XL Insurance Reinsurance

CATLIN (ONE) LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

For The Year Ended 31 December 2021

CONTENTS

COMPANY INFORMATION

Directors and officers at the date that the report is signed:

Directors	M Cummings L Prato
Company secretary	M L Rees
Registered number	2973436
Registered office	20 Gracechurch Street London EC3V 0BG
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2021

The Directors present their strategic report for the year ended 31 December 2021.

Principal activities

The company acted as a corporate member at Lloyd's and is the sole member of Syndicate 3002 ('the Syndicate") for the 2014 and subsequent years of account.

The result for the year is a profit of £8,182k (2020: loss of £9,179k). The result is attributable to an underwriting profit before tax of £9,395k *(2020: underwriting loss before tax of £9,348k).*

The Company's participation in the capacity of Syndicate 3002 by year of account is as follows:

	2020	**2021**	**2022**
Capacity provided by the Company (£m)	45	32	26
Percentage of total syndicate capacity	100%	100%	100%

FINANCIAL HIGHLIGHTS

The Company's key financial performance indicators during the year were as follows:

	2021	*2020*
Gross premiums written (£m)	**26.0**	*29.6*
Net Premium written (£m)	**25.5**	*26.1*
Earned premium, net of reinsurance (£m)	**25.5**	*26.8*
Underwriting profit/(loss) (£m)	**9.4**	*(9.3)*
Profit/(Loss) for the financial year (£m)	**8.2**	*(9.2)*
Net claims ratio (%)	**30.2%**	*100.7%*
Expense ratio (%)	**33.0%**	*36.0%*
Combined ratio (%)	**63.2%**	*136.6%*
Investment return (%)	**0.10%**	*1.02%*

Note 1 : The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. A lower combined ratio represents better performance.

Note 2 : Underwriting result is earned premium and change in the long term business provision *minus claims incurred & operating expenses.*

Note 3 : Net claims ratio is the ratio of claims incurred(net of reinsurance) and change in the long term business provision to net premium earned.

Note 4 : Expense ratio is the ratio of Net operating expenses to net premium earned.

Note 5 : Investment return is the ratio of investment income to total investments.

STATEMENT BY THE DIRECTORS OF THEIR PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH SECTION 172(1) OF COMPANIES ACT 2006

The Board of Directors of the Company consider that both individually and collectively, they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the Company's relevant stakeholders and matters set out in section 172(1)(a-f) of the Companies Act 2006 in the decisions taken during the year ended 31 December 2021).

When discharging their duties and making decisions, Section 172 of the Companies Act requires the directors to have regard, amongst other things, to the:

- likely consequences of any decision in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and the environment;
- desirability of the company maintaining a reputation for high standards of business conduct;
- need to act fairly as between members of the company.

The key stakeholders of the Company are Syndicate 3002 and its managing agent AXA XL Underwriting Agencies Limited ("AXUAL") its shareholder, regulators, brokers and other intermediaries with which it does business.

The Company operates within the framework of AXA XL's service company model and is the recipient of services provided by one of its sister companies. The Company has no direct employees. Board meetings are held periodically when the directors consider the Company's activities and make decisions.

The Company follows the policies and procedures of the AXA XL division, including those relating to the community and the environment, standards of business conduct and its interactions with key stakeholders. However, while being a member of the AXA XL division, the Company makes autonomous Board decisions on each transaction's own merits after due consideration of the long-term success of the Company, Section 172 factors and the stakeholders impacted. The views and the impact of the Company's stakeholders are an important consideration for the Directors when making relevant decisions.

Community and the Environment
In alignment with other entities in the AXA XL division, the Company has regard for the impact its operations have on the community and the environment.

As part of the AXA Group, the Company contributes to the AXA for Progress Index, a tool to measure progress and reinforce the impact of the AXA Sustainability strategy built around climate and inclusive protection with seven measurable commitments:

- Achieve Carbon Neutrality by 2025.
- Make employees leaders of the transformation by training our teams in Climate issues by 2025.
- Increase our share of green insurance products.
- Promote inclusive insurance for vulnerable populations.
- Reach EUR 25Bn in green investments by 2023.
- Decrease the carbon footprint of AXA's general account assets by 20% by 2025.
- Maintain AXA's position in the Dow Jones Sustainability Index.

Striving to achieve a balance between economic, social, and environmental activity is in the long-term interests of the Company, the wider AXA XL division, and the communities in which the Company operates.

As part of the AXA XL division, the following initiatives demonstrate the Company's commitment to its local communities:

- The annual "AXA Week for Good", event brings colleagues across all AXA entities together to support social and environmental causes. In 2021, this included AXA XL's Global Day of Giving, where colleagues are encouraged to donate time and skills in support of non-profit organisations in their communities and around the globe. In 2021, 308 UK colleagues took part in 30 Global Day of Giving projects.
- The colleague-led "Hearts in Action" charity committees empowers colleagues to manage charitable giving for their locations, including grant-giving, fundraising and awareness raising. The UK Committee donated USD $95,000 in 2021 to charities supporting young people with diverse needs as well as senior citizen care.

- AXA XL's Matching Gifts programme offers colleagues the opportunity to have their donations to non-profit organizations matched up to a total of USD $800 per colleague per year.
- The Company also has a Volunteering Leave Policy, designed to enable colleagues to donate time and skills to local communities at a time of their choosing. Colleagues are entitled to take time to volunteer in addition to annual participation in the company's volunteering day (Global Day of Giving).

Shareholder
The Company's ultimate shareholder is AXA SA, a company incorporated in France. Within the AXA XL division, various initiatives were pursued throughout the year, including working with colleagues at AXA GI in the UK to demonstrate a combined offering as "One AXA" and to assess opportunities for mutual growth.

Suppliers, customers and others in a business relationship with the company
The Company believes that fostering business relationships with these stakeholders is important to the Company's success and the Company's strategy to provide risk management solutions and claim handling services. The Company is committed to acting conscientiously and advancing processes to make certain that responsible procurement is central to all its purchases. As part of the AXA XL division, the Company benefits from the use of the AXA XL responsible procurement guidelines which are embedded in the AXA XL procurement policy.

