

CATHEDRAL CAPITAL HOLDINGS LIMITED

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2020



Registered in England and Wales Number 3372107

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Directors and Officers

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C J Whittle
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Registered Number 3372107 (England and Wales)

Principal Activity and Business Review

The Directors present their Strategic Report for Cathedral Capital Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2020.

The Company was originally set up in 1997 as a members' Conversion vehicle which enabled members at Lloyd's with unlimited liability to convert to limited liability. The Company operates as an insurance holding company.

One of its two main trading subsidiary companies, Cathedral Capital (1998) Limited, underwrites at Lloyd's as a corporate member. The Group underwrote £332.8m of capacity for the 2020 year of account (2019: £277.0m), all of which supported Lancashire Syndicates 2010 and 3010. For the 2021 year of account, the Group will underwrite £375.8m of capacity across Lancashire Syndicates 2010 and 3010.

Cathedral Capital Holdings Limited's other main trading subsidiary is Lancashire Syndicates Limited ("LSL"), a Lloyd's managing agency which is subject to the dual regulation of the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority ("FCA") as well as Lloyd's. This company has the rights to manage Syndicate 2010 and Syndicate 3010.

Syndicate 2010 specialises in non-marine and aviation reinsurance, direct and facultative property insurance, and cargo speciality, with premium capacity of £305.9m for the 2020 year of account. The capacity of the Syndicate for the 2021 year of account is \$324.9m. Syndicate 2010 has closed its 2018 year of account, with a profit of \$6.0m.

Syndicate 3010 was set up during 2007, with an initial capacity of £20.0m and commenced underwriting on 1 July 2007. The Syndicate specialises in marine cargo, energy, aviation all risks including deductible and hull war, terrorism, power utility, marine hull and accident and health. The capacity was £150.0m for the 2020 year of account and will increase to £175.0m for the 2021 year of account. The Syndicate's sole capital provider is the Group's corporate member. Syndicate 3010 has closed its 2018 year of account, with a profit of \$3.0m.

LSL intends to expand and develop its insurance operations as opportunities and market conditions allow.

Results and Performance

The results attributable to the shareholder for the year are shown on page 14.

For the year ended 31 December 2020, the Group made a loss after tax of \$1.9m (2019: loss after tax of \$5.4m). The loss was a result of higher catastrophe losses and medium size risk losses as noted below.

The Group writes a diversified book of business through Syndicate 2010 and Syndicate 3010 in non-marine, direct and facultative property, aviation, cargo, satellite, energy, marine hull, power and terrorism.

Gross premiums written increased by \$56.7m from \$299.8m in 2019 to \$356.5m in 2020. Market conditions continued to improve in 2020 and rate increases were seen across most lines of business. New business was also strong.

Gross insurance losses and loss adjustment expenses increased by \$39.1m from \$147.1m in 2019 to \$186.1m in 2020. The Group has faced a number of challenges in the year. These related not only to the Coronavirus ("COVID-19") pandemic but also included a run of natural catastrophe losses including the Derecho storm and hurricane Laura, that were broadly in line with our expectations for such events, and a series of medium-sized risk losses above our usual expectations for attritional losses. As a result, net insurance losses increased by \$34.1m to \$131.5m (2019: \$97.4m). The net loss ratio increased from 57.8% to 62.2% but the combined ratio of 104.9% (2019: 108.0%) reduced as a result of lower acquisition and administrative expense ratios following on an increase in net premiums earned by \$42.7m during the year.

The net acquisition cost ratio is 24.2% in 2020 (2019: 27.1%). The operating expenses ratio has decreased in 2020 to 18.5% (2019: 23.2%).

The Group's total return from its investment portfolio is \$5.9m in 2020 (2019: \$9.1m). This includes investment income, realised and unrealised gains/(losses) on investments, and excludes foreign exchange. The prior year having benefited from narrowing credit spreads and falling US interest rates. The current year being impacted by COVID-19.

The Group's tax credit for the year is \$0.4m (2019: \$0.3m). A detailed analysis of the composition of the Group's tax balance is set out in Note 11 to the consolidated financial statements. No dividend was paid during the year (2019: nil).

Strategy

Our strategy remains to service and protect our core book of business and to motivate, retain and reward all those people who are key to our ongoing success. In 2021 we will seek to take further advantage of an improving market by identifying opportunities to cautiously expand our portfolio.

Principal Risks to the Business

A detailed description of the principal risks to the business is set out in Note 3.

Risks relating to Brexit

On 31 January 2020 the United Kingdom ceased to be a member of the European Union and as a consequence Lloyd's members will no longer be authorised to underwrite insurance business in the EEA. In order to maintain access to this business, a new Lloyd's subsidiary, Lloyd's Insurance Company S.A. ("Lloyd's Europe"), has been established and commenced underwriting on 1 January 2019.

LSL, a subsidiary of the Company, has entered into an Outsourcing Agreement with Lloyd's Europe, by which it is authorised to underwrite business on behalf of Lloyd's Europe or to appoint a coverholder for the same purpose. This business is then reinsured on a 100% basis to syndicates managed by LSL, so that the members of those syndicates will continue to benefit from it.

As a result of entering into the Outsourcing Agreement, LSL has assumed duties and obligations to Lloyd's Europe in respect of the services it provides to it. These duties could potentially give rise to a conflict of interest with LSL's duties to the members of its managed syndicates. Accordingly, the Outsourcing Agreement required that LSL informs the members of the syndicates of its duties under the Agreement and obtain their consent to the provision of services to Lloyd's Europe by LSL. For the purposes of assessing the likelihood that a conflict of interest would arise, it should be noted that all business underwritten on behalf of Lloyd's Europe is reinsured on a 100% basis to the relevant syndicates managed by LSL. As such, the interests of the LSL's principals are aligned and accordingly it is considered that the risk of a conflict of interest arising (which cannot be mitigated or resolved) is low.

Climate Change

The Group is exposed to both climate-related risk and opportunities. The two major categories of risk being transition and physical risk. Transition risks are those relating to the transition to a lower carbon economy and include risks such as policy and legal risk, technology risk, market risk and reputation risk. Physical risks are those relating to the physical impacts of climate change which can be acute (those from increased frequency and severity of climate related events) or chronic (due to longer-term shifts in climate patterns). The Group is more significantly affected by physical risk through its exposure to acute and chronic climate change. However, consideration must be, and is, given to transition and climate-related litigation risks. In our underwriting operations, we manage this risk effectively by supplementing our internal know-how with external vendor models. We have clear tolerances and preferences in place to actively manage exposures, and the board regularly monitors our Probable Maximum Loss ("PML"). The risks to the asset side of our balance sheet from exposure to climate change are mitigated in part through regular reviews of our third party asset managers, our asset allocation, and the underlying securities within our portfolio.

Climate change, its related risks and opportunities and their financial impact are a key focus of the board at their quarterly meetings. The stress and scenario tests performed as part of the business planning process include climate-related scenarios, these scenarios will continue to be refined and enhanced as more information becomes available. The work performed to date has not resulted in any material impact on our business strategy or change to our understanding of the risks' impacts to our business.

Environmental Impact and Offsetting

The Group is committed to managing the environmental impact of its business. We continue to measure our carbon footprint with a view to minimising its negative impact through mitigation strategies. For further details please refer to pages 53 to 54 of the LHL's annual report for the year ended 31 December 2020.

Emissions are collated over a 12-month period from 1 January 2020 to 31 December 2020 and are calculated by converting consumption data into tonnes of carbon equivalent (tCO₂e) using the UK's Department for Business, Energy and Industrial Strategy (BEIS) 2019 factors. The Group has also calculated its Scope 2 market-based emissions in line with the Greenhouse Gas Protocol's guidance on dual reporting for the first time in 2020.

Streamlined Energy and Carbon Reporting Disclosure

	2020	2019
Emissions from the combustion of fuel or the operation of any facility including fugitive emissions from refrigerants use/tCO ₂ e ¹	26.1	50.6
Emissions resulting from the purchase of electricity, heat, steam or cooling by the Company for its own use (location-based)/tCO ₂ e ²	44.2	56
Gross emissions (location-based) (Scope 1, 2)/tCO ₂ e	70.3	106.6
Energy consumption used to calculate above emissions/kWh	331,265.6	494,472.2
Total gross emissions (Scope 1, 2 location-based, 3)/tCO ₂ e ³	211.2	1,078.8
tCO ₂ e per FTE	2.2	12.4

¹ Direct (Scope 1) - Gas (measured in kWh)

² Indirect Energy (Scope 2) (location-based) - Electricity (measured in kWh)

³ Total gross emissions (tCO₂e) (location-based) include the following activities: gas and electricity (measured in kWh), business travel (measured in miles and spend), additional upstream activities (measured in kWh, litres, miles and spend), water (measured in m³), waste (measured in kg), paper (measured in reams), and hotels (measured in hotel nights)

The Group uses the number of FTEs as its intensity metric.

Results show that location-based GHG emissions in the year were 211.2 tCO₂e, comprised of direct emissions (Scope 1) amounting to 26.1 tCO₂e, and indirect location-based emissions (Scope 2) amounting to 44.2 tCO₂e. The source of other indirect emissions (Scope 3) comprised 52.3 tCO₂e. Scope 1 emissions have decreased mostly due to our London site's closure during the UK COVID-19 lockdowns. Scope 2 emissions have decreased compared with 2019, again, primarily due to impacts of COVID-19 lockdowns. Scope 3 emissions have also decreased compared with 2019 due, primarily, to travel restrictions in 2020 resulting in significant reductions in business travel and hotel stays.

Under the market-based methodology, the Group's Scope 2 emissions are 50.3 tCO₂e. Our market-based emissions are lower than our location-based as the Group sources 44.7% of electricity via a renewable tariff, backed up by associated Renewable Energy Guarantees of Origin (REGOs). The LHL Group has fully offset its 2020 greenhouse gas (GHG) market-based emissions through an organised programme with EcoAct by purchasing credits in the Gandhi India Wind Project, which generates renewable electricity in various states across India that have traditionally been reliant on fossil fuel generated energy. These

offsetting proposals were discussed and agreed with the LHL Group CEO. The Group, as part of the LHL group, has benefited from this programme.

The Board will continue to monitor and offset the Group's emissions, mindful of the Group's strategic and business operational requirements.

Impact of the COVID-19 Pandemic

On 12 March 2020, the World Health Organisation classified the COVID-19 outbreak as a pandemic. The COVID-19 pandemic has caused significant disruption in global financial markets and to worldwide economies. The COVID-19 pandemic is an ongoing situation making it difficult to predict what the ultimate impact for the Group or the insurance industry will be.

In considering the appropriateness of the going concern basis, the Directors have undertaken a risk assessment of the potential impact of the COVID-19 pandemic on the Group's expected future operational and financial performance. The risk assessment considered a range of possible forward looking scenarios for a period of over 12 months from the date of this report. As part of this risk assessment various attributes of the business were stress tested to gain comfort over its liquidity and solvency position going forward. The tests applied to the various scenarios included but are not limited to the following. Gross and reinsurance premiums were subject to estimated reductions to demand in each class as a consequence of COVID-19, for example the grounding of aircraft and cargo held at ports.

Forecast loss ratios, recovery rates and brokerage rates were applied to the outcomes. Claims were stress tested around the current reserved position and the continuation of the COVID-19 pandemic throughout 2021 negatively impacting the economy, travel industry, global events and counterparty credit risk. Certain worst case/doomsday scenarios were considered but were deemed too remote to apply to the Group. The vast majority of the Group's policies require physical property damage in order to trigger Business Interruption ('BI') coverage (i.e. contracts are not written on a 'all-risks' basis) and we would therefore not expect COVID-19 to generate a large number or amount of BI claims.

The Directors have also considered the impact on the performance of the Group's investment portfolio and considered certain scenarios which could trigger unrealised losses, the outcome of these tests were factored into the risk assessment. Further consideration was performed around the potential for reinsurance counterparty default risk at the Reinsurance Broker and Security Committee; there are currently no concerns in this regard, however the situation is being continuously monitored. There was one further consideration made around any impact to the Group's listed long term debt and due to the downturn in the global markets and economic activity it was deemed a material increase in interest rates in the short to medium term is unlikely. The impact on the balance sheet of the scenarios have led the Directors of the Group to conclude there are no material consequences of the COVID-19 Pandemic on the Group.

Further detail on the impact of COVID-19 on the Group's going concern is provided within the going concern section in Note 2.

Statement by the Directors in performance of their statutory duties in accordance with S172(1) Companies Act 2006 (the "Act")

The Board of Directors of Cathedral Capital Holdings Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its sole member (having regard to the stakeholders and matters set out in s172(1) (a-f) of the Act) in the decisions taken during the year ended 31 December 2020.

In accordance with the Lancashire Holdings Limited group's ("the LHL Group") approved strategy, the Group seeks to effectively manage the insurance cycle by underwriting profitable business in the specialty insurance lines in which it operates. Our strategic priorities are that we do not seek top line growth for the sake of it in markets where we do not believe the right opportunities exist, we seek to underwrite our core portfolio profitably through the insurance cycle and look to seize opportunities when they present themselves. We focus on disciplined underwriting with a strong focus on profitability and risk selection. By reducing our risk levels in markets where we consider premiums do not justify the risks presented and, seeking to expand our portfolio where the risk/return metric improves, the Group seeks to create a sustainable business operation for the long term.

We recognise that our responsibility is not only to our parent company and our clients and we strive to be a good employer, a good corporate citizen and a responsible preserver of resources.

The LHL Group's employees are the lifeblood of the LHL Group and we strive to attract and retain excellent staff. The LHL Group actively seeks to engage with its staff, and to afford them a stable and open workplace. Our staff work on a cross-departmental basis, are provided with regular training and development and management encouragement across all areas of the business. The Group promotes the LHL Group values(1) set out below, and during 2020 employees participated in a group-wide diversity survey. The Group recognises that promoting a positive and inclusive culture is an important factor in its continued ability to attract and retain the best talent and continues to explore how it can promote flexible working options and career development opportunities. All permanent staff are eligible to share in the Company's and Group's success through the granting of nil cost RSS awards and participation in the Group's bonus arrangements. To ensure alignment with the LHL Group's values and to effectively monitor individual performance, certain senior managers' remuneration is overseen by the Group's Remuneration Committee.

It is crucial to the Group's long term success that it positively engages with its key stakeholders such as clients, brokers, outwards reinsurers and service providers to provide suitable (re)insurance products; the Group's underwriters, claims team and senior management will meet regularly with stakeholders both in the UK and internationally to receive their feedback and insight. Our policies are important to our clients in seeking to protect them and their business from risk events, and when losses do occur we are responsive in order to provide our policyholders with ongoing support and we seek to pay their claims as expeditiously as possible.

