

5. CLAIMS INCURRED, NET OF REINSURANCE

	2020			2019		
	Gross £000	Reinsurance £000	Net £000	Gross £000	Reinsurance £000	Net £000
Claims paid						
Claims and allocated loss adjustment expenses paid	(32,531)	960	(31,571)	(28,765)	235	(28,530)
	(32,531)	960	(31,571)	(28,765)	235	(28,530)
Change in the provision for claims (refer Note 6(a))						
Outstanding claims reserve movement	24,929	401	25,331	18,689	6	18,695
Claims incurred but not reported reserve movement	1,900	(101)	1,798	12,432	86	12,518
Unallocated loss adjustment expense reserve movement	201	-	201	(123)	-	(123)
	27,030	300	27,330	30,998	92	31,090
Claims incurred	(5,501)	1,261	(4,240)	2,233	327	2,560

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

6. TECHNICAL PROVISIONS

(a) Claims outstanding

	2020			
	Out-standing claims reserves £000	Claims incurred but not reported reserves £000	Unallocated loss adjustment expense reserves £000	Total claims out-standing £000
Gross				
At beginning of year	105,349	38,475	2,930	146,754
Exchange loss on retranslation of brought forward balances from last to this year closing rates	(224)	(256)	(10)	(490)
Decrease during year (refer Note 5)	(24,929)	(1,900)	(201)	(27,030)
Exchange loss on retranslation of in-year movement from average to closing rates	254	244	7	505
At end of year	80,450	36,563	2,726	119,739
Reinsurers' share				
At beginning of year	1,818	148	-	1,966
Exchange gain on retranslation of brought forward balances from last to this year closing rates	(1)	-	-	(1)
Increase/(decrease) during year (refer Note 5)	(401)	101	-	(300)
Exchange gain on retranslation of in-year movement from average to closing rates	6	(2)	-	4
At end of year	1,422	247	-	1,669

	2019			
	Out-standing claims reserves £000	Claims incurred but not reported reserves £000	Unallocated loss adjustment expense reserves £000	Total claims out-standing £000
Gross				
At beginning of year	125,328	51,837	2,851	180,016
Exchange gain on retranslation of brought forward balances from last to this year closing rates	(1,312)	(1,390)	49	(2,653)
Increase/(decrease) during year (refer Note 5)	(18,689)	(12,432)	123	(30,998)
Exchange loss on retranslation of in-year movement from average to closing rates	22	460	(93)	389
At end of year	105,349	38,475	2,930	146,754
Reinsurers' share				
At beginning of year	1,877	71	-	1,948
Exchange gain on retranslation of brought forward balances from last to this year closing rates	27	1	-	28
Increase during year (refer Note 5)	6	86	-	92
Exchange gain on retranslation of in-year movement from average to closing rates	(92)	(10)	-	(102)
At end of year	1,818	148	-	1,966

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

6. TECHNICAL PROVISIONS (continued)

(b) Movements in prior accident years' provision for claims outstanding

The following favourable/(adverse) changes were experienced during the year:

	2020			2019		
	Non-catastrophe losses £000	Catastrophe losses £000	Total losses £000	Non-catastrophe losses £000	Catastrophe losses £000	Total losses £000
Assumed treaty business						
Proportional reinsurance	(6,314)	-	(6,314)	715	-	715
Non-proportional reinsurance	735	-	735	518	-	518
Direct and assumed facultative business	(121)	-	(121)	(510)	-	(510)
	(5,700)	-	(5,700)	724	-	724

7. NET OPERATING EXPENSES

	2020			2019		
	Gross £000	Reinsurance £000	Net £000	Gross £000	Reinsurance £000	Net £000
Acquisition costs						
Acquisition costs	(428)	(3)	(431)	(995)	(78)	(1,073)
Profit commissions	1,455	(427)	1,028	(478)	(173)	(651)
Change in deferred acquisition costs (refer Note 17)	(32)	(1)	(33)	(46)	1	(45)
Change in deferred profit commissions (refer Note 17)	(1)	-	(1)	29	-	29
	994	(431)	563	(1,490)	(250)	(1,740)
Administrative expenses						
Gross administrative expenses	(2,601)	-	(2,601)	(2,073)	-	(2,073)
	(2,601)	-	(2,601)	(2,073)	-	(2,073)
Net operating expenses	(1,607)	(431)	(2,038)	(3,563)	(250)	(3,813)

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

8. INVESTMENT INCOME

	2020 £000	2019 £000
Income from debt securities	2,810	6,993
Income from deposits with ceding undertakings and other deposits	1	5
Income from deposits with credit institutions and cash at bank and in hand	3	12
Income from participations in investment pools	1,433	231
	4,247	7,242

9. OTHER INCOME AND OTHER CHARGES

(a) Other Income

	2020 £000	2019 £000
Other income	-	62
Foreign exchange gain	416	-
	416	62

(b) Other Charges

	2019 £000	2019 £000
Foreign exchange loss	-	(684)
Other charges	(2)	-
	(2)	(684)