Maintaining a reputation for high standards of business conduct
The Company's commitment to ethical conduct is set out in more detail in the AXA Group Compliance and Ethics Code and AXA XL division's Code Supplement ("Code of Conduct"). Policies with respect to anti-corruption and anti-bribery are contained in the Code of Conduct. Failure to comply with these policies is taken very seriously and may result in disciplinary action, including but not limited to dismissal.

PRINCIPAL RISK AND UNCERTAINTIES

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. The Company has developed a risk and control framework in line with the wider Group, which is built on an Enterprise Risk Management Model that aims to integrate existing risk programmes into a more holistic, embedded Group wide risk and capital management framework. This is reviewed annually as part of the Syndicate Business Forecast ("SBF") and Solvency Capital Requirement ("SCR") process.

All policies are approved by management and subject to ongoing review by the risk management and internal audit teams. Compliance with regulation, legal and ethical standards is a high priority for the Company and the compliance team and the finance department take on an important oversight role in this regard. The Board of the managing agent is responsible for satisfying itself that a proper internal control framework exists to manage all risks and ensuring the controls operate effectively.

Key risks are considered both within the control framework and within the assessment of capital requirements. The Company conducts in depth stochastic modelling across all insurance risk categories.

Insurance risk

Insurance risk includes the risks of inappropriate underwriting, inadequate pricing and ineffective management of underwriting delegated to third parties. The insurance risks are mitigated by a robust underwriting control framework and through underwriting and reinsurance plans, which are approved by the Board and communicated clearly throughout the business. Insurance risk is discussed further in note 2.

Reserving risk

Reserves for unpaid losses represent the largest single component of the Company liabilities. Loss reserve estimates are inherently uncertain. Actual losses that differ from the provisions, or revisions in the estimates, can have a material impact on future earnings and the Balance Sheet.

AXA SA("AXA") has a large, experienced team of actuaries and other actuarial staff. They work closely with the underwriting and claims staff to ensure understanding of the Company exposures and loss experience.

Analysis of the reserve requirements are initially developed by actuaries embedded within the business with close knowledge of local underwriting activities. Final reserves are produced by the actuarial team, supported by an independent Statement of Actuarial Opinion, and reviewed and approved by the Board.

Other risk categories

Market risk including interest rate risk, currency risk, credit risk and liquidity risk is discussed further in note 2.

The strategy for managing other business and operational risks includes:

- Identifying and analysing risk through a disciplined risk assessment process;
- Mitigating or avoiding risks that do not fit the Company's business objectives; and
- Retaining risk within an agreed risk appetite with appropriate levels of capital.

This report was approved by the Board and signed on its behalf by:

M Cummings
Director
30 June 2022

DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2021

The Directors present their report together with the audited annual financial statements for the year ended 31 December 2021.

The annual financial statements are prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and Financial Reporting Standard 103, "Insurance Contracts" (FRS 103).

Directors

The directors who held office during the year and up to the date of signing the annual financial statements were :

M Cummings
R Littlemore Resigned on 10 May 2022
L Prato

COMPANY SECRETARY

M L Rees is the Company secretary at the date of this report.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Information on the use of financial instruments by the Company and its management of financial risk and in particular its exposure to interest rate risk, equity price risk, currency risk, credit risk and liquidity risk is disclosed in note 2 to the financial statements.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, were in office during the reporting period for which these Financial Statements cover and at the date of signing

Results and dividends

The profit for the year amounted to £8.2m *(2020: Loss of £9.2m)*.

During the year, the Company wrote £26.0m in gross premiums (2020: £29.6m).The Company incurred a net claims ratio of 30.2% (2020 : 100.7%). The Company held total Funds at Lloyd's on behalf of the Syndicate 3002. As at 31 December 2021, the value of assets supporting FAL for the 2022 underwriting year is £39.5m (2021 underwriting year at 31 December 2020: £28.4m). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The Directors do not recommend a final dividend (2020: £nil).

Future developments and strategy

The Company's focus is to continue sustainable and disciplined growth across the business it writes. An enhanced focus is being placed on portfolio analysis and optimization actions to exit or re-underwrite poor performers and grow better performers. The Company is an important part of the AXA business model transformation to anticipate the evolving needs of the customer and match this through its preferred segments. The Company continues to provide AXA with a diversified and scalable operation to service international based risks and clients. The Company will continue to transact term life insurance business. Disciplined development of the business will continue to be encouraged and supported by the Board. For the 2022 underwriting year, the Company will continue to purchase intra group reinsurance (IGR) with XL Bermuda Limited.

COVID-19

The disruption resulting from the global outbreak of the Covid-19 has reduced throughout 2021 as the world learned to live with Covid-19 as global lockdowns and restrictions were reduced. The pandemic has not had a significant adverse impacted on the Companies turnover in the year. During the year favorable prior year releases were made in relation to pandemic affected businesses.

STATEMENT OF DIRECTORS' RESPONSIBLITIES

The Directors are responsible for preparing the Strategic and 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 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 - "Insurance Contracts" ("FRS 103"), both issued by the Financial Reporting Council and in compliance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410") relating to insurance companies and other requirements of the Companies Act 2006.

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 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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue its 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 them to ensure that the financial statements comply with the Companies Act 2006.

The Directors 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.