The Group also recognises the importance of an open and constructive relationship with government agencies and regulators both in the UK and internationally when it underwrites certain overseas (re)insurance contracts, and to this end the Group has developed a range of internal procedures and processes to establish a robust operating platform to ensure compliance with legal requirements and regulatory rules and standards; and seeks to be proactive in its provision of accurate information to such agencies and regulators

The Group is active in supporting the promotion of the interests of the wider London insurance market, and as an example of that the CEO of LSL sits on the board of the Lloyd's Market Association ("LMA").

Through the Lancashire Foundation, the Group makes financial contributions and provides human support to a number of good causes in the places we operate around the world. The Group also seeks to help those who are in distress or at a disadvantage, through continued support of local initiatives and activities, volunteering days and mentoring opportunities.

The Company is a wholly owned subsidiary of a Group that reports against the United Nations Environment Programme Finance Initiative (I) Principles for Sustainable Insurance, and is committed to managing the environmental impacts of all its businesses, including the Company's.

(1)

Leadership, exhibiting passion and commitment in all aspects of Lancashire life and inspiring others to do the same, we are Aspirational, aspiring to deliver a superior service for our clients, ourselves and our business partners, we are Nimble in our decisions, actions and business processes, we are Collaborative, valuing teamwork and a diversity of skills and experience and sharing in our success, and we are Straightforward in conducting our business in an accountable, open, honest and sustainable way.

By order of the Board



C J Whittle
Chief Finance Officer
8 April 2021

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2020.

Directors

The Directors who held office during the period are set out on page 1.

Information on Directors' interests in transactions is shown in Note 22 on page 46.

Lancashire Holdings Limited, a Bermudian registered company and the Company's ultimate parent company, has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and all of its subsidiary companies including this Company.

Dividends

No dividend was paid to Cathedral Capital Limited during the year (2019: \$nil). The Directors do not recommend the payment of a final dividend.

Share Capital

There were no changes to the share capital during 2020 (2019: \$nil).

Going Concern

The Directors have prepared the consolidated financial statements of the Company and its subsidiaries on a going concern basis.

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on page 2. In addition, the Directors have reviewed Note 3 of these consolidated financial statements which includes policies and processes for managing the Group's risks including insurance risk, capital management risk, liquidity risk, credit risk, market risk and operational risk.

The Group has sufficient financial resources. The level of cash and cash equivalents and investments of the Group are set out in Notes 12 and 13 although some of these are restricted.

Further detail on the assessment of going concern, including the impact of COVID-19, is provided within the going concern section in Note 2.

Based on the going concern assessment performed as at 31 December 2020, the Directors consider there to be no material uncertainties that may cast significant doubt over the Group's ability to continue to operate as a going concern. The Directors have formed a judgment that there is a reasonable expectation that the Group has adequate resources to continue in operational existence in the foreseeable future, a period of at least 12 months from the date of signing these consolidated financial statements.

Financial Instruments

The Group's principal financial instruments are financial investments, receivables, and cash and cash equivalents. Please see Note 3 for details on the risks in relation to these consolidated financial instruments.

Donations

The Company made no political donations or incurred any political expenditure during the year (2019: \$nil).

Employee Involvement

Details of employees and their remuneration are included in Note 9. In the prior year, the Lancashire and Cathedral Group have consolidated the employment and payroll services within Lancashire Insurance Services Limited ("LISL"), a fellow group company. Accordingly, all employees are employed by LISL and LISL pays all salaries to the employees and recharges a proportion to the Cathedral Group.

Lancashire and Cathedral Group are equal opportunities employers with all existing and prospective employees being treated equally and without discrimination on the grounds of gender, race, religion, age, sexual orientation or disability. Where existing employees become disabled it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotions to disabled employees wherever applicable.

The Group's employment practices and procedures are designed to attract and retain high calibre, ambitious individuals. The work environment and culture is designed to enable motivated individuals to hone their skills in order to achieve their career goals and the appropriate training, both internal and external, is provided in an effort to ensure that this occurs in a timely manner. All employees receive the same opportunity for training, development and promotion.

Lancashire and Cathedral Group is committed to involving all employees in the performance and development of both the Company and the Group and employees are encouraged to discuss matters of interest and subjects affecting day-to-day operations. Employees are also regularly updated on the financial performance of the Group by the Executive Directors.

Directors' Remuneration

Details of the Directors' Remuneration are set out in Note 9 of the consolidated financial statements.

Directors' Report

Corporate Governance

The Board of Cathedral Capital Holdings Limited is responsible for corporate governance of the Company.

On a day to day basis, however, the management of the Group's affairs and businesses are dealt with by the executive management of the Group which includes the Executive Directors of the Company and selected other senior management and underwriters. This group has delegated authority from the Board to make such decisions and authorise such acts as are decided by the management to be necessary to manage and control the Group's affairs. The executive management report back to the Board at its meetings.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Disclosure of Information to the Auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' Report

Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Consolidated Financial Statements

The Directors are responsible for preparing the Strategic Report, the 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 they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board



CJ Whittle
Chief Financial Officer
8 April 2021

Company Registered Number: 3372107

1 Our opinion is unmodified

We have audited the consolidated financial statements of Cathedral Capital Holdings Limited ("the Company") for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Loss, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Shareholder's Equity, Company Statement of Changes in Shareholder's Equity, Consolidated Statement of Cash Flows, and the related notes, including the accounting policies in Note 2.

In our opinion:

- the consolidated financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, and as applied in accordance with the provisions of, the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2019):

Valuation of insurance contract liabilities for losses and loss adjustment expenses on a gross basis and net of outwards reinsurance	
(2020: \$371.3m gross, \$215.1m net of outwards reinsurance, of which incurred but not reported represented \$186.6m gross, \$98.0m net of outwards reinsurance; 2019: \$341.9m gross, \$202.5m net of outwards reinsurance, of which incurred but not reported represented \$167.6m gross, \$86.2m net of outwards reinsurance) Refer to page 23 (accounting policy) and pages 43 to 44 (financial disclosures)	
Risk vs 2019: ◀▶	
Risk	Response
<p>The Group maintains insurance contract liabilities to cover the estimated ultimate cost of settling all losses and loss adjustment expenses arising from events, including any arising from the COVID-19 global pandemic which have occurred up to the balance sheet date, regardless of whether those losses have been reported to the Group.</p> <p>Subjective valuation</p> <p>Insurance contract liabilities represent the single largest liability for the Group. Valuation of these liabilities is highly judgemental because it requires a number of assumptions to be made with high estimation uncertainty such as initial expected loss ratios, estimates of ultimate premium, claim development patterns and rate changes. The determination and application of the methodology and performance of the calculations are also complex.</p> <p>These judgemental and complex calculations for insurance contract liabilities are also used to derive the valuation of the related reinsurance assets. In setting the provision for insurance contract liabilities, an allowance is made for specific risks. The determination of the allowance is a subjective judgement based on the perceived uncertainty and potential for volatility in the underlying claims.</p>	<p>We have used our own actuarial specialists to assist us in performing our procedures in this area. Our procedures included:</p> <ul style="list-style-type: none"> Control design and observation - Evaluating and testing the design and implementation of key controls around the review and approval of reserves. We performed the detailed tests below rather than seeking to rely on any of the group's controls because our knowledge of the design of these controls and related IT controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Assessment of assumptions and methodology - Assessing and challenging the reserving assumptions and methodology (on a gross basis and net of outwards reinsurance) for reasonableness and consistency year on year based on our knowledge and understanding of the reserving policy within the Group. This has also involved comparing the Group's reserving methodology with industry practice and understanding the rationale for any key differences. Historical experience - Challenging the quality of the Group's historical reserving estimates by monitoring the development of losses against initial estimates. Independent re-projections - Applying our own assumptions, across all attritional classes of business, to perform re-projections on the insurance contract liabilities on both a gross and net basis and comparing these to the Group's projected results including any allowance for specific risks. Where there were significant variances in the results, we have challenged the Group's assumptions.

<p>The effect of these matters is that, as part of our risk assessment, we determined that valuation of gross and net insurance contract liabilities for losses and loss adjustment expenses has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the consolidated financial statements as a whole, and possibly many times that amount. The consolidated financial statements (page 43) discloses the sensitivity estimated by the Group.</p> <p>Completeness and accuracy of data: For the 2020 year end audit the completeness and accuracy of data no longer forms part of our key audit matter. Whilst the valuation of insurance liabilities depends on complete and accurate data over the volume, amount and pattern of current and historical claims we no longer view this to be part of our key audit matter. Specifically, we note that the data involved is of low complexity and subjectivity and has low estimation uncertainty. There is also no manual manipulation of data within the process.</p>	<ul style="list-style-type: none"> • Sector experience and benchmarking on large losses - Assessing and challenging the reserving assumptions by comparing the Group's loss experience to peers in the market, on a gross and net basis, including on a contract by contract basis for large loss and catastrophe events. A large loss is defined as a single loss or event greater than \$5m on a gross ultimate basis. <p>In addition to the procedures above, the audit team performed the following procedures:</p> <ul style="list-style-type: none"> • Assessing transparency - Considering the adequacy of the Group's disclosures in respect of the valuation of insurance liabilities. <p>Our results We found the valuation of the gross and net insurance contract liabilities for loss and loss adjustment expenses to be acceptable (2019 result: acceptable).</p>
<p>Valuation of premiums receivable from insureds and cedants which are estimated (2020: \$35.8m, 2019: \$31.8m) included within inwards premiums receivable from insured and cedants Refer to page 23 (accounting policy) and pages 36 to 37 (financial disclosures) Risk vs 2019: ◀▶</p>	
<p>Risk</p> <p>Subjective valuation: There is a material proportion of premiums written, pricing for which is based on a best estimate of ultimate premiums. Judgement is involved in determining the ultimate estimates in order to establish the appropriate premium value and, ultimately, the cash to be received.</p> <p>As updated information is received over the life of the contract, adjustments are made to the premium recognised with inwards premiums receivable from insureds and cedants recorded on the consolidated balance sheet at the year end.</p> <p>Adjustments are made to gross premiums written to reflect the underlying adjustment to ultimate premium estimates such as declarations received on binding authority contracts, reinstatement premiums on reinsurance contracts and other routine adjustments to premium income due to policy amendments.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of inwards premiums receivable from insureds and cedants at the year-end has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the consolidated financial statements as a whole, and possibly many times that amount.</p> <p>It should however be noted that it is only a portion of the inwards premiums receivable from insureds and cedants balance (and of total gross premiums written in the consolidated statement of comprehensive income) that is subject to this valuation risk.</p>	<p>Response</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> • Control design and observation - Evaluating and testing the design and implementation of key controls over the periodic review of premium estimates booked.- We performed the detailed tests below rather than seeking to rely on any of the group's controls because our knowledge of the design of these controls and related IT controls indicated that we would not be able to obtain the required evidence to support reliance on controls. • Methodology assessment - Assessing estimated premium balances for a sample of policies, including consideration of the basis of estimation, and consistency in estimation methodology over time. • Retrospective analysis - Assessing the Group's past expertise in making premium estimates by comparing the estimates and actuals for prior years. • Assessing transparency - Considering the adequacy of the Group's disclosures in respect of the valuation of premiums which are estimated. <p>Our results We found the valuation of premium estimates to be acceptable (2019 result: acceptable).</p>
<p>Valuation of parent's company financial investments (CCHL Parent) (2020: \$72.5m, 2019: \$77.1m); Refer to page 25 (accounting policy) and page 41 (financial disclosures) Risk vs 2019: ◀▶</p>	
<p>Risk</p> <p>Low risk, high value: Financial investments represent 72% (2019: 80%) of the company's total assets. Their valuation does not have a high risk of significant misstatement or are subject to significant judgement.</p> <p>However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.</p>	<p>Response</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> • Tests of detail Performing independent repricing of the investment portfolio using our in-house specialist team. • Assessing transparency We have also considered the adequacy of the parent company's disclosures about the fair value hierarchy.

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

Materiality for the group financial statements as a whole was set at \$2.8m (2019: \$2.5m), determined with reference to a benchmark of gross premiums written (of which it represents 0.8% (2019: 0.8%)). We consider gross premiums written to be the most appropriate benchmark as it provides a more stable measure year on year than group result before tax.

Materiality for the parent company financial statements as a whole was set at \$0.7m (2019: \$0.9m), determined with reference to a benchmark of company total assets, of which it represents 0.7% (2019: 0.9%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to \$2.1m (2019: \$1.9m) for the group and \$0.5m (2019: \$0.7m) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Board of Directors any corrected or uncorrected identified misstatements exceeding \$0.14m (2019: \$0.12m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 5 (2019: 4) reporting components, we subjected 3 (2019: 3) to full scope audits for group purposes. The remaining components are dormant entities and therefore no work has been performed on those components. The work on all of the components was performed by the Group audit team.

The Group audit team set the component materialities, which ranged from \$0.5m to \$2.5m (2019: \$0.4m to \$2.4m) having regard to the size and risk profile of the Group across the components.

4 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources was the valuation of insurance contract liabilities given the estimation and judgement involved in setting these reserves.

We also considered less predictable but realistic second order impacts, such as the impact of COVID-19 on the Group's results and operations, the failure of counterparties who transact with the Group (such as policyholders and reinsurers), the performance of the investment portfolio, solvency and capital adequacy.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios and the degree of downside assumptions that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected financial resources.

We considered whether the going concern disclosure in Note 2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and, dependencies.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in Note 2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.

- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as the valuation of insurance contract liabilities and the valuation of estimated premium income. We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management or individuals who do not frequently post journals, those posted with descriptions containing key words or phrases, those posted to unusual accounts including those related to cash and post-closing journals meeting certain criteria.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified 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, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the consolidated financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the consolidated financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity, corruption and bribery and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;

- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7 We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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.

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

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.



Timothy Butchart (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
8 April 2021

Consolidated Statement of Comprehensive Loss

For the year ended 31 December 2020

	Notes	2020 \$'000	2019 \$'000
Gross premiums written	4	356,496	299,803
Outwards reinsurance premiums	4	(118,713)	(111,997)
Net premiums written		237,783	187,806
Change in unearned premiums	4	(37,269)	(29,856)
Change in unearned premiums on premiums ceded	4	10,819	10,712
Net premiums earned		211,333	168,662
Net investment income	5	5,204	9,106
Net realised gains (losses)	5	655	(4)
Other income	7	4,325	2,948
Net foreign exchange gains (losses)		871	(111)
Total net revenue		222,388	180,601
Insurance losses and loss adjustment expenses	4	186,138	147,069
Insurance losses and loss adjustment expenses recoverable	4	(54,658)	(49,641)
Net insurance losses		131,480	97,428
Insurance acquisition expenses	4, 6	60,796	54,376
Insurance acquisition expenses ceded	4, 6	(9,649)	(8,730)
Other operating expenses	9	39,048	39,157
Total expenses		221,675	182,231
Results of operating activities	8	713	(1,630)
Financing costs	10	3,021	4,109
Loss before tax		(2,308)	(5,739)
Tax credit	11	391	325
Loss for the year		(1,917)	(5,414)

There are no other comprehensive gains or losses in the year (2019: \$nil).