10. CORPORATION TAX

(a) Tax charge on profit on ordinary activities

	2020 £000	2019 £000
United Kingdom corporation tax at 19% (2019: 19%)		
Current tax on income for the year	(753)	(3,439)
Adjustments in respect of previous financial years	(3)	-
Total current tax	(756)	(3,439)
United Kingdom deferred tax movements		
Origination and reversal of timing differences	160	100
Total deferred tax movements (refer Note 10(d))	160	100
Tax on profit on ordinary activities (refer Note 10(b))	(596)	(3,339)

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

10. CORPORATION TAX (continued)

(b) Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the year is different than that resulting in applying the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	3,041	17,632
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the United Kingdom at 19% (2019: 19%)	(578)	(3,350)
Factors affecting charge:		
Expenses not deductible for tax purposes	-	-
Differences in tax rates	(15)	11
Adjustment in respect of prior periods	(3)	-
	(18)	11
Tax charge for the year (refer Note 10(a))	(596)	(3,339)

(c) Components of current corporation tax (creditors)/debtors

	2020 £000	2019 £000
Corporation tax in respect of current financial year	(253)	(1,093)
Corporation tax in respect of prior financial year	(1,096)	-
Corporation tax (creditor)/debtor (refer Note 21)	(1,349)	(1,093)

(d) Components of deferred tax assets/(liabilities)

	2020				
	At beginning of the year £000	Movement during the year - pure £000	Movement during the year - adjustment £000	Movement during the year - rate change £000	At end of the year £000
Tangible fixed assets depreciation less/ (greater) than capital allowances	172	(35)	-	20	157
Doubtful debt provision	42	(7)	-	5	40
Claims equalisation reserves:	(394)	217	-	(40)	(217)
	(180)	175	-	(15)	(20)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. The UK headline rate of corporation tax is 19% for 2020 and future accounting periods. The closing deferred tax balance is recognised at 19%.

Finance Act 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 31 December 2019 had been calculated at this rate. However, in the March 2020 Budget it was announced that the reduction will not occur and the Corporation Tax Rate will be held at 19%. The Provisional Collection of Taxes Act was used to substantively enact the revised 19% tax rate on 17 March 2020 and accordingly the deferred tax balances have been re-calculated to 19% at the year end.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date and as a result, deferred tax balances as at 31 December 2020 continue to be measured at 19%. If the amended 25% rate is applied, the impact on the closing DT position would be to increase the deferred tax asset by approximately £46 thousand.

11. OTHER FINANCIAL INVESTMENTS

	2020 £000	2019 £000
Listed debt securities	225,731	110,836
Participations in investment pools	9,372	235,245
Deposits with credit institutions	-	8
	235,103	346,089

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

12. DEPOSITS WITH CEDING UNDERTAKINGS

	2020 £000	2019 £000
Deposits with cedants	678	747
	678	747

13. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2020 £000	2019 £000
Amounts falling due within one year		
Amounts due from non-group undertakings	56	-
	56	-

14. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2020 £000	2019 £000
Amounts falling due within one year		
Amounts due from non-group undertakings	5,123	3,890
	5,123	3,890

15. OTHER DEBTORS

	2020 £000	2019 £000
Amounts falling due within one year		
Value added tax recoverable	50	28
Other debtors	-	9,403
	50	9,431

Other debtors includes nil (2019: £9.3 million) relating to a sale of debt securities in December with a settlement date of January.

16. CASH AT BANK AND IN HAND

	2020 £000	2019 £000
Cash at bank and in hand	17,491	24,102
	17,491	24,102

Of the cash and cash equivalents £1,609 thousand (2019: £8 thousand) is held in a regulated bank account and is not available for immediate use.

Cash is pledged to collateralize Letters of Credit. The terms relating to this collateral state that cash is pledged for a proportionate value of the underlying liabilities. The value of liabilities is assessed and the collateral adjusted accordingly.

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

17. DEFERRED ACQUISITION COSTS

	2020		
	Deferred acquisition costs £000	Deferred profit commissions £000	Total deferred acquisition costs £000
Gross			
At beginning of year	32	(3)	29
Exchange (gain)/loss on retranslation of brought forward balances from last to this year closing rates	-	-	-
Increase/(decrease) during year (refer Note 7)	(32)	(1)	(33)
Exchange (gain)/loss on retranslation of in-year movement from average to closing rates	-	(1)	(1)
At end of year	-	(5)	(5)
Reinsurers' share			
At beginning of year	1	-	1
Decrease during year (refer Note 7)	(1)	-	(1)
At end of year	-	-	-
	2019		
	Deferred acquisition costs £000	Deferred profit commissions £000	Total deferred acquisition costs £000
Gross			
At beginning of year	80	(32)	48
Exchange (gain)/loss on retranslation of brought forward balances from last to this year closing rates	(3)	-	(3)
Increase/(decrease) during year (refer Note 7)	(46)	29	(17)
Exchange (gain)/loss on retranslation of in-year movement from average to closing rates	1	-	1
At end of year	32	(3)	29
Reinsurers' share			
At beginning of year	2	-	2
Decrease during year (refer Note 7)	(1)	-	(1)
At end of year	1	-	1