Statement of Disclosure of information to the auditors

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

- so far as each director is aware, there is no relevant audit information for which the Company's auditors are unaware; and
- each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the Board and signed on its behalf by:

M Cummings
Director
30 June 2022

Independent auditors' report to the members of Catlin (One) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Catlin (One) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2021; the Statement of Profit or Loss and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

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

In connection with our audit of the 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate transactions to increase the assets or reduce the liabilities of the company. Audit procedures performed by the engagement team included:

- Discussions with management over consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with and reports to the Council of Lloyd's in relation to compliance with laws and regulations;
- Identifying and testing transactions in the year, in particular any transactions with unusual activity; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

ANDREW BOX

Andrew Box (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 June 2022

STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000's	*2020 £000's*
TECHNICAL ACCOUNT			
Gross premiums written	4	**25,973**	*29,557*
Outward reinsurance premiums		**(475)**	*(3,510)*
Net premiums written		**25,498**	*26,047*
Change in the gross provision for unearned premiums	9	**1,432**	*4,914*
Change in the provision for unearned premiums, reinsurers' share	9	**(1,480)**	*(4,210)*
Change in the net provision for unearned premiums		**(48)**	*704*
Earned premiums net of reinsurance		**25,450**	*26,751*
Allocated investment return transferred from the non-technical account		**31**	*451*
Total technical income		**25,481**	*27,202*
Claims paid			
Gross amount		**(13,559)**	*(29,217)*
Reinsurers' share		**3,888**	*9,703*
Net of reinsurance		**(9,671)**	*(19,514)*
Change in the provision for claims			
Gross amount		**(186)**	*(401)*
Reinsurers' share		**—**	*—*
Net of reinsurance		**(186)**	*(401)*
Claims incurred, net of reinsurance		**(9,857)**	*(19,915)*
Change in the long term business provisions			
Gross amount	9	**6,864**	*223*
Reinsurers' share	9	**(4,690)**	*(7,238)*
Net of reinsurance		**2,174**	*(7,015)*
Net operating expenses	6	**(8,403)**	*(9,620)*
Balance on the technical account		**9,395**	*(9,348)*

STATEMENT OF PROFIT OR LOSS(CONTINUED)
YEAR ENDED 31 DECEMBER 2021

	Note	2021 £000's	*2020 £000's*
NON-TECHNICAL ACCOUNT			
Balance on the technical account		**9,395**	*(9,348)*
		9,395	*(9,348)*
Investment income		**31**	*451*
Allocated investment income transferred to the general business technical account		**(31)**	*(451)*
Gains on realisation of investments		**—**	*—*
Foreign exchange gains/(losses)		**96**	*(1,368)*
Profit/(Loss) on ordinary activities before tax		**9,491**	*(10,716)*
Tax (charge)/credit on profit on ordinary activities	8	**(1,309)**	*1,537*
Profit/(Loss) for the financial year		**8,182**	*(9,179)*

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Capital contribution account	Profit and loss account	Total Shareholder s fund
	£000's	£000's	£000's	£000's	£000's
Balance as at 1 January 2020	*320*	*2,880*	*5,472*	*7,581*	*16,253*
Loss for the financial year	—	—	—	*(9,179)*	*(9,179)*
Balance as at 31 December 2020	***320***	***2,880***	***5,472***	***(1,598)***	***7,074***
Profit for the financial year	—	—	—	**8,182**	**8,182**
Balance as at 31 December 2021	**320**	**2,880**	**5,472**	**6,584**	**15,256**

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £000's	2020 £000's
Financial Investment			
Shares and other variable yield securities and unit trusts		789	789
		789	789
Reinsurers' share of technical provisions			
Provision for unearned premiums	9	306	1,808
Long term business provision	9	6,507	11,240
		6,813	13,048
Debtors : amounts falling due within one year			
Debtors arising out of direct insurance operations	11	24,239	22,210
Debtors arising out of reinsurance operations	12	1,594	4,646
Other debtors	13	166	3,702
		25,999	30,558
Other assets			
Cash at bank and in hand		62,630	44,323
Overseas deposits		36	64
		62,666	44,387
Prepayments and accrued income			
Deferred acquisition costs	14	2,247	2,644
		2,247	2,644
TOTAL ASSETS		98,514	91,426

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	Note	2021 £000's	2020 £000's
Capital and reserves			
Called up share capital	17	**320**	*320*
Share premium account		**2,880**	*2,880*
Capital contribution account		**5,472**	*5,472*
Profit and loss account		**6,584**	*(1,598)*
Total shareholders' funds		**15,256**	*7,074*
Technical provisions			
Provision for unearned premiums	9	**12,049**	*13,410*
Long term business provision	9,10,18	**26,214**	*32,968*
		38,263	*46,378*
Provisions for other risks and charges		—	—
Creditors : amounts falling due within one year			
Creditors arising out of direct insurance operations	15	**41**	*43*
Creditors arising out of reinsurance operations	15	**13,136**	*18,091*
Amounts owed to group undertakings	15	**14,458**	*14,232*
Other creditors	15	**26**	*177*
Amounts owed to credit institutions	15	**17,300**	*5,222*
		44,961	*37,765*
Accruals and deferred income		**34**	*209*
TOTAL LIABILITIES AND CAPITAL		**98,514**	*91,426*

The financial statements on pages 11 to 38 were approved by the Board of Directors and signed on its behalf by:

M Cummings
Director
30 June 2022

1 ACCOUNTING POLICIES

1.1 Statement of Compliance

The financial statements are prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and Financial Reporting Standard 103, "Insurance Contracts" (FRS 103).

1.2 Basis of preparation

Catlin (One) Limited ('Catlin one" or the "Company") is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is given on Page 1.The financial statements have been prepared on the going concern basis, and in accordance with applicable accounting standards and under the historical cost convention, as modified by the revaluation of certain investments, in compliance with The Large and Medium-sized Companies and Groups (Account and Reports) Regulations 2008 ("SI2008/410") relating to insurance companies, and other requirements of the Companies Act 2006.

All accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

1.3 Critical accounting judgements and estimation uncertainty

Significant judgement is required when allowing for risk and uncertainty within claims outstanding. This is discussed in detail in accounting policy 1.8.

The managing agent makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

- The estimation of the ultimate liability arising from claims made under insurance contracts is the syndicate's most critical accounting estimate. This is discussed in detail in accounting policy 1.8.
- The managing agent makes an estimate of premiums written during the year that have not yet been notified by the financial year end ('pipeline premiums') based on prior year experience and current year business volumes. The pipeline premium is booked as written and an assessment is made of the related unearned premium provision and an estimate of claims incurred but not reported in respect of the earned element.