All activities were in respect of continuing operations.

The notes on pages 20 to 47 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2020

	Notes	2020 \$'000	2019 \$'000
Assets			
Cash and cash equivalents	12	155,245	131,966
Accrued interest receivable		787	853
Investments	13	189,410	158,305
Inwards premiums receivable from insureds and cedants		151,191	116,294
Reinsurance assets			
- Unearned premiums on premiums ceded		36,766	25,934
- Reinsurance recoveries	18	156,266	139,360
- Other receivables		19,627	11,301
Other receivables	14	36,831	90,873
Deferred acquisition costs		33,593	28,913
Intangible assets	16	8,237	8,237
Total assets		787,953	712,036
Liabilities			
Insurance contracts			
- Losses and loss adjustment expenses	18	371,333	341,891
- Unearned premiums		171,001	133,732
- Other payables		10,685	10,565
Amounts payable to reinsurers		72,347	58,151
Deferred acquisition costs ceded		7,614	4,804
Other payables	17	31,579	38,828
Corporation tax payable		12,516	12,213
Deferred tax liability	20	1,228	1,638
Long-term debt	19	73,685	72,332
Total liabilities		751,988	674,154
Shareholder's equity			
Share capital	21	16,815	16,815
Other reserves		2,844	2,844
Retained earnings		16,306	18,223
Total shareholder's equity		35,965	37,882
Total liabilities and shareholder's equity		787,953	712,036

The notes on pages 20 to 47 are an integral part of these consolidated financial statements.

The consolidated financial statements were approved by the Board of Directors on 8 April 2021 and signed on its behalf by:



CJ Whittle
Chief Financial Officer

Company Balance Sheet

As at 31 December 2020

	Notes	2020 \$'000	2019 \$'000
Assets			
Cash and cash equivalents	12	8,353	4,930
Accrued interest receivable		426	514
Investments	13	72,499	77,075
Other receivables	14	17,499	11,764
Current tax asset		—	503
Deferred tax asset		48	—
Investment in subsidiaries	15	1,511	1,511
Total assets		100,336	96,297
Liabilities			
Other payables	17	5,888	3,795
Corporation tax payable		236	—
Long-term debt	19	73,685	72,332
Total liabilities		79,809	76,127
Shareholder's equity			
Share capital	21	16,815	16,815
Other reserves		2,844	2,844
Retained earnings		868	511
Total shareholder's equity		20,527	20,170
Total liabilities and shareholder's equity		100,336	96,297

The notes on pages 20 to 47 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 8 April 2021 and signed on its behalf by:



CJ Whittle

Chief Financial Officer

Consolidated Statement of Changes in Shareholder's Equity

For the year ended 31 December 2020

	Share capital \$'000	Other reserves \$'000	Retained earnings \$'000	Total shareholder's equity \$'000
Balance as at 31 December 2018	16,815	2,844	23,637	43,296
Loss for the year	—	—	(5,414)	(5,414)
Balance as at 31 December 2019	16,815	2,844	18,223	37,882
Loss for the year	—	—	(1,917)	(1,917)
Balance as at 31 December 2020	16,815	2,844	16,306	35,965

The notes on pages 20 to 47 are an integral part of these consolidated financial statements.

Company Statement of Changes in Shareholder's Equity

For the year ended 31 December 2020

	Share capital \$'000	Other reserves \$'000	Retained earnings \$'000	Total shareholder's equity \$'000
Balance as at 31 December 2018	16,815	2,844	(2,679)	16,980
Profit for the year	—	—	3,190	3,190
Balance as at 31 December 2019	16,815	2,844	511	20,170
Profit for the year	—	—	357	357
Balance as at 31 December 2020	16,815	2,844	868	20,527

The notes on pages 20 to 47 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Loss before tax		(2,308)	(5,739)
Tax received		—	—
Interest expense on long-term debt	10	2,999	4,065
Interest and dividend income	5	(628)	(1,906)
Net foreign exchange (gains) losses		(871)	111
Net other investment income	5	(4,576)	(7,200)
Net realised (gains) losses	5	(655)	4
Changes in operational assets and liabilities			
- Insurance and reinsurance contracts		25,242	5,731
- Other assets and liabilities		28,652	16,219
Net cash flows from operating activities		47,855	11,285
Cash flows (used in) from investing activities			
Interest and dividends received		701	5,769
Purchase of underwriting capacity	16	—	(733)
Purchase of investments		(210,638)	(176,133)
Proceeds on sale of investments		184,560	221,294
Net cash flows (used in) from investing activities		(25,377)	50,197
Cash flows used in financing activities			
Interest paid		(2,976)	(3,992)
Net cash flows used in financing activities		(2,976)	(3,992)
Net increase in cash and cash equivalents		19,502	57,490
Cash and cash equivalents at 1 January		131,966	74,161
Effect of exchange rate fluctuations on cash and cash equivalents		3,777	315
Cash and cash equivalents at 31 December		155,245	131,966

The notes on pages 20 to 47 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. General Information

The Company is a limited company registered and domiciled in England and Wales. The address of its registered office is disclosed on page 1. The principal activities of the Company and its subsidiaries (together referred to as the "Group") are described in the Directors' Report on page 6.

These consolidated financial statements comprise the Company and the Group.

2. Summary of Significant Accounting Policies

The basis of preparation, use of judgments and estimates, consolidation principles and significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

Basis of Preparation

The Group's consolidated financial statements are prepared on a going concern basis in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and in compliance with EU-adopted IFRS.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Where IFRS is silent, as it is in respect of certain aspects relating to the measurement of insurance products, the IFRS framework allows reference to another comprehensive body of accounting principles. In such instances, the Group's management determines appropriate measurement basis, to provide the most useful information to users of the consolidated financial statements, using their judgement and considering US GAAP.

All amounts, excluding share data or where otherwise stated, are in thousands of US Dollars ("USD").

As permitted by Section 408(3) of the Companies Act 2006, the statement of comprehensive loss of the Company is not presented.

The Consolidated Balance Sheet of the Group is presented in order of decreasing liquidity.

The Group participates on syndicates at Lloyd's. These consist of Syndicates 2010 and 3010 ("the syndicates") which are managed by the managing agent which is a subsidiary of the Group.

Changes of Presentation

A number of changes have been made to the presentation of certain line items in the consolidated financial statements, mainly within the balance sheet, to better align with the Lancashire Holdings Limited ("LHL") consolidated accounts and to provide more information and granularity that is useful to the users of these consolidated financial statements. The Directors believe that the changes made to the presentation provide users of the consolidated financial statements with more appropriate information. As the changes provide better and more disaggregated information, they have no material effect to users of the consolidated financial statements on information at the beginning of the preceding period.

The changes from the prior year are as follows:

- a. On the face of the consolidated statement of comprehensive loss, net unrealised gains on investments of \$2.9m have been presented within net investment income.
- b. On the face of the consolidated balance sheet:
 - reinsurance assets of \$165.3m have been disaggregated into unearned premiums on premiums ceded and reinsurance recoveries;
 - trade and other receivables of \$188.0m have been disaggregated into other receivables, reinsurance assets - other receivables, and inwards premiums receivable from insureds and cedants;
 - prepayments and accrued income of \$30.4m have been disaggregated into other receivables and accrued interest receivable;
 - insurance liabilities of \$475.6m have been disaggregated into losses and loss adjustment expenses and unearned premiums;
 - trade and other payables of \$106.2m have been disaggregated into insurance contracts other payables, amounts payable to reinsurers and other payables; and
 - accruals and deferred income of \$6.2m have been disaggregated into deferred acquisition costs ceded and other payables

Corresponding notes to the consolidated financial statements have been updated to reflect this presentation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

Going Concern

The Directors have performed an assessment of the Group's ability as a going concern, including the impact of the COVID-19 pandemic.

On 12 March 2020, the World Health Organisation classified the COVID-19 outbreak as a pandemic. The COVID-19 pandemic is an ongoing situation making it difficult to predict what the ultimate impact for the Group or the insurance industry will be and has heightened the inherent uncertainty in the Group's going concern assessment.

In response to the COVID-19 pandemic, the Group initiated its Post Loss Response process. The process reviewed and assessed the potential implications for each class of business that the syndicates underwrites, across all its platforms, with involvement from underwriting, exposure management, actuarial, claims, treasury and finance teams. The output of this review formed the basis of our loss reserving. The current best estimate financial impact of COVID-19 is \$17.1m, net of reinsurance and including the impact of reinstatement premiums. This constitutes 7.9% of our total net loss reserves.

The Group's financial forecasts reflect the outcomes that the Directors consider most likely, based on the information available at the date of signing these consolidated financial statements. To assess the Group's going concern, resilience and response to the COVID-19 pandemic, the financial stability of the Group was modelled for a period of at least 12 months and a number of sensitivity, stress and scenario tests were applied. This included, among other analysis, a best estimate forecast with scenario analysis covering the impact of reserve releases, attritional, large and catastrophe loss events alongside optimistic and pessimistic investment return scenarios. To further stress the financial stability of the Group, additional scenario testing was performed. This included modelling the breakeven capital requirements of our regulators and rating agencies, the impact of potential management actions to reduce the syndicates' exposure to climate change-related risks, the continuation of the COVID-19 pandemic throughout 2021 negatively impacting the economy, travel industry, global events and counterparty credit risk and the occurrence of a number of high severity loss events impacting the Group's underwriting platforms in 2021. The testing identified that even under the more severe but plausible stress scenarios, the Group had more than adequate liquidity and solvency headroom.

In addition to the above, the following factors were also considered as part of our going concern assessment:

- The Group does not write the following lines of business: travel insurance; trade credit; and long-term life and prior to the COVID-19 pandemic did not write Directors' and Officers' liability or medical malpractice. The Group underwrites a small number of event cancellation contracts and has minimal exposure through mortgage, accident and health business.
- On 15 January 2021, the UK Supreme Court delivered its judgement on the FCA's business interruption test case. The aim of the test case was to obtain clarity on insurance contract wording and determine whether certain business interruption clauses were triggered by the COVID-19 pandemic. For the insurance industry, this means that in certain instances, policyholders will now have their COVID-19 related business interruption claims paid where previously these claims may have been denied. It may also impact the reinsurance industry as insurers will seek to recover from the reinsurance protection they have in place. In light of the UK Supreme Court ruling, the Group has performed a detailed review of the business interruption clauses in its insurance and reinsurance contracts and concluded that there is no material impact on the COVID-19 best estimate loss booked for the year ended 31 December 2020.
- The Group's long-term strategy is to deploy more capital into a hardening market, in which pricing strengthens due to market capital constraints, and to lower the amount of capital deployed in a softer market, where pricing is weaker due to over-supply of risk capital. The COVID-19 pandemic has generated (re)insurance market losses both in terms of the claims environment and the impact on financial markets. In the face of these challenges there has been a retrenchment in (re)insurance markets risk capital and capacity. This in turn has led to continued rate increases in many of the Group's core insurance segments and accelerated rating dislocation in the catastrophe exposed reinsurance lines. The Group expects the momentum of rising rates to continue in this and other classes of business across its portfolio throughout 2021 and beyond. The Group expects to take advantage of this rating improvement by writing increased levels of business at higher pricing levels.
- As at 31 December 2020, the Group considers that it has more than adequate liquidity to pay its obligations as they fall due. The Group held cash and cash equivalents of \$155.2m and fixed maturity investments with maturity dates of less than one year of \$42.2m. In addition to the cash and cash equivalents and investment portfolio, the Group also has access to a number of LoC and revolving credit facilities (see Note 19). Additional liquidity risk disclosures are set out on pages 30 and 31. The Directors have performed stress test scenarios and under each modelled scenario, the Directors have concluded that the Group has sufficient resources to cover future liabilities.
- As at 31 December 2020, the average credit quality of the fixed maturity portfolio was – A+ (31 December 2019 – A+) and there has not been a change in our counterparty credit exposure as a result of the COVID-19 pandemic. However, it is an area we continue to monitor. Additional credit risk disclosures are set out on pages 29 and 30.
- The Group has not applied for, or received, any grants offered by the UK government to support businesses during the ongoing COVID-19 pandemic and is not expected to in the foreseeable future. None of our employees have been furloughed and we are not expected to furlough any employees in the foreseeable future.

Based on the going concern assessment performed as at 31 December 2020, the Directors consider there to be no material uncertainties that may cast significant doubt over the Group's ability to continue to operate as a going concern. The Directors have formed a judgment that there is a reasonable expectation that the Group has adequate resources to continue in operational existence in the foreseeable future, a period of at least twelve months from the date of signing these consolidated financial statements.

Changes in Accounting Standards

While a number of amended IFRS standards have become effective during the year ended 31 December 2020, none of these standards have had a material impact on the Group.

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Future Accounting Changes

IFRS 17, Insurance Contracts, issued in May 2017, specifies the financial reporting for insurance contracts. In June 2020, the IASB published a number of amendments to the standard including a change to the effective date of the standard to accounting periods beginning on or after 1 January 2023. The standard includes a number of significant changes regarding the measurement and disclosure of insurance contracts both in terms of liability measurement and profit recognition. The Group will continue to assess the impact that the new standard will have on its results and its presentation and disclosure requirements. IFRS 17 has not yet been endorsed by the EU and will need separate assessment by the UK Endorsement Board, following Brexit.

IFRS 9, Financial Instruments: Classification and Measurement, is effective for annual periods beginning on or after 1 January 2018. The amendments to IFRS 4, Insurance Contracts, issued in 2016, provide a temporary exemption from applying IFRS 9. The Group qualifies for, and has elected to apply, the temporary exemption available to companies whose predominant activity is to issue insurance contracts. The exemption lasts until accounting periods beginning on or after 1 January 2023, subject to the proposed deferral of IFRS 17 as noted above, and addresses the accounting consequences of applying IFRS 9 to insurers prior to the adoption of IFRS 17, Insurance Contracts. IFRS 9 introduces new classification and measurement requirements for financial instruments, an expected credit loss impairment model that replaces the IAS 39 incurred loss model and new hedge accounting requirements. Applying the new requirements of IFRS 9, the Group currently anticipates that all investments held by the Group will be classified as at FVTPL mandatory, because they are managed on a fair value basis. The Group's investments are all classified as FVTPL and therefore these changes are not applicable to the Group.

a) Use of Estimates

In preparing these consolidated financial statements, the directors of the Group have made judgements, estimates and assumptions that affect the application of the Group's 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 estimates are recognised prospectively.