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

18. OTHER PREPAYMENTS AND ACCRUED INCOME

	2020 £000	2019 £000
Prepaid other expenses	13	38
	13	38

19. SHARE CAPITAL

	2020 £000	2019 £000
Allotted, called up and fully paid		
125,000,000 ordinary shares of £1 each	125,000	125,000
Authorised		
250,000,000 ordinary shares of £1 each	250,000	250,000

The Company is a private company limited by shares and is incorporated in England. The address of its registered office is Brooke Lawrance House, 80 Civic Drive, Ipswich, IP1 2AN, United Kingdom.

20. DIVIDEND

	2020 £000	2019 £000
Dividend - 720p per ordinary share (2019: nil)	90,000	-
	90,000	-

21. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2020 £000	2019 £000
Amounts falling due within one year		
Insurance premium tax payable	2	3
UK corporation tax payable (refer Note 10(c))	1,349	1,093
Other creditors - non-group undertakings	-	9,393
Other creditors - group undertakings	-	1,080
	1,351	11,569

Other creditors includes nil (2019: £9.3 million) relating to a purchase of debt securities in December with a settlement date of January.

22. OTHER ACCRUALS AND DEFERRED INCOME

	2020 £000	2019 £000
Accrued professional fees	166	274
Accrued outsourcing fees	985	56
Accrued other expenses	432	109
	1,583	439

23. STAFF COSTS

(a) Staff numbers

	2020 Number	2019 Number
Average number of employees (including directors) employed during the financial year		
Claims	-	1
Risk	-	2
Finance	-	4
IT	-	1
Administration, Human Resources and Compliance	-	1
Management	-	4
	-	12

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

23. STAFF COSTS (continued)

(b) Staff costs

	2020 £000	2019 £000
Aggregate payroll costs of employees (including directors) employed during the financial year		
Wages and salaries	-	865
Social security costs	-	75
Other pension costs	-	15
	-	955

The company does not have any employees (2019: 12). All staff are employed by the service company AXA Liabilities Managers. The Company's staff costs are paid by AXA Liabilities Managers and subsequently recharged to the Company.

24. DIRECTORS' EMOLUMENTS

	2020 £000	2019 £000
Aggregate emoluments	-	27
Sums paid to third parties for directors' services	-	60
	-	87

The directors are employed and paid by the service company AXA Liabilities Managers and their directorships are held as part of that employment.

None of these directors received any emoluments or other benefits from the Company in respect of services to the Company (2019: £87 thousand, emoluments paid to prior period directors)

Mr W Bower is a Non-Executive Director employed by the Company with effect from 29 December 2020, no emoluments were received for the financial year.

25. AUDITORS' REMUNERATION

During the year, the Company obtained the following services from its auditor:

	2020 £000	2019 £000
Fees payable to the Company's auditor for the audit of the Company's financial statements	77	76
	77	76

The amount payable in 2019 was payable to Ernest & Young LLP, the prior period auditor.

NOTES TO THE FINANCIAL STATEMENTS

RIVER RE LIMITED

Year Ended 31 December 2020

26. GUARANTEES, FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

(a) Guarantees

The company has no credit facility with the Bank of Tokyo-Mitsubishi at the end of the financial year (2019: USD 75 thousand and AUD 241 thousand) pursuant to the issuance of several letters of credit to policyholders/cedants in the United States of America, Canada and Australia.

A credit facility with Citibank Europe Plc for USD 1,748 thousand, AUD 291 thousand and EUR 52 thousand at the end of the financial year (2019: USD 2,505 thousand, CAD 22 thousand and EUR 52 thousand) pursuant to the issuance of several letters of credit to policyholders/cedants in the United States of America, Canada, Europe and Australia.

(b) Annual commitments

The Company has no annual commitments in respect of non-cancellable operating leases.

27. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The immediate parent company of the Company is AXA DBIO II Holding SARL, a company incorporated in Luxembourg and registered as an overseas entity in the United Kingdom. The ultimate parent company is AXA DBIO II SCSp, a company incorporated in Luxembourg. Copies of the financial statements of AXA DBIO II SCSp are available from the company's registered office, 21 Boulevard Grand-Duchesse Charlotte, Luxembourg.

28. RELATED PARTIES

	2020	2019
	Balances	Balances
	Net Debtor/ (Creditor)	Net Debtor/ (Creditor)
Renaissance Re AG UK Branch	-	(1,080)

Balances payable due to related group companies are payable within one year.

At the end of the financial year there were no transactions relating to AXA Liabilities Managers, costs were accrued within the Statement of Financial Position.