1.4 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.

1.5 Exemption from preparing cash flow statement

The Company has availed itself of the exemption under FRS 102 section 1 on 'Reduced disclosures for subsidiaries' on the grounds that it is a wholly-owned subsidiary whose ultimate parent is AXA SA (incorporated in France) which prepares a group consolidated cash flow statement in its group consolidated financial statements that are publicly available.

1 ACCOUNTING POLICIES (CONTINUED)

1.6 Exemption from disclosing related party transactions

As the Company is a wholly-owned subsidiary whose ultimate parent is AXA SA (incorporated in France), the Company has taken advantage of the exemption contained in FRS 102 section 33 'Related Party Disclosures' from disclosing related party transactions with entities which form part of the AXA SA group.

1.7 Insurance and investment contracts – classification

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

The Company has not issued any investment contracts, as set out above, in this or prior years and has only issued insurance contracts.

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

(i) Premiums written

Premiums written represent premiums on business incepting during the year. They include estimates for pipeline premiums and adjustments to the prior year and are stated before deduction of commissions and other related acquisition costs. Cancellations of premium policies are excluded from gross premiums written.

Single premium contracts consist of those contracts under which there is no expectation of continuing premiums being paid at regular intervals. Additional single premiums paid in respect of existing individual contracts shall be included in gross premiums written.

(ii) Outward reinsurance premiums ceded

Outward reinsurance premiums ceded represents premiums for contracts incepting during the financial year together with adjustments to outwards reinsurance premiums ceded in previous years. They are allocated to the appropriate accounting period on bases which fairly reflect the allocation of the underlying business being protected.

(iii) Unearned premiums written

Premiums written are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of risk. The provision for unearned premiums represents the portion of premiums written that relate to unexpired terms of policies in force at the Statement of Financial Position date, and is calculated on a daily pro rata basis. The unearned premium provision is recognised separately from the long term business provision.

(iv) Claims incurred

Claims incurred comprise claims and related expenses paid during the year and changes in the provisions for outstanding claims, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

1 ACCOUNTING POLICIES (CONTINUED)

1.7 Insurance and investment contracts - classification (continued)

(v) Claims provisions and related reinsurance recoveries

The outstanding claims comprise amounts set aside for claims notified and claims incurred but not yet reported ("IBNR").

Notified claims are estimated on a case by case basis. In estimating the cost of these the Syndicate has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in a previous period. Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortion of the development and incidence of these large claims.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

The provision for claims includes amounts in respect of internal and external claims handling costs.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR having regard to the reinsurance programme in place for the class of business and the claims experience for the year. It is net of estimated irrecoverable amounts having regard to the current security rating of the reinsurance companies involved. The Syndicate uses a number of statistical techniques to assist in making the above estimates.

The two most critical assumptions with regards to claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Syndicate processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

The directors of Catlin One consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimate made, are reviewed regularly.

The amount of any salvage and subrogation recoveries is separately identified and where material, reported as an asset.

1 ACCOUNTING POLICIES (CONTINUED)

1.7 Insurance and investment contracts - classification (continued)

(v) Claims provisions and related reinsurance recoveries (continued)

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the Balance Sheet date, including the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling claims. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Any differences between provisions and subsequent settlements are dealt with in the general business technical account of later years.

(vi) Deferred acquisition costs

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

(vii) Unexpired risks provision

Provisions are made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to 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.

(viii) Reinsurance to close (RITC)

Each Lloyd's Syndicate underwriting account is normally closed at the end of the third year by means of reinsurance into the following year, which reinsurer's all future liabilities for the closed year and all previous years in return for a premium which is approved by the managing agent. The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle the outstanding claims.

The directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account.

1.8 Long term business provision

The long term business provision is determined in accordance with the requirements of the EU Third Life Directive 92/96/EEC, under which certain contingency and other reserves required by insurance company regulations are excluded from the long term business provision.

The basis of the calculation is as follows:
Provision is made at year end for the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling plus a provision for future administrative expenses relating to existing business. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

1.9 Investment return

Investment return consisting solely of bank interest is credited to the technical account. No transfer is made to the non-technical account as all investment assets relate to the technical account.

1 ACCOUNTING POLICIES (CONTINUED)

1.10 Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates (the functional currency). The financial statements are presented in Pounds Sterling, which is the Company's functional currency.

Transactions in foreign currencies are revalued into the functional currency using average rates of exchange as a proxy for the transactional rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

At each period end foreign currency monetary items are translated using the closing rate. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items.

1.11 Pension costs

Staff working on the Company are employed by a divisional service company, XL Catlin Services SE ('XLCSSE"),an approved Central Bank of Ireland regulated intermediary. Pension contributions relating to staff working on the affairs of the Company are charged to the Company and included within net operating expenses.

1.12 Overseas deposits

Investments and overseas deposits are stated at current value at the balance sheet date. For this purpose listed investments are stated at bid value and deposits with credit institutions are stated at cost. All other financial instruments are designated as at fair value through profit and loss.

1.13 Cash at bank and in hand

Cash at bank and in hand 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.

1.14 Dividends

Dividends payable are recognised when approved by the Board.

1.15 Taxation

Taxation expense for the year comprises current and deferred tax recognised in the year. Tax is recognised in profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognized in other comprehensive income or directly in equity respectively.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of the amounts expected to be paid to the tax authorities.

2 MANAGEMENT OF FINANCIAL RISK

Financial risk management objectives

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

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate, equity price risk and currency risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. It manages these positions within a risk management framework ("the framework") that has been developed to ensure that investment proceeds and returns are in excess of obligations under insurance contracts. The Company produces regular reports that are circulated to the management of the Managing Agency. The principal technique of the Company's framework is to match assets and liabilities from insurance contracts by reference to the type of benefits payable to contract holders. The Company's framework is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance liabilities.

The notes that follow explain how financial risks are managed using the categories utilised in the Company's framework.