Estimation of premiums

The measurement of premiums estimates comprises the estimated gross premium written during the year, that have not yet been notified by the financial year-end. For certain insurance contracts, premium is initially recognised based on estimated premium income ("EPI"). When premium is sourced through binders or treaty business, the EPI is pro-rated across the contract period. This is done on a straight-line basis unless the underlying writing pattern from the prior period indicates the actual underlying writing pattern is materially different. The underwriters adjust their EPI estimates as the year of account matures. After a set amount of time after a contract expires, premiums are adjusted to match the actual signed premium. Premiums are earned on a straight-line basis over the life of each contract. At a portfolio level this is considered to provide a reasonable estimate for the full year of the pattern of risk over the coverage period.

Estimation of claims

The measurement of the provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgmental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgment is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported ("IBNR") to the syndicates.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by LSL's in-house actuaries and compared to the independent assessment performed by the external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. 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 business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so as to minimise any adverse run-off deviation.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in Note 3.

Intangible assets

The Group determines whether intangible assets are impaired on an annual basis. The assumptions made by management in performing annual impairment tests of intangible assets are subject to estimation uncertainty. Details of the key assumptions used in the estimation of the recoverable amounts of the CGU are explained in Note 16.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended 31 December 2020. Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intercompany balances, profits and transactions are eliminated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

The Group participates in two syndicates at Lloyd's, which are managed by the Group's managing agent subsidiary. In view of the several liability of underwriting members at Lloyd's, the Group recognises its proportion of all the transactions undertaken by the syndicates in which it participates within its consolidated statement of comprehensive income. Similarly, the Group's proportion of the syndicates' assets and liabilities has been reflected in its consolidated balance sheet. This proportion is calculated by reference to the Group's participation as a percentage of each syndicate's total capacity for each year of account.

c) Foreign currency translation

The functional currency, which is the currency of the primary economic environment in which operations are conducted, for all Group entities is USD. Items included in the financial statements of each of the Group's entities are measured using the functional currency. The consolidated financial statements are also presented in USD.

Foreign currency transactions are recorded in the functional currency for each entity using the exchange rates prevailing at the dates of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities denominated in foreign currencies are revalued into the functional currency at period end exchange rates. The resulting exchange differences on revaluation are recorded in the consolidated statement of comprehensive loss within net foreign exchange gains (losses). Non-monetary assets and liabilities denominated in a foreign currency are carried at historic rates. Non-monetary assets and liabilities carried at estimated fair value and denominated in a foreign currency are revalued at the exchange rate at the date the estimated fair value was determined.

d) Insurance contracts

i. Classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Contracts that do not transfer significant insurance risk are accounted for as investment contracts. Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder.

ii. Premium

Gross written premium represent contracts on business incepting during the financial year, together with adjustments made in the year to premium written in previous accounting periods. All premium are gross of commission payable to intermediaries.

Outwards reinsurance premium are accounted for in the same accounting period as the premium for the related direct or inwards business being reinsured by the syndicates. This includes both the Group's share of outwards reinsurance premium written by the syndicates and also premium paid by the Group's subsidiaries for reinsurance protection. Reinsurance premium payable to Lancashire Insurance Company Limited ("LICL"), a related Lancashire group company, under a reinsurance quota share agreement is recognised in line with the annual accounting underwriting result, gross of reinsurance profit commissions receivable. It is also grossed up for Lloyd's expenses (managing agency fees and managing agency profit commission) which have been effectively passed on to LICL by way of the reinsurance quota share contract.

Inwards premium receivable are recorded net of commissions and brokerage. These balances are reviewed for impairment, with any impairment loss recognised as an expense in the period in which it is determined.

iii. Provision for unearned premium

Written premium is earned on a straight-line basis according to the risk profile of the policy commencing from the date of inception of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate. Estimates are based on managing agent's estimates of the exposures of the underlying business written.

The movement in the provision for unearned premium is taken to the Consolidated Statement of Comprehensive Income in order that revenue is recognised over the period of the risk.

iv. Claims incurred

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in the provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date but not reported ("IBNR") until after the year end. Claims outstanding are reduced by anticipated salvage and other recoveries.

v. Outstanding claims provision

The outstanding claims comprise amounts set aside for claims notified by the balance sheet date and IBNR and includes amounts in respect of internal and external claims handling costs. Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics.

The amount included in respect of IBNR is based on a detailed review of losses and loss development by the management of the Group's managing agent subsidiary. This provision is reviewed by external consulting actuaries. IBNR for major catastrophe losses is individually assessed by underwriting and non underwriting management of the Group's managing agent subsidiary. IBNR for smaller and more attritional losses is based on projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced 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.

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The Group's managing agent subsidiary uses a number of statistical and other techniques to assist in making the above estimates. The two most critical assumptions as regards 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.

vi. Reinsurance

The reinsurers' share of provision for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Where reliance has been placed on the security rating by rating agencies, it has been assumed that they provide a reliable estimate of the likelihood of the reinsurer in question being able to meet its obligations when called upon to do so.

If a reinsurance asset is impaired, the Group reduces its carrying amount accordingly, and will immediately recognise the impairment loss in the consolidated statement of comprehensive (loss) income. A reinsurance asset will be deemed to be impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the asset, that the Group may not receive all amounts due to it under the terms of the contract, and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

vii. Deferred acquisition costs

Acquisition costs represent commission and other expenses arising from the conclusion of insurance contracts. They are deferred over the period in which the related premium are earned.

viii. Liability adequacy tests

At each balance sheet date, the Group performs a liability adequacy test using current best estimates of future cash outflows generated by its insurance contracts, plus any investment income thereon. If, as a result of these tests, the carrying amount of the Group's insurance liabilities is found to be inadequate, the deficiency is charged to income for the period, initially by writing off deferred acquisition costs and subsequently by establishing a provision.

ix. Reinsurance to close

To the extent that the Group participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the Group has offset its share of the reinsurance to close received against its share of the reinsurance to close paid. This is accounted for in the accounting period when the reinsurance to close contract is completed (usually the year after the year of account is deemed to have closed).

Where the Group has increased or decreased its syndicate participation from one year of account to the next, the difference between the reinsurance to close received and the reinsurance to close paid is shown in the consolidated statement of comprehensive (loss) income as either gross premium written or reinsurance premium payable as appropriate.

e) Other income

Other income is measured based on the consideration specified in a contract and excludes amounts collected on behalf of this parties.

Other income includes profit commission, managing agency fees, consortium fees and profit commission and reinsurance profit commission on a quota share reinsurance agreement with LICL.

Profit commission is recognised on open years of account where its measurement is reasonably certain and that the amount of commission will be realised. The Group recognises profit commission on open years of account when measurement is highly probable. Profit commissions are received once the year of account closes.

Consortium profit commission is recognised when the year of account closes. The Group recognises profit commission in line with the underlying performance of covered contracts once the year of account closes, which is also when the profit commissions are received.

Managing agency fees and consortium fees are recognised in line with the activity to which the fees relate. The Group recognises managing agency fees in line with services provided for each year of account. Managing agency fees are received quarterly.

This excludes any fees or profit commission charged to the Group's corporate member subsidiary although it does include those fees and commissions charged to the Group's corporate member subsidiary but effectively passed on to LICL by way of the quota share reinsurance agreement.

f) Other operating expenses

Operating expenses include the Group's share of the syndicates' operating expenses and the Group's corporate expenses. The Group's share of the syndicates' operating expenses includes the direct costs of membership of Lloyd's ("personal expenses"). Expenses are accounted for on an accruals basis.

g) Employee benefits

i. Equity compensation plans

Lancashire Holdings Limited has issued restricted shares to certain employees and members of senior management and the Company is recharged for the costs relating to its employees. They are recognised as an expense pro-rata over the vesting period of the instrument. The total amount to be expensed is determined by reference of the fair value of the awards estimated at the grant date, excluding the impact of any non-market vesting conditions.

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For the year ended 31 December 2020

ii. Pensions

The Group operates a defined contribution plan. On payment of contributions to the plan there is no further obligation for the Group. Contributions are recognised as employee benefits in the consolidated statement of comprehensive income in the period to which they relate.

h) Tax

Income tax represents the sum of the tax currently payable and any deferred tax. The tax payable is calculated based on taxable profit for the period. Taxable profit for the period can differ from that reported in the consolidated statement of comprehensive (loss) income due to non-taxable income and certain items which are not tax deductible or which are deferred to subsequent periods.

Deferred tax is recognised on all temporary differences between the assets and liabilities in the consolidated balance sheet and their tax base, except when the deferred tax liability arises from the initial recognition of goodwill. Deferred tax assets or liabilities are accounted for using the balance sheet liability method. Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is likely.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The Group determines based on its tax compliance and transfer pricing study, the probability/certainty of the tax treatments being accepted by the taxation authorities and accounts for those in line with its determination.

i) Financial instruments

i. Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated balance sheet at amortised cost and include cash in hand, deposits held on call with banks and other short-term, highly liquid investments with a maturity of three months or less at the date of purchase. Carrying amounts approximate fair value due to the short-term nature and high liquidity of the instruments.

Interest income earned on cash and cash equivalents is recognised on the effective interest rate method. The carrying value of accrued interest income approximates estimated fair value due to its short-term nature and high liquidity.

ii. Financial investments

The Group classifies its financial assets held for investment purposes as designated at fair value through profit and loss at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management. The fair values of quoted financial investments are based on bid prices at the balance sheet date. If the market for a financial investment is not active, the Group establishes fair value by using valuation techniques, such as recent arm's length transactions, reference to similar listed investments, discounted cash flow models or option pricing models.

For the Group, unlisted investments are stated at fair value.

Realised and unrealised gains and losses on investments classified as fair value through profit and loss are recognised through the Consolidated Statement of Comprehensive Income. All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the marketplace. The Group's share of the syndicates' investments are treated as sold and purchased at each 31 December in recognition of the annual venture nature of participations on a syndicate. Their cost is therefore their market value, based on bid values, at that date.

j) Investment in subsidiary undertakings

Investment in subsidiary undertakings are carried at cost less impairment.

The Company assesses whether there are any indications of impairment annually. When indications of impairment exist, an impairment test is carried out by comparing the carrying value of the investment in subsidiary undertakings with the estimate of the recoverable amount of the subsidiary. Any impairments are recognised as an income or an expense through the Statement of Comprehensive Income in the period in which they occur.

k) Intangible assets

The Group's intangible assets comprise syndicate participation rights. The cost of syndicate participation rights acquired in a business combination is their fair value as at the date of acquisition. Additional syndicate participation rights may be purchased from time to time and are recorded as the cost at date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite depending on the nature of the asset. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are tested for impairment at least annually at the CGU level by comparing the net present value of the future earnings stream of the CGU to the carrying value of the CGU and related intangible assets. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable.

Syndicate participation rights are considered to have an indefinite life.

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l) Provision for other liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Thereafter it is held at amortised cost, with the amortisation calculated using the effective interest rate method. Derecognition occurs when the obligation has been extinguished.

3. Risk Disclosure

The Group is exposed to risks from several sources, classified into six primary risk categories. These are insurance risk, credit risk, liquidity risk, market risk, operational risk and capital management risk. The primary risk to the Group is insurance risk.

The primary objective of the Group's ERM framework is to ensure that the capital resources held are matched to the risk profile of the business and that the balance between risk and return is considered as part of all key business decisions. The Group has formulated, and keeps under review, a series of risk appetite which is set by the Board of Directors. Appetites for risk will vary from time to time to reflect the potential risks and returns that present themselves. However, protecting the Group's capital and maximising risk-adjusted returns for investors over the long term are constants. The setting of risk appetites is central to how the business is run and are expressed through detailed risk tolerances. Risk tolerances represent the maximum amount of capital, generally on a modelled basis, that the Group's entities are prepared to expose to certain risks. All risk tolerances are subject to at least an annual review and consideration.

The Group only underwrites on the syndicates managed by its managing agency subsidiary. The sections below outline the Group's risk appetite and explain how it defines and manages each category of risk.

3.1 Insurance risk

The Group's underwriting of insurance risks has the potential for earnings to be volatile. It would be possible for the capital supporting the underwriting to be completely eroded in extreme circumstances. Even in less extreme circumstances, major losses may cause erosion of capital which, if not replaced, may curtail the Group's ability to trade forward and potentially recoup its losses. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random and the actual number and amount of claims will vary from year to year from the estimate established using statistical techniques.

This risk is managed through portfolio diversification of insurance contracts as it is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy so as to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks in an attempt to reduce the variability of the expected outcome. However, it should be recognised that much of the business written by the Group is accumulative by nature.

Factors that elevate insurance risk include lack of risk diversification in terms of type and number of risks, geographical location and type of industry covered.

3.1.1 Diversification across classes of business

The Group's underwriting covers various classes of business which, to some extent, have different exposure profiles and therefore provides an element of diversification to the Group. An analysis of gross written premiums by class of business is as follows:

Gross premiums written	2020	2020	2019	2019
	\$'000	%	\$'000	%
Property	169,982	47.7	160,692	53.6
Aviation	94,927	26.6	66,248	22.1
Energy	46,043	12.9	33,264	11.1
Marine	45,544	12.8	39,599	13.2
Total	356,496	100.0	299,803	100.0

The Group's managing agency subsidiary monitors the type of business underwritten by its syndicates at a whole account level and, where appropriate, adjusts either the business mix or the level of reinsurance protection in place to try to reduce the extent of overly concentrated exposures.

3.1.2 Frequency and severity of claims

The frequency and severity of claims in respect of the syndicates can be affected by several factors and these can impact the Group. The syndicates currently specialise in property reinsurance, aviation reinsurance, direct and facultative property insurance, satellite, contingency, marine cargo, marine hull, power and utility, direct aviation, aviation war, aviation deductible, energy, accident & health and terrorism. These accounts are predominantly short-tail in nature, and some of them have a high degree of catastrophe exposure (for example the property accounts could be affected by hurricane and earthquake losses).

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The catastrophe nature of the accounts is managed through the syndicates' underwriting strategy, aggregate management and reinsurance arrangements. Underwriting limits are in place to support appropriate risk selection criteria and loss aggregates are reviewed and managed by the Group. The reinsurance arrangements include excess and catastrophe coverage. These arrangements are designed to mitigate the impact of any significant losses to a more manageable level. The Group models various loss scenarios and also considers specific realistic disaster scenarios ("RDS") in accordance with Lloyd's franchise guidelines to enable it to monitor the exposure at a gross and net level for the syndicates.

3.1.3 Underwriting risk

The managed syndicates have defined appetites and tolerances for catastrophe and non-catastrophe (premium) risks, as set out in the Risk Appetite Statements that are reviewed and approved annually in advance of the business planning process but may be revised at the discretion of the Board.

Some of the key underwriting risks are discussed in detail below:

a) Underwriting Aggregation Management and Operations

There is a risk that failing to effectively analyse and communicate exposures could result in unknown and unexpected risk aggregations and losses. The business written by the syndicates is short tail in nature and, whilst the U.S. Terror Attacks in 2001 showed that short tail classes are not immune from unknown/unexpected accumulations, the threat of this occurring is probably more pronounced in the liability fields. By and large the insurances and reinsurances provided by the syndicates are of a well-tested nature. More crucially, the approach taken to risk management is heavily exposure driven. The syndicates continually seek to model their portfolio of accounts in order to identify accumulations and to monitor exposures, and the whole process is supported by sophisticated external modelling systems and bespoke, internally-developed aggregation systems. Quarterly Exposure Management reporting is undertaken for all classes of business and whole account Exceedance Probability modelled losses are monitored against agreed tolerances at a range of return periods as specified in the Risk Appetite Statements. All key classes of business have separate core reinsurance programmes supported by ancillary group or umbrella covers as appropriate.

b) Risk Modelling and Exposure Management

A failure to appropriately manage aggregation could result in risk accumulations in excess of risk appetite, and extreme losses to natural or man-made events. The occurrence of extreme catastrophe events could have a major destabilising effect on the insurance industry as a whole. Whilst the reinsurance writings for the syndicates (unlike direct insurance) provide policyholders with defined cover by way of both limits and number of reinstatements, the insurance portfolios such as the direct and facultative property account and the marine cargo account gives rise to large assured values which are vulnerable to failures in PML assumptions. The syndicates could be vulnerable to significant failure amongst their own reinsurers.

The key controls rest on the strict recording of aggregate exposures by underwriting staff and the comprehensive catastrophe loss modelling and aggregate monitoring undertaken by the Exposure Management Function, with the aid of various proprietary and bespoke modelling systems and approaches. The syndicates also purchase reinsurance programmes that are structured to limit the exposure to any single reinsurer.

c) Risk Selection and Frequency of Major Loss

The syndicates are vulnerable to a high frequency of major loss. There is a risk that inappropriate risk selection practices could result in a poorly diversified underwriting portfolio, excessive attritional accumulations and/or higher claims frequency than expected. The major defences the syndicates have to a high frequency of major loss on the inwards reinsurance accounts are both the level at which cover is given and the limited number of reinstatements which they will typically provide. Additionally, the syndicates seek to purchase a depth of cover at the lower levels particularly to protect against a frequency of mid-sized claims. The insurance accounts are also more vulnerable to loss frequency, although this is mitigated by modulating line size by attachment point, geographical spread of risks and separate reinsurance programmes.

The LSL Board approves Underwriting Line authorities for all underwriters. Automated exception reporting identifies any breaches of key metrics (line sizes, risk codes, territories, etc.). Catastrophe modelling analysis is undertaken for all catastrophe-exposed lines of business, with outputs monitored against agreed tolerances for a range of return periods, as set out in the Risk Appetite Statements at Syndicate level. The Weekly Underwriting Forum and the Monthly Underwriting Committee are both key controls in both the detection and prevention of risk selection issues, in addition to the independent peer review process.

d) Policy Wording

The coverages provided by the syndicates may be extended in circumstances where either the wording used does not reflect the underwriters' intentions or where courts decide the wordings used provide wider coverage than intended. While coverage may change depending on clients' needs, the coverage offered by the syndicates is typically based upon widely used standard London market clauses within the respective contracts. Slip checking is part of the underwriting process. Senior underwriters, with specialisms in their respective classes of business and familiarity with market wordings, check all policy wordings prior to binding. Furthermore, an independent review process mandates that a sample of total risks underwritten are reviewed each quarter, and as part of this process the reviewer looks at wordings to identify any inconsistencies between slips and wordings. Contract certainty and pre-bind checks further mitigate this risk.

e) Pricing

The cyclical nature of insurance means that rates constantly fluctuate. Whilst in the core reinsurance areas of the syndicates' accounts, deductible levels tend to be the crucial driver, like all insurers the overall account written needs to develop sufficient income to pay for the attritional losses which would typically attach to the type of business it writes, to pay for the reinsurance programme which is required to protect and/or mitigate the impact of catastrophes and to meet all expenses, whilst leaving sufficient money to produce a profit to capital providers, given normal loss experience.

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The business planning process seeks to ensure the underwriting capacity is applied to those areas of business that offer sound prospects for profitable underwriting. There is a risk of systemic under or over-pricing for a class of business. The inaccurate assessment of technical price relative to underlying exposure could lead to the syndicates being adversely selected against. Whilst the primary impact relates to the technical premium received not mirroring liabilities to which the Group is exposed, there is the additional risk of loss of business due to overpricing.

For catastrophe exposed lines of business, catastrophe models and aggregation tools are utilised to forecast likely future exposures and loss potential. Pre-bind analysis is undertaken on the majority of US and International property reinsurance risks, in addition to selected accounts from other classes of business at the underwriter's discretion. Benchmark pricing and rating indices have been developed and act as key controls in the pricing of all other (non-catastrophe) premium risks and specialty classes of business. Risk adjusted rate change ("RARC") reporting is reviewed and discussed on a monthly basis at the Underwriting Committee, thereby forming a key pricing control internally as well as a Lloyd's reporting requirement.

The internal underwriting peer review process, in the form of the Weekly Underwriting Forum, exists alongside quarterly independent underwriting reviews.

The managing agency's syndicates' board reviews loss ratio statistics to identify adverse developments (which may be due to pricing issues) so that appropriate remedial action can be taken. It also reviews the rate monitoring index to identify pricing trends. The Lloyd's Franchise Board provides quarterly updates of key trends in the market at risk level, as well as benchmarking the syndicates' own performance.

f) Other Controls

In addition to the above, other controls in place to mitigate the key underwriting risks of the syndicates are set out below.

Each syndicate prepares an annual business plan which sets out the premium income to be written, by class of business. This plan is monitored on a continuous basis throughout the year. Line limits for each underwriting team are pre agreed as are the line limits that can be deployed on each risk/programme. These limits are monitored throughout the year.

A risk summary report is generated daily, setting out all new risks and any changes to existing risks, which is reviewed and signed off by the relevant class underwriter. The independent review process ensures that a sample of all risks underwritten by the syndicates is considered. All risks underwritten by the syndicates are modelled with underlying exposure information being recorded. This output is used to build up aggregates by class of business, broad risk types and geographical location. Aggregate reports by class of business and geographical zone are presented to the syndicates' board monthly and these are monitored against those that had been expected per the syndicate's business plans. Aggregation systems are also used for the other accounts to monitor exposures.

Other underwriting (premium) risk considerations include:

- **Distribution channels:** The use of inappropriate distribution channels could result in the mis-selling of products to consumers and/or incomplete or inappropriate advice contributing to unfair outcomes for insureds.
- **Coverholder monitoring:** Failure of coverholders to adhere to the terms of the Binding Authority Agreement and/or inaccurately price business resulting in financial loss and/or reputational damage.
- **Underwriting procedures:** Failure to prevent an underwriter from knowingly underwriting risks outside of their authority and deliberately circumventing underwriting controls in order to hide activity, resulting in financial loss and/or reputational damage.

3.1.4 Reinsurance risk

Reinsurance risk is the risk of inadequate reinsurance coverage in terms of vertical or horizontal limits purchased leading to larger than anticipated net losses, or the risk of disputes arising with reinsurers as to terms and conditions. The two key risks for the syndicates are an inappropriate reinsurance programme, and the inability or unwillingness of a reinsurer to pay. These are discussed in detail below:

a) Reinsurance adequacy

The Group knowingly runs exposures that are not covered by reinsurance. These exposures may be run below the attachment point of the outwards programme (syndicates' retention), in the form of co-insurance/partial placement of coverages or uncovered exposures in excess of the vertical protections placed on either the whole account or specific accounts. Provided these unprotected exposures are known and recognised and are consistent with the modelled outputs produced by the syndicates then this would not be regarded as inappropriate. However, where gross exposures are assumed on the basis that reinsurance protection of a type or quantum is available then for that not to be the case could produce serious adverse consequences.

Also, if following the occurrence of major losses, the reinsurance programmes do not respond or provide the level of recoveries expected, then there could be significant financial consequences to the syndicates. It is emphasised that the amount of reinsurance coverage which the syndicates purchase have finite limits which may not be sufficient to contain all loss activity.

The reinsurance programmes are planned and structured based on the business plan income and exposure assumptions. The syndicates aim to protect themselves to some degree against significant catastrophe losses. However, the level of reinsurance or retrocession cover that is bought is dependent on availability, and there can be no assurance that the level of cover required is either available or available on acceptable terms. Where such cover is not available, then the syndicates' exposure to large losses increases accordingly, though this may be mitigated somewhat by a reduction in the aggregate exposures taken on by them.

Reinsurance cover is continually reviewed by the business. The controls applied include reviews of booked transactions by the Reinsurance Manager, monitoring of reinsurer exposures against predefined concentration limits and periodic reviews of the purchased reinsurance programme by external third parties. Extensive reinsurance optimisation analysis is undertaken by the

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capital modelling team, and the resultant actuarial function report is utilised by the underwriters to inform and assist with purchasing decisions for outwards reinsurance. There are known exclusions in our outwards cover, (e.g. terrorism, spiral and pollution) and the inwards book is written to take account of these factors.

Whilst the syndicates aim to produce a gross underwriting profit across the cycle, in order to mitigate volatility, a significant amount of retrocessional cover is purchased. The availability of retrocessional cover going forward will be a function of the syndicates' record with their reinsurers together with the overall availability of retrocessional capacity.

The major controls rest at the underwriting level and are aimed at ensuring the syndicates underwrite accounts that do not expose their reinsurers to a scale or type of exposure which was not reasonably within their contemplation at the time of writing the syndicates' outward reinsurance programmes. The syndicates endeavour to provide their reinsurers with the most up to date and accurate information on their account, and advise them quickly of any losses incurred, to ensure that they have the best prospect of being regarded as a reliable and fair reassured. Should there be a collapse in the retrocessional market generally, the syndicates would endeavour to adjust the inwards books accordingly, although the circumstances described would almost certainly have a dramatic impact on rates, terms and deductibles on the inward book.

b) Reinsurance security

There is a risk that reinsurance recoveries are less than planned, due to the inability or unwillingness to pay on the part of a reinsurer. The controls in place to mitigate this risk rest with the Reinsurance Security Committee which sets the exposure limits and reviews the exposure to each reinsurer and reviews the reinsurers' credit ratings.

Some policies may be placed with collateralised reinsurers which are included within non-rated balances. These are closely monitored to ensure that they are sufficiently funded.

3.1.5 Reserving risk

There is a risk that loss reserving levels may be inappropriate, adversely affecting the Group's balance sheet or solvency position, and potentially damaging the ability for the syndicates to meet its obligations or to continue to underwrite. The risk involving the calculation of Technical Provisions (TP's) includes both claims liabilities and provisions for unearned premiums.

Reserves for claims liabilities do not represent an exact calculation of liability. Rather, reserves are estimates of what the Group expects the ultimate settlement and administration of claims will cost. The reserving risk to the Group is that reserves established by the Group are insufficient to meet actual claims liabilities, or that reinsurance bad debt provisions or allowances for future expenses are inadequate. When estimating claims liabilities, significant reserving judgements are required to be made, particularly in respect of the ultimate cost of major catastrophes, contentious or complex claims, reinsurance recoverables and liability awards.

Provisions for unearned premiums are generally less contentious, but the reserving risk still remains that the written premiums are earned too quickly and not in accordance with the underlying exposure. The processes used to decide on assumptions and related sensitivities for claims liabilities are set out on page 42 and for unearned premiums on b) (iii) below.

a) Claims outstanding

(i) Process used to decide on assumptions

The projection of claims outstanding (and reinsurance recoveries thereon) is subjective in nature as it relates to claims which have happened but for which there is limited information available at the year-end, or which relates to claims which can be complex (for example, subject to potential litigation or disputes over specific terms and conditions of the policies written).

For the syndicates, the Group uses assumptions based on a mixture of internal and market data to measure its claims liabilities. The syndicates underwrite relatively short-tail accounts, which can often mean that after a short period of time (e.g. typically two years), a large proportion of the underwriting losses have already been notified to them.

The syndicates also have a catastrophe element to their accounts, giving the accounts exposure to large but relatively less frequent losses. When setting assumptions and projecting claims liabilities, this means that the underwriters will tend to know whether or not a loss large enough to materially impact the account has happened (e.g. severe windstorms, earthquakes, aircraft losses). Although catastrophic losses are known soon after an event occurs, such losses may have varying levels of complexity which can make the projection of some losses more difficult. Nevertheless, the assumptions used in projecting claims liabilities are derived from underwriter/management judgement, statistical projections and market data.

(ii) Sensitivity analysis - sensitivity of claims liabilities

When reviewing the claims liability projections in respect of the syndicates, the Group considers the factors and assumptions which could have a large impact on those projections. The main areas of sensitivity relate to:

- those claims which are of a complex nature, particularly where information is not forthcoming or have the potential to develop further in the light of litigation or legal dispute; and
- future advices/notifications with respect to significant losses occurring close to the year end. By their nature, these claims are large at a gross level and, given the limited time between their occurrence and the year-end, notifications by year-end would not be expected to be complete. Any projections of these losses at this early stage will be subjective. Nonetheless, the Group has sought to consider all potential losses and reviews/follows up such losses on a regular basis.

Other reserving risks to the Group include:

- Claims procedures; inadequate claims management process resulting in delayed or incorrect payments, bad faith claims, poor case estimations and/or reputational damage.

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- Complaints handling; ineffective claims and complaints handling resulting in unfair outcomes to customers, regulatory intervention and censure and reputational damage.

b) Provision for unearned premiums

(i) Process used to decide on assumptions

The provision for unearned premiums is determined at an individual policy level and is earned based on the established earnings patterns or time apportionment as appropriate.

(ii) Changes in assumptions and sensitivity analysis

Written premiums are earned on a standard earning basis according to the risk profile of the policy from the inception of the policy.