(a) Insurance risk

Insurance risk arises from the Company's long term insurance business and refers to the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and reserving assumptions. Examples of such risks include unexpected losses arising from fluctuations in the timing, frequency and severity of claims compared to expectations and inadequate reinsurance protection. The Company's underwriting and reinsurance strategies are set within the context of the overall AXA SA ("AXA") strategies, approved by the Board and communicated clearly throughout the business through policy statements and guidelines.

Capital resource sensitivities

The capital position is sensitive to market conditions due to changes in the value of the assets, and to assumptions and experience in respect of the value of the liabilities. The most significant risks to the Company are as follows:

Event risk
The risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing.

Pricing risk
The risk that the level of expected loss is understated in the pricing process.

Reinsurance risk
Reinsurance risk to the Company occurs where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, prove inadequate in terms of the vertical or horizontal limits purchased or result in coverage disputes.

Cycle risk
The risk that business is written in a soft market without full knowledge as to the adequacy of rates, terms and conditions.

Expense risk
The risk that the allowance for expenses and inflation in pricing is inadequate.

2 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

(a) Insurance risk (continued)

Underwriting risks are continually monitored through, for example, the established peer review process, underwriting authority limits imposed, round table review and audits, as well as via exception reporting. Formal price monitoring procedures form part of the standard monthly management information. These contribute to the quarterly actuarial review whereby the loss outcome of the underwriting activity is continually re-assessed and considered by the Reserving actuaries. There is a dedicated Catastrophe and Aggregation management function independent of Underwriting management, whose responsibility is to model aggregate risk and support pricing decisions, providing a key control to the underwriting process.

(b) Market risk

Market risk is the impact arising from the uncertainty of asset prices, interest rates, foreign exchange rates, and other factors related to financial markets and investment asset management.

The group imposes restrictions on the external investment managers' investment strategies. Strict limits, by trust fund, are set for types of assets held, concentration limits and average investment grade ratings. Investments are typically investment grade bonds and investment grade asset backed securities. Guidelines and benchmarks are set annually and approved by the board.

The performance of the investment managers is monitored constantly by AXA SA ("AXA") investment specialists and reported monthly to AXA XL Underwriting Agencies Limited ("AXUAL") (managing agent of the Syndicate) management and reviewed quarterly by the AXUAL Board of directors. The Company aims to manage exchange rate exposure in US dollar terms and asset and liabilities are duration matched.

Market risk includes:

(i) Interest rate risk

The Company holds no investments, only cash, which is not materially sensitive to changes in interest rates. As such, the Company is not considered to be materially subject to interest rate risk.

(ii) Equity price risk

As the Company holds no equities, it is not subject to equity price risk.

(iii) Currency risk

The Company manages its foreign exchange risk against its functional currency. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company is primarily exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than Pound Sterling. The most significant currencies to which the Company is exposed are US Dollar and Euro. The Company seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

2 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

(b) Market risk (continued)

(iii) Currency risk (continued)

2021	**GBP**	**USD**	**EUR**	**TOTAL**
	£000's	**£000's**	**£000's**	**£000's**
Financial Investments (Excluding overseas deposits)	789	—	—	789
Overseas deposits	35	1	—	36
Reinsurer's share of technical provisions	535	6,422	(144)	6,813
Insurance and Reinsurance receivables	6,791	18,957	85	25,833
Cash at bank and in hand	20,240	40,215	2,175	62,630
Other assets	4,420	1,371	24	5,815
Total assets	**32,810**	**66,966**	**2,140**	**101,916**
Technical provisions	(16,817)	(17,749)	(3,697)	(38,263)
Insurance and reinsurance payables	(4,613)	(8,299)	(265)	(13,177)
Other creditors	(13,206)	(18,549)	(63)	(31,818)
Total Liabilities	**(34,636)**	**(44,597)**	**(4,025)**	**(83,258)**

2020	*GBP*	*USD*	*EUR*	*TOTAL*
	£000's	*£000's*	*£000's*	*£000's*
Financial Investments (Excluding overseas deposits)	*789*	*—*	*—*	*789*
Overseas deposits	*63*	*1*	*—*	*64*
Reinsurer's share of technical provisions	*949*	*12,132*	*(33)*	*13,048*
Insurance and Reinsurance receivables	*8,518*	*18,051*	*287*	*26,856*
Cash at bank and in hand	*12,729*	*29,430*	*2,164*	*44,323*
Other assets	*2,917*	*3,410*	*19*	*6,346*
Total assets	*25,965*	*63,024*	*2,437*	*91,426*
Technical provisions	*(19,696)*	*(23,096)*	*(3,586)*	*(46,378)*
Insurance and reinsurance payables	*(6,073)*	*(10,973)*	*(1,087)*	*(18,133)*
Other creditors	*(9,892)*	*(9,536)*	*(413)*	*(19,841)*
Total Liabilities	*(35,661)*	*(43,605)*	*(5,086)*	*(84,352)*

2 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

(b) Market risk (continued)

(iii) Currency risk (continued)

Sensitivity analysis

Fluctuations in the Company's trading currencies against the sterling would result in a change to profit after tax and net assets value.

The table below gives an indication of the impact on profit after tax and net assets of a percentage change in the relative strength of the Pound sterling against the value of the Euro, the Canadian dollar and the US dollar, simultaneously. The analysis is based on current information.

	Impact on result		**Impact on net assets**	
	2021	*2020*	**2021**	*2020*
Changes to Euro, Canadian dollar and US dollar relative to pounds sterling	**£000's**	*£000's*	**£000's**	*£000's*
GBP weakens 20% against other currencies	**3,414**	*2,795*	**3,414**	*2,795*
GBP weakens 10% against other currencies	**1,862**	*1,524*	**1,862**	*1,524*
GBP strengthens 20% against other currencies	**(5,121)**	*(1,863)*	**(5,121)**	*(1,863)*
GBP strengthens 10% against other currencies	**(2,276)**	*(4,192)*	**(2,276)**	*(4,192)*

(c) 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:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;

The Company manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and monitoring its exposure to regions, countries and industries. Such risks are subject to regular review.