(iii) Sensitivity analysis - sensitivity of provision for unearned premiums

The Group believes that the only significant sensitivity relates to the estimate of the underlying exposure of the book of business and how this is applied to the figures. This is not believed to be significant to the account.

If a change in the proportion of total business written of 1% was to become unearned this would equate to an adjustment of \$1.7m to the unearned premium provision (2019: \$1.3m).

3.2 Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of paid claims;
- amounts due from insurance contract holders and coverholders;
- amounts due from brokers and insurance intermediaries; and
- services due to be provided by external third party providers.

The Group's managing agency subsidiary's reinsurance and broker security committee has established guidelines on its exposure to a single counterparty. These guidelines are regularly reviewed by this committee and adjusted as appropriate by the managing agency subsidiary's board.

Reinsurance is used to manage insurance risk, specifically catastrophe losses. This does not, however, discharge the Group's liability to its assureds. If a reinsurer fails to pay a claim for any reason, the Group remains liable for payment to the policyholder. The credit worthiness of reinsurers is considered on a continuous basis by the Group's managing agency subsidiary by reviewing credit grades provided by rating agencies and other publicly available financial information.

A specialist analytical research company focused on providing independent and confidential opinions on reinsurers' financial strength is also employed by the Group's managing agency subsidiary to assist in assessing and evaluating reinsurers.

At the year-end, the Group has quantified the credit risk to the syndicates and reduced the amounts due from reinsurers and reinsurers' share of insurance liabilities for this. Where the syndicates have any legal right of off-set, this is assumed in the calculation of credit risk. The Group also has exposure to credit risk on its investments and cash holdings, whereby an issuer default results in the Group losing all or part of the value of a financial instrument.

With respect to the syndicates, all funds are held in either cash or short-dated fixed interest securities (either government or high-quality investment grade corporate bonds). Fixed interest managers are employed and their asset allocation is regularly monitored by the managing agency subsidiary's syndicates investment committee.

With respect to the Group's corporate investments, the Group applies an asset allocation strategy aimed at preserving capital. A limit is applied to the proportion of investments which can be invested in riskier asset classes such as equities or capital protected securities. The short-dated fixed interest securities can be invested in either government or high-quality corporate bonds.

With respect to the syndicates' investments and Group's corporate investments, detailed requirements regarding asset diversification and concentration limits are set out in the investment mandates given to the external investment managers. The following tables analyse the Group's concentration of credit risk, using ratings from external rating agencies. This analysis is in respect of the corporate group and the Group's share of syndicates only.

	A++ to A-	B++ to B-	Unrated	Total
At 31 December 2020	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	155,245	—	—	155,245
Investments	169,957	19,453	—	189,410
Inwards premiums receivable and other receivables	17,065	—	190,584	207,649
Reinsurance assets	134,905	2,985	18,376	156,266
Total	477,172	22,438	208,960	708,570

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At 31 December 2019	A++ to A- \$'000	B++ to B- \$'000	Unrated \$'000	Total \$'000
Cash and cash equivalents	131,966	—	—	131,966
Investments	148,726	9,579	—	158,305
Inwards premiums receivable and other receivable	—	—	218,468	218,468
Reinsurance assets	106,595	—	32,765	139,360
Total	387,287	9,579	251,233	648,099

Credit ratings for financial investments are based on ratings available from Moody's but, in the event that they do not rate a specific investment, then either Standard & Poor or Fitch are used instead, depending on which agency/agencies rated the investment.

Of the \$18.4m (2019: \$32.8m) unrated reinsurance assets at 31 December 2020, \$11.9m (2019: \$17.1m) are fully collateralised in trust funds; \$5.1m (2019: \$10.1m) are in respect of attritional IBNR that have yet to be allocated to any specific loss and the remaining \$1.4m (2019: \$5.6m) relate to a handful of specific unsettled recoveries from reinsurers that have subsequently merged or been taken over by another reinsurer and therefore the original counterparty is no longer rated, however no recovery issues are currently anticipated with respect to these specific counterparties.

The ageing analysis of debtors arising out of direct insurance operations and reinsurance operations past due but not impaired is as follows:

	2020 \$'000	2019 \$'000
Less than 90 days past due	20,053	367
Between 91 and 180 days past due	3,935	130
Over 180 days past due	4,569	43
Total	28,557	540

3.3 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when they are due without incurring an unreasonable cost. The Group's main exposures to liquidity risk are with respect to its insurance and investment activities. The Group is exposed if proceeds from financial assets are not sufficient to fund obligations arising from its insurance contracts. The Group can be exposed to daily calls on its available investment assets, principally to settle insurance claims and to fund trust accounts following a large catastrophe loss.

Liquidity risk is the risk that cash may not be available to pay obligations when due on a timely basis. The Group is able to call on its available cash resources as follows:

Claims arising from insurance contracts are settled by the syndicates using their own funds. Where insufficient liquid funds exist, the syndicates can place a cash call on the Members supporting them and can ultimately draw down from the Members' funds at Lloyd's. With respect to the syndicates, the funds are held in cash or in short-term, liquid stocks which are able to be converted to cash within a few days. Furthermore, Syndicate 2010 has banking catastrophe facility available to it.

The key controls operated by the Finance function include the monitoring of overdue premiums, cash flows and financials, settlement dates and currency exchange rate movements.

A portion of the corporate Group's assets are held as funds at Lloyd's which are restricted in terms of their use, although they can be drawn down to pay any cash calls to syndicates supported by the Group. At 31 December 2020, the Group had \$74.2m of cash available for use (2019: \$28.1m).

Within the Group's investment guidelines are subsets of guidelines for the portion of funds required to meet near-term obligations and cash flow needs following an extreme event. These guidelines add a further degree of requirements, including fewer allowable asset classes, higher credit quality, shorter duration and higher liquidity. The primary objectives for this portion of assets are capital preservation and providing liquidity to meet insurance and other near-term obligations. In addition to cash managed internally, funds held in the investment portfolio to cover this potential liability are designated as the core and core plus portfolios and the portfolio duration is matched to the duration of the insurance liabilities, within an agreed range. The core and core plus portfolios are invested in fixed maturity securities, fixed maturity funds and cash and cash equivalents. The combined core and core plus portfolios may, at times, contain assets significantly in excess of those required to meet insurance liabilities or other defined funding needs.

Assets in excess of those required to be held in the core and core plus portfolios are typically held in the surplus portfolio. The surplus portfolio is invested in fixed maturity securities, principal protected products, derivative instruments, cash and cash equivalents, private investment funds and hedge funds. In general, the duration of the surplus portfolio is slightly longer than the core or core plus portfolios.

The Group reviews the composition, duration and asset allocation of its investment portfolio on a regular basis in order to respond to changes in interest rates and other market conditions. If certain asset classes are anticipated to produce a higher return within management's risk tolerance, an adjustment in asset allocation may be made. Conversely, if the risk profile is expected to move outside of tolerance levels, adjustments may be made to reduce the risks in the portfolio.

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The maturity dates of the Group's fixed maturity portfolio are as follows:

	Core \$'000	Core plus \$'000	Surplus \$'000	Total \$'000
At 31 December 2020				
Less than one year	28,564	13,638	—	42,202
Between one and two years	35,782	26,850	—	62,632
Between two and three years	19,708	15,153	100	34,961
Between three and four years	12,287	7,325	—	19,612
Between four and five years	11,924	5,553	—	17,477
Over five years	2,454	1,465	—	3,919
Asset backed and mortgage backed securities	6,089	2,518	—	8,607
Total	116,808	72,502	100	189,410
At 31 December 2019				
Less than one year	19,873	19,489	—	39,362
Between one and two years	30,609	20,645	—	51,254
Between two and three years	17,615	16,132	—	33,747
Between three and four years	398	7,531	—	7,929
Between four and five years	7,109	7,165	—	14,274
Over five years	1,243	1,719	—	2,962
Asset backed and mortgage backed securities	4,387	4,390	—	8,777
Total	81,234	77,071	—	158,305

The fixed maturity securities structured entities are created to meet specific investment needs of borrowers and investors which cannot be met from standard financial instruments available in capital markets. As such, they provide liquidity to the borrowers in these markets and provide investors with an opportunity to diversify away from standard fixed maturity securities. Whilst individual securities may differ in structure, the principles of the instruments are broadly the same and it is appropriate to aggregate the investments into the categories above.

The risks that the Group faces in respect of the investments in structured entities is similar to the risk it faces in respect of other financial investments held on the consolidated balance sheet in that fair value is determined by market supply and demand. This is in turn driven by investor evaluation of the credit risk of the structure and changes in term structure of interest rates which change investors expectation of cash flows associated with the instruments and, therefore, its value in the market. The total assets of these entities are not considered meaningful for the purpose of understanding the related risks and therefore have not been presented. The maximum exposure to loss in respect of these structured entities would be the carrying value of the instruments that the Group held as at the year end. Generally, default rates would have to increase substantially from their current level before the Group would suffer a loss and this assessment is made prior to investing and continually through the holding period for the security.

The Group has not provided any other financial or other support in relation to any other to that described above as at the reporting date, and there are no intentions to provide support in relation to any other unconsolidated structured entities in the foreseeable future.

The maturity profile of the insurance contracts and financial liabilities of the Group is as follows:

	\$'000 Balance sheet	\$'000 < 1 year	\$'000 1 - 3 years	\$'000 4 - 5 years	\$'000 > 5 years	\$'000 Total
At 31 December 2020						
Losses and loss adjustment expenses	371,333	241,673	105,283	20,384	3,993	371,333
Insurance contracts - other payables	10,685	10,685	—	—	—	10,685
Amounts payable to reinsurers	72,347	72,347	—	—	—	72,347
Other payables	31,579	31,579	—	—	—	31,579
Long-term debt	73,685	2,600	5,425	5,689	107,639	121,353
Total	559,629	358,884	110,708	26,073	111,632	607,297
At 31 December 2019						
Losses and loss adjustment expenses	341,891	222,343	93,240	21,860	4,448	341,891
Insurance contracts - other payables	10,565	10,565	—	—	—	10,565
Amounts payable to reinsurers	58,151	58,151	—	—	—	58,151
Other payables	38,828	38,828	—	—	—	38,828
Long-term debt	72,332	3,431	7,091	7,108	114,133	131,763
Total	521,767	333,318	100,331	28,968	118,581	581,198

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3.4 Market risks

3.4.1 Currency risk

The Group holds assets and liabilities in four main currencies - sterling, Euros, Canadian Dollars and USD. Syndicates for the most part aim to ensure that their assets and liabilities match by currency as closely as possible, which mitigates the degree of currency risk somewhat.

Syndicate underwriting profits and losses are currently only capable of being distributed in either USD or sterling and so the Group is affected to some degree by movements in the USD and sterling rate. This is further compounded by the fact that any underwriting profits are normally only paid out once a year into members reserves at the distribution date although any release of funds is subject to Lloyd's distribution tests. The Group does not currently enter into any currency deals to mitigate this currency risk.

The Lancashire Group hedges monetary non-USD liabilities primarily with non-USD assets, but may also use derivatives to mitigate foreign currency exposures. The Group's main foreign currency exposure relates to its insurance obligations, cash holdings, investments, premiums receivable, dividends payable and the Euro denominated subordinated loan notes discussed in Note 19. The Lancashire Group uses forward foreign currency contracts for the purposes of managing currency exposures.

The Group's assets and liabilities, categorised by currency at their translated carrying amount, are as follows:

As at December 2020	GBP \$'000	USD \$'000	EUR \$'000	CAD \$'000	Total \$'000
Assets					
Cash and cash equivalents	18,025	122,268	6,253	8,699	155,245
Accrued interest receivable	116	645	—	26	787
Investments	27,441	143,857	—	18,112	189,410
Inwards premiums receivable from insureds and cedants	19,838	112,482	14,695	4,176	151,191
Reinsurance assets					
- Unearned premiums on premiums ceded	1,551	32,374	2,508	333	36,766
- Reinsurance recoveries	26,264	124,692	4,196	1,114	156,266
- Other receivables	1,662	15,954	1,963	48	19,627
Other receivables	7,492	28,938	9	392	36,831
Deferred acquisition costs	3,787	26,033	2,164	1,609	33,593
Intangible assets	8,237	—	—	—	8,237
Total assets	114,413	607,243	31,788	34,509	787,953
Liabilities					
Insurance contracts					
- Losses and loss adjustment expenses	74,050	269,756	16,972	10,555	371,333
- Unearned premiums	19,201	135,041	10,146	6,613	171,001
- Other payables	756	9,413	512	4	10,685
Amounts payable to reinsurers	8,398	57,432	5,267	1,250	72,347
Deferred acquisition costs ceded	233	6,555	727	99	7,614
Other payables	2,569	28,957	55	(2)	31,579
Corporation tax payable	12,661	(145)	—	—	12,516
Deferred tax liability	1,228	—	—	—	1,228
Long-term debt	—	59,172	14,513	—	73,685
Total liabilities	119,096	566,181	48,192	18,519	751,988
Impact of 10% currency movement	(468)	4,106	(1,640)	1,599	3,597

* This is the pre tax increase/(decrease) on net assets (i.e. total assets less total liabilities)/profits of a movement in the sterling, Canadian dollar, Euro against USD by 10%, with all other variables constant. This is based on the above currency split.

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As at 31 December 2019	GBP \$'000	USD \$'000	EUR \$'000	CAD \$'000	Total \$'000
Assets					
Cash and cash equivalents	15,454	97,137	4,791	14,584	131,966
Accrued interest receivable	149	663	—	41	853
Investments	15,365	126,059	1	16,880	158,305
Inwards premiums receivable from insureds and cedants	19,051	84,915	9,413	2,915	116,294
Reinsurance assets					
- Unearned premiums on premiums ceded	1,104	22,642	2,044	144	25,934
- Reinsurance recoveries	34,652	99,598	4,032	1,078	139,360
- Other receivables	2,512	6,592	2,157	40	11,301
Other receivables	14,181	76,499	52	141	90,873
Deferred acquisition costs	3,881	21,467	2,004	1,561	28,913
Intangible assets	8,237	—	—	—	8,237
Total assets	114,586	535,572	24,494	37,384	712,036
Liabilities					
Insurance contracts					
- Losses and loss adjustment expenses	83,646	225,765	19,069	13,411	341,891
- Unearned premiums	17,104	102,841	7,890	5,897	133,732
- Other payables	1,480	8,516	170	399	10,565
Amounts payable to reinsurers	9,838	43,308	4,799	206	58,151
Deferred acquisition costs ceded	144	4,016	603	41	4,804
Other payables	953	37,829	55	(9)	38,828
Corporation tax payable	12,213	—	—	—	12,213
Deferred tax liability	1,463	175	—	—	1,638
Long-term debt	—	59,114	13,218	—	72,332
Total liabilities	126,841	481,564	45,804	19,945	674,154
Impact of 10% currency movement	(1,226)	5,401	(2,131)	1,744	3,788

3.4.2 Interest rate risk

Interest rate risk is the risk that changes in interest rates will impact the Group. This can arise where the Group holds investments (either directly or through its participation on syndicates) with a fixed return, and market interest rates change which in turn change the market value of the investments.