Changes to the limits on the level of credit risk by category and territory are approved annually by the managing agency Board of Directors. Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an ongoing basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral.

2 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

(c) Credit risk (continued)

The table below provides information on the credit quality of financial assets of the Company that are neither past due nor impaired:

2021	**AAA**	**AA**	**A**	**BBB or less**	**Not rated**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Shares and other variable yield securities and unit trusts	—	—	**789**	—	—	**789**
Overseas deposits	—	—	—	—	**36**	**36**
Reinsurers' share of claims outstanding	**2,444**	—	**4,063**	—	—	**6,507**
Reinsurance debtors	**293**	—	**341**	—	—	**634**
Cash at bank and in hand	**39,898**	—	**9,837**	**12,895**	—	**62,630**
Total	**42,635**	—	**15,030**	**12,895**	**36**	**70,596**

2020	*AAA*	*AA*	*A*	*BBB or less*	*Not rated*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Shares and other variable yield securities and unit trusts	—	—	*789*	—	—	*789*
Overseas deposits	—	—	—	—	*64*	*64*
Reinsurers' share of claims outstanding	*51*	—	*10,771*	*418*	—	*11,240*
Reinsurance debtors	*460*	—	*2,858*	*1*	—	*3,319*
Cash at bank and in hand	*28,586*	—	*11,473*	*4,264*	—	*44,323*
Total	*29,097*	—	*25,891*	*4,683*	*64*	*59,735*

The Company has no reinsurance debtors that are past due but not considered to be impaired. The Company does not currently hold any impaired assets (2020: No impaired assets held).

2 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

(c) Credit risk (continued)

2021	**Neither due nor impaired**	**Up to three months**	**Three to six months**	**Six months to one year**	**Greater than one year**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Shares and other variable yield securities and unit trusts	**789**	—	—	—	—	**789**
Overseas deposits	**36**	—	—	—	—	**36**
Reinsurers' share of claims outstanding	**6,507**	—	—	—	—	**6,507**
Reinsurance debtors	**634**	—	—	—	—	**634**
Cash at bank and in hand	**62,630**	—	—	—	—	**62,630**
Insurance debtors	**23,393**	**465**	—	**380**	—	**24,238**
Other debtors	**7,082**	—	—	—	—	**7,082**
Total credit risk	**101,071**	**465**	—	**380**	—	**101,916**

2020	*Neither due nor impaired*	*Up to three months*	*Three to six months*	*Six months to one year*	*Greater than one year*	*Total*
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Shares and other variable yield securities and unit trusts	*789*	—	—	—	—	*789*
Overseas deposits	*64*	—	—	—	—	*64*
Reinsurers' share of claims outstanding	*11,240*	—	—	—	—	*11,240*
Reinsurance debtors	*3,319*	—	—	—	—	*3,319*
Cash at bank and in hand	*44,323*	—	—	—	—	*44,323*
Insurance debtors	*21,583*	*183*	—	*444*	—	*22,210*
Other debtors	*9,481*	—	—	—	—	*9,481*
Total credit risk	*90,799*	*183*	—	*444*	—	*91,426*

The Company has no insurance and reinsurance debtors that are past due but not considered to be impaired (2020: £nil).

2 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

(d) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Company is the obligation to pay claims as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The Company manages this risk by maintaining sufficient liquid assets to meet expected cash flow requirements.

The following tables analyse financial liabilities by maturity date:

2021	**No Stated maturity £000's**	**0-1 year £000's**	**1-3 years £000's**	**3-5 years £000's**	**>5 years £000's**	**Total £000's**
Creditors	—	**44,961**	—	—	—	**44,961**
Claims outstanding	—	**17,636**	**7,015**	**1,022**	**542**	**26,215**
Financial liabilities	—	**62,597**	**7,015**	**1,022**	**542**	**71,176**

2020	*No Stated maturity £000's*	*0-1 year £000's*	*1-3 years £000's*	*3-5 years £000's*	*>5 years £000's*	*Total £000's*
Creditors	—	*37,765*	—	—	—	*37,765*
Claims outstanding	—	*25,456*	*6,839*	*475*	*198*	*32,968*
Financial liabilities	—	*63,221*	*6,839*	*475*	*198*	*70,733*

(e) Fair value estimation

The fair values of cash and cash equivalents, premiums and other receivables, and accounts payable approximate their carrying value due to the immediate or short term maturity of these financial instruments.

The categorising of these assets is defined as follows:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Other assets and liabilities

The fair values of cash and cash equivalents, premiums and other receivables, and accounts payable approximate their carrying value due to the immediate or short term maturity of these financial instruments.

2 MANAGEMENT OF FINANCIAL RISK (CONTINUED)

(e) Fair value estimation (CONTINUED)

The following tables present the Company's holdings of assets measured at fair value:

2021	**Level 1 £000's**	**Level 2 £000's**	**Level 3 £000's**	**Total £000's**
Shares and other variable yield securities and unit trusts	—	—	**789**	**789**
Loans and Deposits with credit institution	**27**	**9**	—	**36**
Total	**27**	**9**	**789**	**825**

2020	*Level 1 £000's*	*Level 2 £000's*	*Level 3 £000's*	*Total £000's*
Shares and other variable yield securities and unit trusts	—	—	*789*	*789*
Loans and Deposits with credit institution	*51*	*13*	—	*64*
Total	*51*	*13*	*789*	*853*

3 MANAGEMENT OF CAPITAL

(a) Capital Framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000 and in accordance with Solvency II legislation.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements applies at overall and member level respectively, not at syndicate level. See notes 19 for details of the syndicate's FAL requirement.

(b) Lloyd's Capital Setting Process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, license and ratings objectives. The capital uplift applied for 2021 was 35% (2020: 35%) of the member's SCR 'to ultimate'.

(c) Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), held within and managed within a Syndicate (Funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates.

The level of FAL/FIS that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. The capital requirement is based on a number of factors including the nature and amount of risks to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten.