The fixed interest securities held by the corporate entities of the Group and the syndicates have a short duration and so foreseeable changes in market interest rates would not be expected to have a significant impact on their value.

All borrowings are at variable rates which are re-priced quarterly. The rates are as set out in Note 19 Borrowings issued at variable rates expose the Group to cash flow interest rate risk. However, this exposure is to some extent mitigated as any changes in LIBOR could be expected to impact both the interest earned on the cash and investments held by the Group as well as on the loans themselves. The Group has not entered into any interest rate swap products.

The Group is subject to interest rate risk on the coupon payments on long-term debt described in Note 19. An increase of 100 basis points on the EURIBOR and LIBOR three-month deposit rates would result in an increase in the interest expense on long-term debt for the Group.

The FCA has announced that it will no longer publish the LIBOR benchmark interest rate from 31 December 2021. LIBOR is used as a reference rate in some of the Group's long-term debt and financing arrangements (see Note 19). The long-term debt agreements contain fall back language if the reference rate, LIBOR, is not available. The Group is working with the calculation agent in the agreements to ensure there is an agreed upon replacement reference rate after LIBOR ceases to be published. Based on the consultation by the administrator of LIBOR on 25 January 2021, it is expected to extend the publication of certain USD LIBOR tenors until 30 June 2023. All other LIBOR tenor rates of other currencies will cease at the end of 2021. This would include the three-month LIBOR which is included in the long term debt agreements. The Group has determined that it currently has limited exposure to the transition from LIBOR and will continue to monitor the risks and challenges of a potential replacement of LIBOR.

A change in market interest rates of 1% would equate to a pre tax movement on net assets/profits of \$1.6m (2019: \$2.0m). This has been calculated by revaluing the assets and liabilities that would be affected by a movement in market interest rates.

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3.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes or systems. The Group has identified and evaluated its key operational risks and these are listed below:

- Staff Retention;
- Staff Recruitment
- Data Management and Integrity
- Systems, Technology and Services;
- Information Security and Cyber;
- Outsourcing and Contractual Risk;
- Business Continuity;
- Legal and Regulatory Compliance;
- Corporate Governance;
- Emerging Risks;
- Financial Crime and Sanctions;
- Financial Reporting;
- Group Support/Influence; and
- Business planning and Execution.

The Group has also established, and monitors compliance with, internal operational risk tolerances. The Risk and Compliance Committee ("RCC") reviews operational risk on at least an annual basis and operational risk is covered in the CRO's quarterly ORSA reporting to the Board of Directors.

In order to manage operational risks, the Group has implemented a robust governance framework. Policies and procedures are documented and identify the key risks and controls within processes. The Group's internal audit function provides independent feedback with regard to the accuracy and completeness of key risks and controls, and independently verifies the effective operation of these through substantive testing. All higher risk areas are subject to an annual audit, while compliance with tax operating guidelines is audited quarterly. Frequency of audits for all other areas varies from quarterly at the most frequent to a minimum of once every three years, on a rotational basis.

3.6 Capital management risk

The total capital of Cathedral Capital Holdings Limited is detailed in Note 23. The Group's capital requirements vary with the level of its underwriting and the insurance cycle.

There are 2 key strategic risks on the Risk Register which focus around business strategy and capital management:

- Regulatory approval process
- Insurance cycle management

Capital adequacy risks associated with the effectiveness of the Group's capital management are mitigated as follows:

- Business plans are ratified by the Board of Directors and approved by the Regulator (Lloyd's);
- Regular monitoring of current regulatory and rating agency capital requirements;
- Oversight of capital requirements by the Board of Directors;
- Ability to adapt to the prevailing insurance cycle;
- Ability to purchase sufficient, cost effective reinsurance;
- Maintaining contact with the regulator in order to stay abreast of upcoming developments;
- Regular monitoring of premium income, rates and performance against approved business plans;
- Regular monitoring of risk, capital and solvency against approved risk appetite; and
- Bi-annual 'Coming into line' process at Lloyd's.

Lloyd's of London

The Group participates on insurance business written by Lloyd's Syndicates. As a result of this participation, the Group is exposed to claims arising on insurance business written by those syndicates. If the corporate member subsidiary fails to meet any of its Lloyd's obligations, after having called on the Group under its guarantees, then Lloyd's will be entitled to require the subsidiary to cease or reduce its underwriting.

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4. Segmental Reporting

Management (the LSL's executive committee being the Group's Chief Operating Decision Maker) reviews the Group's business primarily by its four principal segments: Property, Aviation, Energy and Marine. These segments are therefore deemed to be the Group's operating segments for the purposes of segmental reporting. Further sub-classes of business are underwritten within each operating segment. The nature of these sub-classes is discussed further in the risk disclosures section in Note 3. Operating segment performance is measured by the net underwriting profit or loss and the combined ratio.

All amounts reported are transactions with external parties with the exception of the outwards reinsurance amounts which include related party transactions as detailed in Note 22.

The Group's operating segments for the purposes of segmental reporting have been revised in the current year as the management started reviewing the Group's business by its four segments during the year. The Cargo segment which was previously reported separately is now reported within Marine. The split by geographic area was also amended to include balances relating to Far East and Middle East within Rest of world.

Comparative balances for the year ended 31 December 2019 have been re-presented in conformity with the current year view.

Revenue and expenses by operating segment - for the year ended 31 December 2020

in \$'000	Property	Aviation	Energy	Marine	Total
Gross premiums written by geographic area					
U.S. and Canada	100,082	10,920	23,051	6,266	140,319
Worldwide - multi territory	22,704	23,956	9,948	26,829	83,437
Europe	15,504	19,348	3,614	6,072	44,538
Rest of world	31,692	40,703	9,430	6,377	88,202
Total	169,982	94,927	46,043	45,544	356,496
Outwards reinsurance premiums	(42,485)	(51,665)	(13,880)	(10,683)	(118,713)
Change in unearned premiums	(8,939)	(16,156)	(7,967)	(4,207)	(37,269)
Change in unearned premiums on premiums ceded	682	7,301	2,870	(34)	10,819
Net premiums earned	119,240	34,407	27,066	30,620	211,333
Insurance losses and loss adjustment expenses	(99,323)	(49,410)	(24,093)	(13,312)	(186,138)
Insurance losses and loss adjustment expenses recoverable	17,949	30,385	5,887	437	54,658
Insurance acquisition expenses	(27,163)	(13,687)	(7,066)	(12,880)	(60,796)
Insurance acquisition expenses ceded	1,305	7,274	1,054	16	9,649
Net underwriting profit	12,008	8,969	2,848	4,881	28,706
Net unallocated income and expenses					(31,014)
Loss before tax					(2,308)
Net loss ratio	68.2%	55.3%	67.3%	42.0%	62.2%
Net acquisition cost ratio	21.7%	18.6%	22.2%	42.0%	24.2%
Expense ratio	—	—	—	—	18.5%
Combined ratio	89.9%	73.9%	89.5%	84.0%	104.9%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

Revenue and expenses by operating segment - for the year ended 31 December 2019

in \$'000	Property	Aviation	Energy	Marine	Total
Gross premiums written by geographic area					
U.S. and Canada	90,642	5,214	13,691	6,426	115,973
Worldwide - multi territory	27,270	14,968	9,624	22,763	74,625
Europe	12,313	18,906	2,154	4,329	37,702
Rest of world	30,467	27,160	7,795	6,081	71,503
Total	160,692	66,248	33,264	39,599	299,803
Outwards reinsurance premiums	(58,327)	(34,739)	(14,972)	(3,959)	(111,997)
Change in unearned premiums	(3,803)	(15,167)	(4,667)	(6,219)	(29,856)
Change in unearned premiums on premiums ceded	410	8,696	1,932	(326)	10,712
Net premiums earned	98,972	25,038	15,557	29,095	168,662
Insurance losses and loss adjustment expenses	(104,364)	(18,190)	(9,566)	(14,949)	(147,069)
Insurance losses and loss adjustment expenses recoverable	39,848	8,367	853	573	49,641
Insurance acquisition expenses	(29,986)	(9,288)	(4,875)	(10,227)	(54,376)
Insurance acquisition expenses ceded	2,334	4,892	1,504	—	8,730
Net underwriting profit	6,804	10,819	3,473	4,492	25,588
Net unallocated income and expenses					(31,327)
Loss before tax					(5,739)
Net loss ratio	65.2%	39.2%	56.0%	49.4%	57.8%
Net acquisition cost ratio	27.9%	17.6%	21.7%	35.2%	27.1%
Expense ratio	—	—	—	—	23.2%
Combined ratio	93.1%	56.8%	77.7%	84.6%	108.1%

5. Investment Return

The total investment return for the Group is as follows:

	Net investment income	Net realised gains	Total investment return excluding foreign exchange	Net foreign exchange gains/(losses)	Total investment return including foreign exchange
For the year ended 31 December 2020	\$'000	\$'000	\$'000	\$'000	\$'000
Fixed maturity securities - at FVTPL	4,302	653	4,955	825	5,780
Other investments	274	—	274	—	274
Cash and cash equivalents	628	2	630	(17)	613
Total investment return	5,204	655	5,859	808	6,667

	Net investment income	Net realised (losses)/gains	Total investment return excluding foreign exchange	Net foreign exchange gains	Total investment return including foreign exchange
For the year ended 31 December 2019 (\$'000)	\$'000	\$'000	\$'000	\$'000	\$'000
Fixed maturity securities - at FVTPL	6,767	(116)	6,651	1,123	7,774
Other investments	433	—	433	—	433
Cash and cash equivalents	1,906	112	2,018	119	2,137
Total investment return	9,106	(4)	9,102	1,242	10,344

Net unrealised gains (losses) on FVTPL investments are included within net investment income.

Net investment income includes \$0.6m (2019: \$1.9m) of interest income on cash and cash equivalents.

Included in net investment income is \$0.2m (2019: 0.2m) of investment management, accounting and custodian fees.

6. Net Insurance Acquisition Expenses

For the year ended 31 December	2020 \$'000	2019 \$'000
Insurance acquisition expenses	65,476	61,768
Changes in deferred insurance acquisition expenses	(4,680)	(7,393)
Insurance acquisition expenses ceded	(12,459)	(13,533)
Changes in deferred insurance acquisition expenses ceded	2,810	4,804
Total net insurance acquisition expenses	51,147	45,646

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For the year ended 31 December 2020

7. Other Income

For the year ended 31 December	2020 \$'000	2019 \$'000
Reinsurance profit commission on quota share reinsurance agreement	1,110	456
Managing agency fees	1,036	1,079
Consortium fees	529	671
Consortium profit commission	1,650	742
Total other income	4,325	2,948

LSL charges fees and profit commission to the members of the consortium agreements it manages. Consortium profit commission is due to LSL in respect of the 2018 closed year agreement (2019: in respect of 2017 closed year agreement).

As at 31 December 2020, contract assets in relation to other income amounted to \$2.5m (2019: \$1.0m).

8. Results of Operating Activities

Results of operating activities are stated after charging the following amounts:

For the year ended 31 December	2020 \$'000	2019 \$'000
Auditor's remuneration		
- Audit of these consolidated financial statements	69	31
- Audit of financial statements of subsidiaries of the Company	61	47
- Other fees in respect of the regulatory return	3	2

9. Other Operating Expenses

For the year ended 31 December	2020 \$'000	2019 \$'000
Syndicate operating expenses	10,715	12,665
Names' personal expenses on Lancashire Lloyd's syndicates	2,484	2,095
Corporate expenses	2,652	4,837
Salaries	16,851	14,355
Restricted Share Scheme awards	3,161	1,983
Social security costs	2,259	2,406
Pension costs under defined contribution plans	926	816
Total other operating expenses	39,048	39,157

The average number of employees working for the Group during the year was 95 (2019: 80). Of this, 68 were dedicated to underwriting and claims (2019: 60) with other employees involved in operations, administration, actuarial and finance. All employees are employed by Lancashire Insurance Services Limited, a fellow group company.

The Group does not operate a pension fund. Instead, it makes contributions to employees' individual pension funds.

Directors' remuneration

There has been a change in presentation in respect of the directors' remuneration from the prior year to include the total amount of bonus accrued during the year rather than bonus paid within directors' remuneration. The comparatives were amended to be consistent with the current year presentation.

The remuneration of the Directors charged to the Company was as follows:

	2020 \$'000	2019 \$'000
Directors' remuneration	1,793	1,559
Company contributions to money purchase pension plans	93	76
Compensation for loss of office	—	412
Total	1,886	2,047

Highest-paid Director

The above amounts for the remuneration include the following in respect of the highest paid Director:

	2020 \$'000	2019 \$'000
Directors' remuneration	908	792
Company contributions to money purchase pension plans	43	36
Total	951	828

The highest paid Director did not exercise any share options.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

Key management compensation

Key management personnel includes all persons having authority and responsibility for planning, directing and controlling the activities of the Group. These people include the executive Directors of the Company. Details of the cost of the key management compensation charged to the Group are as follows:

	2020 \$'000	2019 \$'000
Salaries and other short-term employee benefits	1,793	1,559
Post-employment benefits	93	76
Total	1,886	1,635

10. Financing Costs

For the year ended 31 December	2020 \$'000	2019 \$'000
Interest expense on long-term debt	2,999	4,065
Other financing costs	22	44
Total financing costs	3,021	4,109

Refer to Note 19 for the details of long-term debt and financing arrangements.

11. Tax

For the year ended 31 December	2020 \$'000	2019 \$'000
(a) Analysis of charge in year		
Current tax:		
Corporation tax at 19.00% (2019: 19.00%)	(732)	(47)
Contribution for group tax relief received to other group companies for prior years	688	1,227
Total current tax (credit)/charge	(44)	1,180
Deferred tax (see Note 20):		
Adjustments in respect of previous years	(736)	(36)
Changes in tax rates and unwinding of claims equalisation reserve	126	(144)
Other temporary differences	263	(1,325)
Total deferred tax	(347)	(1,505)
Tax credit on loss before tax	(391)	(325)

The other temporary differences in 2020 mainly relate to syndicate underwriting loss \$9.3m (2019: \$1.3m profit) and claims equalisation reserve \$1.8m (2019: \$1.7m).