Resources available to meet members' and Lloyd's capital requirements are separately identified in the Statement of Changes in Member's Balances within Syndicate financial statements.

4 GROSS PREMIUMS WRITTEN

In the opinion of the directors, the Company operates in a single business segment, being that of long-term insurance business.

2021	**Gross Premiums Written**	**Gross Premiums Earned**	**Gross Claims Incurred**	**Gross Operating Expenses**	**Reinsurance Balance**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Total	**25,973**	**27,405**	**(6,881)**	**(8,376)**	**(2,750)**	**9,398**

2020	Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Total
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Total	*29,557*	*34,471*	*(29,395)*	*(10,531)*	*(4,316)*	*(9,771)*

All business written is considered to be single premium business and renewable on an annual basis.

The Lloyd's insurance market has been treated as one geographical segment. All business is signed and concluded in the UK.

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

	2021	*2020*
	£000's	*£000's*
United Kingdom	**11,130**	*16,087*
EU countries	**1,020**	*680*
US	**960**	*1,590*
Latin America	**10,550**	*9,300*
Other Worldwide	**2,313**	*1,900*
	25,973	*29,557*

5 MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

An favorable run off deviation (prior accident year release) of £4.1m *(2020: £2.2m strengthening)* was experienced during the year.

6 NET OPERATING EXPENSES

	2021	*2020*
	£000's	*£000's*
Acquisition costs	**7,700**	*7,770*
Change in deferred acquisition costs	**412**	*1,229*
	8,112	*8,999*
Administration expenses	**297**	*1,560*
Reinsurers' commissions and profit participations	**(6)**	*(939)*
	8,403	*9,620*

Included within acquisition costs are amounts relating to commissions on direct insurance business of £5.1m *(2020: £5.3m)*.

6 NET OPERATING EXPENSES (CONTINUED)

Administrative expenses include:

	2021 £000's	*2020 £000's*
Auditors' remuneration		
Audit services:		
Fees payable to the Company's auditors for the audit of the statutory financial statements	**11**	*10*
Fees payable to the Syndicate's auditors for the audit of the Syndicate annual financial statements	**111**	*114*
Other services		
Fees payable to the Syndicate's auditors and its associates for other services: Other services pursuant to legislation, including the audit of the regulatory return	**47**	*41*

The auditors' remuneration in relation to services provided to the Company for the year has been borne by an AXA XL division company, XL Catlin Services SE (XLCSSE).

7 EMPLOYEES & DIRECTORS

The company has no direct employees. The company did not incur staff costs during the year (2020: nil). The directors of the company received no remuneration for the services to the company.

The result for the company includes amounts in respect of aggregate emoluments paid to the directors of AXA XL Underwriting Agencies Limited for the services to Syndicate 3002. These amounts are disclosed within the syndicate annual financial statements.

8 TAX CHARGE/(CREDIT) ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2021 £000's	2020 £000's
Analysis of tax charge/(credit) in the year		
Current tax charge/credit :		
UK corporation tax on profit/(loss) for the year at 19% (2020: 19%)	(360)	324
Double tax relief	—	(324)
Total current tax credit for the year	(360)	—
Foreign corporation tax on (loss)/profit for the year	(372)	463
	(372)	463
Total current tax (credit)/charge for the year	(732)	463
Deferred tax Charge/(Credit)		
Origination and reversal of timing differences	2,041	(2,308)
Adjustment in respect of prior periods	—	308
Total deferred tax charge/(credit)	2,041	(2,000)
Tax charge/(credit) on profit/(loss) on ordinary activities	1,309	(1,537)

Factors affecting the tax charge/(credit) for the year:
The tax assessed for the year is lower (2020:lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000's	2020 £000's
Profit/(Loss) on ordinary activities before taxation	9,491	(10,716)
Profit/(Loss) on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2020 : 19%)	1,803	(2,036)
Adjustment in respect of prior periods	—	308
Change in UK tax rates	(123)	14
Foreign tax (credit)/charge	(372)	139
Permanent differences	1	39
Tax charge/(credit) for the year	1,309	(1,537)

Tax Rate Changes
In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Legislation was substantively enacted on 24 May 2021 and rate rise has been taken into account in calculating the net assets of the company at 31 December 2021.

9 INSURANCE LIABILITIES AND REINSURANCE ASSETS

2021	**Provision for unearned premium £000's**	**Claims Outstanding £000's**
Gross Technical Provisions		
As at January 1, 2021	**13,410**	**32,968**
Movement in the provision	**(1,432)**	**(6,678)**
Foreign exchange movements	**71**	**(76)**
As at 31 December 2021	**12,049**	**26,214**
Reinsurers' share of technical provisions		
As at January 1, 2021	**1,808**	**11,240**
Movement in the provision	**(1,480)**	**(4,690)**
Foreign exchange movements	**(22)**	**(43)**
As at 31 December 2021	**306**	**6,507**
Net technical provisions		
As at January 1, 2021	**11,602**	**21,728**
As at 31 December 2021	**11,743**	**19,707**

2020	*Provision for unearned premium £000's*	*Claims Outstanding £000's*
Gross Technical Provisions		
As at January 1, 2020	*18,412*	*32,848*
Movement in the provision	*(4,914)*	*178*
Foreign exchange movements	*(88)*	*(58)*
As at 31 December 2020	*13,410*	*32,968*
Reinsurers' share of technical provisions		
As at January 1, 2020	*6,176*	*18,821*
Movement in the provision	*(4,210)*	*(7,238)*
Foreign exchange movements	*(158)*	*(343)*
As at 31 December 2020	*1,808*	*11,240*
Net technical provisions		
As at January 1, 2020	*12,236*	*14,027*
As at 31 December 2020	*11,602*	*21,728*

10 CLAIMS DEVELOPMENT TRIANGLES

To illustrate the robustness of our reserves, the loss development tables below provide information about historical claims development by the pure underwriting year.

Some business is not off risk after the first 12 months. Therefore we would anticipate cumulative claims to increase in the second year as this business is earned.

Gross claims development

	2012 and Prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
12 months		3,334	1,579	13,843	8,484	10,148	12,121	11,514	10,505	8,981	
24 months		5,871	5,392	12,754	15,853	25,061	33,653	30,708	17,998	—	
36 months		5,139	4,831	13,300	16,937	29,521	32,003	18,670	—	—	
48 months		4,930	4,913	14,010	17,465	30,355	31,544	—	—	—	
60 months		5,059	4,781	14,199	17,242	33,734	—	—	—	—	
72 months		5,044	4,986	14,431	17,454	—	—	—	—	—	
84 months		4,826	5,134	14,081	—	—	—	—	—	—	
96 months		4,827	4,927	—	—	—	—	—	—	—	
108 months		4,805	—	—	—	—	—	—	—	—	
120 months		—	—	—	—	—	—	—	—	—	
Estimated total losses	12,403	4,805	4,927	14,081	17,454	33,734	31,544	18,670	17,998	8,981	164,597
Paid claims	(12,317)	(4,809)	(4,946)	(13,948)	(16,783)	(30,066)	(27,107)	(15,741)	(12,003)	(663)	(138,383)
Gross reserves	**86**	**(4)**	**(19)**	**133**	**671**	**3,668**	**4,437**	**2,929**	**5,995**	**8,318**	**26,214**

10 CLAIMS DEVELOPMENT TRIANGLES (CONTINUED)

Net Claims :

	2012 and Prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
12 months		3,329	1,555	5,932	6,173	5,610	7,198	6,242	8,741	8,592	
24 months		5,811	5,350	9,056	9,634	13,460	17,314	22,964	16,580	—	
36 months		5,125	4,844	9,968	8,468	15,340	16,221	12,862	—	—	
48 months		4,930	4,934	9,589	8,733	16,776	16,880	—	—	—	
60 months		5,062	4,803	9,521	9,211	18,609	—	—	—	—	
72 months		5,047	5,033	10,089	8,837	—	—	—	—	—	
84 months		4,826	5,141	9,740	—	—	—	—	—	—	
96 months		4,828	4,941	—	—	—	—	—	—	—	
108 months		4,807	—	—	—	—	—	—	—	—	
120 months		—	—	—	—	—	—	—	—	—	
Estimated total losses	12,403	4,807	4,941	9,740	8,837	18,609	16,880	12,862	16,580	8,592	114,251
Paid claims	(12,317)	(4,809)	(4,959)	(9,606)	(8,904)	(16,845)	(13,084)	(11,755)	(11,602)	(663)	(94,544)
Net reserves	**86**	**(2)**	**(18)**	**134**	**(67)**	**1,764**	**3,796**	**1,107**	**4,978**	**7,929**	**19,707**

11 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2021 £000's	2020 £000's
Due from intermediaries within one year	24,239	22,210

12 DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2021 £000's	2020 £000's
Deposits with ceding undertakings	1,594	4,646

13 OTHER DEBTORS

	2021 £000's	2020 £000's
Amounts owed from group undertakings	12	1,928
Other debtors	154	1,774
	166	3,702

Amounts owed from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14 DEFERRED ACQUISITION COSTS

	2021 £000's	2020 £000's
Opening balance	2,644	3,864
Change in gross deferred acquisition costs	(412)	(1,229)
Currency translation difference	15	9
Closing balance	2,247	2,644

15 CREDITORS:
Amounts falling due within one year

	2021 £000's	2020 £000's
Creditors arising out of Direct insurance operations	41	43
Creditors arising out of reinsurance operations	13,136	18,091
Amounts owed to group undertakings	14,458	14,232
Other creditors	26	177
Amounts owed to credit institutions	17,300	5,222
	44,961	37,765

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

16 PROVISION FOR OTHER RISKS AND CHARGES:
Deferred Tax Liabilities/(Deferred Tax Assets)

	2021 £000's	2020 £000's
Deferred tax liability/(asset) relating to:		
Untaxed profits/(losses) on the Company results	236	(1,805)
Deferred tax liability/(asset) at 31 December	236	(1,805)
Balance as at 1 January	(1,805)	195
Deferred tax charge/(credit) in profit or loss account for the financial year	2,164	(2,000)
Change in UK tax rates	(123)	
Balance as at 31 December	236	(1,805)

The net deferred tax liability expected to reverse in 2022 is £816k.

17 CALLED UP SHARE CAPITAL

	2021 £000's	2020 £000's
Ordinary shares		
Allotted, called-up and fully paid		
3,200,000 *(2020: 3,200,000)* Ordinary shares of £0.10 each	320	320

18 LONG TERM BUSINESS PROVISION

The following methodology has been used in valuing the long term business provision:

i) A development pattern based on historic reported claims has been used to determine the incurred but not reported claim provision. Reinsurance recoveries are separately recognised.
ii) An explicit provision to cover future expenses of £0.1m (2020: £0.1m) has been set. This has been calculated by analysing the costs that are likely to be incurred in running off the current book of business.

19 FUNDS AT LLOYD'S

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). As at 31 December 2021, the value of assets supporting FAL for the 2022 year of account is £39.5m (2021 year of account at 31 December 2020: £28m).Currently FAL includes cash held within the premiums trust fund at Lloyd's on behalf of the Company. These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. The managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

20 ULTIMATE PARENT UNDERTAKING

The Company is a wholly owned subsidiary of Catlin (North American) Holdings Limited, a company registered in England and Wales. The company's ultimate parent undertaking is AXA SA, a company incorporated in France.

The smallest undertaking for which the company is a member and for which group financial statements are prepared is XL Bermuda Limited (XLB), a company registered in Bermuda, and the largest group is AXA SA. The results of the Company are consolidated within the financial statements of AXA SA and XLB. Copies of the audited consolidated financial statements of XLB can be obtained from XL House, One Bermudiana Road, Hamilton HM 11, Bermuda. Copies of the audited consolidated financial statements of AXA SA can be obtained from 25 Avenue Matignon, 75008 Paris, France.