For the year ended 31 December	2020 \$'000	2019 \$'000
(b) Factors affecting tax credit for the year		
Loss before tax	(2,308)	(5,739)
UK corporation tax at 19.00% (2019: 19.00%)	(439)	(1,090)
Items not taxable for tax purposes	(30)	(318)
Changes in tax rates and unwinding of equalisation reserve	126	(144)
Amount paid to a fellow subsidiary in respect of tax saved by group	(48)	1,227
Tax credit on loss before tax	(391)	(325)

The UK corporation tax rate as at 31 December 2020 was maintained at 19% (effective 1 April 2017). These rates have been reflected in the closing deferred tax position on the consolidated balance sheet.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

12. Cash and Cash Equivalents

As at 31 December	2020 \$'000	2019 \$'000
Cash at bank and in hand	99,727	59,053
Cash equivalents	55,518	72,913
Total cash and cash equivalents	155,245	131,966
Cash and cash equivalents consist of:		
Balances held by syndicates	77,933	96,478
Balances held within funds at Lloyd's	3,153	7,342
Balances held by the Company	5,200	4,002
Balances available for use by the Group	68,959	24,144
Total cash and cash equivalents	155,245	131,966

Cash equivalents have an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Cash and cash equivalents held by the Syndicates and within funds at Lloyd's are restricted and are not freely available for use by the Group. Balances held by the Company are also available for use by the Group.

Cash and cash equivalents relating to the Company, as reflected in the Company Balance Sheet on page 16, includes balances held by the Company as shown above and balances held within funds at Lloyd's of \$3.2m (31 December 2019: \$0.9m).

13. Investments

As at 31 December 2020	Cost \$'000	Unrealised gains \$'000	Unrealised losses \$'000	Estimated fair value \$'000
<i>Group</i>				
Fixed maturity securities - at FVTPL	185,576	4,182	(348)	189,410
Total investments	185,576	4,182	(348)	189,410
As at 31 December 2019	Cost \$'000	Unrealised gains \$'000	Unrealised losses \$'000	Estimated fair value \$'000
<i>Group</i>				
Fixed maturity securities - at FVTPL	156,543	1,764	(2)	158,305
Total investments	156,543	1,764	(2)	158,305

Of the total Group's financial investments, the Company's investment in fixed maturity securities has fair value and cost of \$72.5m and \$70.7m, respectively (2019: fair value of \$77.1m and cost of \$76.4m).

Fixed maturity securities are presented in the risk disclosures section on pages 30 and 31.

The Group and Company determine the estimated fair value of each individual security utilising the highest-level inputs available. Prices for the Group's and Company's investment portfolio are provided via a third-party investment accounting firm whose pricing processes and the controls thereon are subject to an annual audit on both the operation and the effectiveness of those controls. Various recognised reputable pricing sources are used including pricing vendors and broker-dealers. The pricing sources use bid prices where available, otherwise indicative prices are quoted based on observable market trade data. The prices provided are compared to the investment managers' pricing. The Group and Company have not made any adjustments to any pricing provided by independent pricing services or its third-party investment managers for either year ending 31 December.

The fair value of securities in the Group's and Company's investment portfolio is estimated using the following techniques:

Level 1

Level 1 investments are securities with quoted prices in active markets. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Level 2 investments are securities with quoted prices in active markets for similar assets or liabilities or securities valued using other valuation techniques for which all significant inputs are based on observable market data. Instruments included in Level (ii) are valued via independent external sources using directly observable inputs to models or other valuation methods. The valuation methods used are typically industry-accepted standards and include broker-dealer quotes and pricing models including present values and future cash flows with inputs such as yield curves, interest rates, prepayment speeds and default rates.

Level 3

Level 3 investments are securities for which valuation techniques are not based on observable market data and require significant management judgement. During the years ended 31 December 2020 and 2019, the Company did not hold any level 3 investments.

The Group determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing the categorisation at the end of each reporting period. Transfers from Level 2 to 1 securities amounted to \$6.0m during the year ended 31 December 2019 (2019: \$43.6m). Transfers from Level 1 to 2 securities amounted to \$10.7m (2019: \$nil) during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

The fair value hierarchy of the Group's investment holdings is as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 31 December 2020				
Fixed maturity securities - Group	87,285	102,125	—	189,410
Fixed maturity securities - Company	34,785	37,714	—	72,499
As at 31 December 2019				
Fixed maturity securities - Group	84,660	73,645	—	158,305
Fixed maturity securities - Company	33,482	43,593	—	77,075

Of the Group's investments above, \$48.1m (2019: \$47.4m) are held as funds at Lloyd's and therefore their use is restricted. All investments held by syndicates are only available for investment and for paying of claims by the syndicates to their policyholders and expenses.

14. Other Receivables

	2020 \$'000	2019 \$'000
Group - As at 31 December		
<i>Due within one year:</i>		
Reinsurance quota share premium receivable	26,686	57,070
Prepayment	38	1,129
Other receivables	4,770	32,674
<i>Due after one year:</i>		
Loan to Lloyd's Central Fund	5,236	—
Total other receivables	36,831	90,873

Reinsurance quota share premium receivable is due from Lancashire Insurance Company Limited ("LICL") (see Note 22).

The amount of managing agency profit commission relating to 2017 underwriting year of account and intercompany loan from external names through the Group's managing subsidiary, included within other receivables, have been settled during the year.

The interest income earned on loan to Lloyd's central fund is included within total net investment income in Note 5. Based on the terms of the loan, the amount of loans for any year of account will not be repaid before 5 years have elapsed.

	2020 \$'000	2019 \$'000
Company - As at 31 December		
Amounts due from group undertakings	17,491	11,712
Other receivables	8	52
Total other receivables	17,499	11,764

The Company's amounts due from group undertakings relate to the intercompany balance with LSL of \$nil (2019: \$7.8m) and Cathedral Capital (1998) Limited of \$17.5m (2019: \$3.9m).

15. Investment in Subsidiaries

	2020 \$'000	2019 \$'000
As at 31 December	1,511	1,511

Details of the Company's subsidiaries are set out below. All companies are registered and operate in England.

Name of company	Nature of business	Proportion of ordinary shares held by the Company
Cathedral Capital (1998) Limited	Lloyd's corporate member	100%
Cathedral Capital (1999) Limited	Non trading	100%
Lancashire Syndicates Limited	Lloyd's managing agent	100%
Cathedral Underwriting Limited	Non trading	100%

Cathedral Underwriting Limited ("CUL") (previously called Cathedral CUL Limited) is a dormant company which was incorporated on 22 August 2019 in order to retain the trading name Cathedral Underwriting Limited. CUL has remained as a non trading dormant entity since its incorporation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

16. Intangible Assets

	Syndicate participations \$'000	Total \$'000
Net book value as at 31 December 2018	7,504	7,504
Additions during 2019	733	733
Net book value as at 31 December 2020 and 2019	8,237	8,237

The cost of syndicate participations relates to the Group's underwriting subsidiary's right to participate on a Syndicate for future underwriting years. The value of such a right is dependent on the expected underwriting results generated by each syndicate, plus any residual value in the Syndicate capacity auctions. The useful lives of the Syndicate participations are deemed to be indefinite. The amount of intangible assets relating to syndicate participation are not annually amortised but the Group annually tests these assets for impairment. The Group's intangible assets relate to one cash generating unit, being the Syndicate 2010.

There have been no movements during the year. In November 2020, the Company acquired 2.1% of further capacity on Syndicate 2010 for \$nil consideration, increasing its share on the 2021 year of account from 59.7% to 61.8%.

The recoverable amount of the Syndicate CGU is determined based on value in use. Value in use is calculated using projected cash flows based on the financial projections of the CGU. These are approved by management and cover a three-year period. The most significant assumptions used to derive the projected cash flows include an assessment of business prospects, expected future market conditions, premium growth rates, outwards reinsurance expenditure, projected loss ratios, investment returns and current events such as the COVID-19 pandemic and Brexit. A pre-tax discount rate of 4.9% (2019: 7.5%) has been used to discount the projected cash flows, which reflect a combination of factors including the Group's expected cost of equity and cost of borrowing. The growth rate used to extrapolate the cash flows is 3.0% (2019 - 3.0%) based on historical growth rates and management's best estimate of future growth rates.

Sensitivity testing has been performed to model the impact of reasonably possible changes in input assumptions to our base case impairment analysis and headroom. The discount rate has been flexed to 100 basis points above the central assumption, the growth rate has been flexed to 100 basis points below the central assumption and the pre-tax projected cash flows have been flexed 500 basis points below the central assumption. Within these ranges, the recoverable amount remains supportable.

Therefore, no impairment has been recognised in relation to the amount of syndicate participations for the years ending 31 December 2020 and 2019.

17. Other Payables

Group - As at 31 December	2020 \$'000	2019 \$'000
Amounts due to parent company	1,374	1,114
Amounts due to group undertakings	28,549	33,868
Other payables	254	2,446
Accruals and deferred income	1,402	1,400
Total other payables	31,579	38,828

Refer to Note 22 for the details of related party transactions.

Company - As at 31 December	2020 \$'000	2019 \$'000
Amounts due to group undertakings	5,607	1,580
Other payables	184	2,205
Accruals and deferred income	97	10
Total other payables	5,888	3,795

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

18. Losses and Loss Adjustment Expenses

	Losses and loss adjustment expenses \$'000	Reinsurance recoveries \$'000	Net losses and loss adjustment expenses \$'000
As at 31 December 2018	339,488	(133,410)	206,078
Net incurred losses for:			
Prior years	64,704	(16,930)	47,774
Current year	82,365	(32,711)	49,654
Exchange adjustments	3,741	(1,947)	1,794
Incurred losses and loss adjustment expenses	150,810	(51,588)	99,222
Net paid losses for:			
Prior years	131,566	(42,998)	88,568
Current year	16,841	(2,640)	14,201
Paid losses and loss adjustment expenses	148,407	(45,638)	102,769
As at 31 December 2019	341,891	(139,360)	202,531
Net incurred losses for:			
Prior years	(3,227)	(4,940)	(8,167)
Current year	189,365	(49,718)	139,647
Exchange adjustments	4,793	(624)	4,169
Incurred losses and loss adjustment expenses	190,931	(55,282)	135,649
Net paid losses for:			
Prior years	111,506	(27,993)	83,513
Current year	49,983	(10,383)	39,600
Paid losses and loss adjustment expenses	161,489	(38,376)	123,113
As at 31 December 2020	371,333	(156,266)	215,067

Further information on the calculation of loss reserves and the risks associated with them is provided in the risk disclosures section in Note 3. The impact of an unreported event could lead to a significant increase in the Group's loss reserves.

If the provision for gross and net outstanding claims changed by 20%, the impact would equate to a pre-tax movement on net assets/profits of \$74.3m gross (2019: \$68.4m) and \$43.0m net (2019: \$40.5m).

There was no change to the Group's reserving methodology during the year.

The split of losses and loss adjustment expenses between notified outstanding losses and IBNR is shown below:

As at 31 December	2020		2019	
	\$'000	%	\$'000	%
Outstanding losses	184,722	49.7	174,251	51.0
Losses incurred but not reported	186,611	50.3	167,640	49.0
Total	371,333	100.0	341,891	100.0

Claims Development

The development of insurance liabilities is indicative of the Group's ability to estimate the ultimate value of its insurance liabilities. The loss development table provides information about the historical claims development for syndicates. It shows how the Group's estimates of the claims ratio for the past ten accident years have changed at successive year-ends.

Previously the claims development triangle was prepared on an underwriting year basis. In common with the rest of the Lancashire Group, we now present the triangle on an accident year basis as this better reflects the way in which we monitor and review the profitability of our business.

While the information in the table provides a historical perspective on the adequacy of the claims liabilities established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current claims liabilities. The Group believes that the estimate of total claims liabilities as at the balance sheet date are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

COVID-19 is an unprecedented event for the insurance industry and the effects of COVID-19 as a loss event to the insurance and reinsurance markets remain both ongoing and uncertain. Reserving for the impacts of the COVID-19 pandemic is difficult, both in estimating the direct impacts of the pandemic itself and also in allowing for additional reserves related to the secondary impacts of lockdowns on the costs of settling claims across all lines of business. Given the uncertainty noted above and the continuation of the impacts of the pandemic into 2021 our final COVID-19-related losses may be materially different from those booked to date.

The loss development table below has been adjusted for revaluation of foreign currencies at the exchange rates as at 31 December 2020.

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For the year ended 31 December 2020

Accident Year (\$'000)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
GROSS											
At end of accident year	77,823	56,578	97,289	134,564	102,348	122,800	243,689	170,132	168,050	191,199	
One year later	79,237	57,153	103,011	126,306	90,729	129,952	259,848	191,720	187,033		
Two years later	78,511	48,248	94,620	118,415	81,626	120,952	242,677	186,623			
Three years later	67,175	44,196	90,408	113,139	78,764	113,102	232,236				
Four years later	62,750	42,866	89,354	112,903	78,937	110,944					
Five years later	63,148	42,554	88,161	111,802	77,558						
Six years later	64,206	39,417	83,336	108,460							
Seven years later	63,861	38,522	84,900								
Eight years later	65,386	39,008									
Nine years later	64,247										
Gross ultimate claims	64,247	39,008	84,900	108,460	77,558	110,944	232,236	186,623	187,033	191,199	1,282,208
Less: Cumulative gross paid claims	(56,710)	(32,630)	(83,723)	(99,533)	(70,443)	(103,824)	(198,700)	(136,707)	(93,455)	(49,983)	(925,708)
Gross claims reserves from 2011 to 2020	7,537	6,378	1,177	8,927	7,115	7,120	33,536	49,916	93,578	141,216	356,500
Gross claims reserves on 2010 and prior											14,833
Gross claims reserves											371,333

Accident Year (\$'000)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
REINSURANCE											
At end of accident year	37,135	13,604	9,665	17,437	7,753	22,651	91,939	38,250	50,619	49,882	
One year later	37,174	13,595	8,961	14,014	4,741	25,691	108,623	53,726	61,805		
Two years later	37,274	13,781	8,951	13,014	4,981	24,249	105,165	52,643			
Three years later	32,037	12,903	8,098	11,494	5,309	22,567	102,597				
Four years later	32,066	13,003	8,039	11,698	5,450	21,015					
Five years later	32,034	12,953	8,027	9,310	5,347						
Six years later	33,778	12,732	7,377	9,320							
Seven years later	34,163	12,649	7,346								
Eight years later	34,303	12,633									
Nine years later	34,291										
RI ultimate claims	34,291	12,633	7,346	9,320	5,347	21,015	102,597	52,643	61,805	49,882	356,879
Less: Cumulative RI paid claims	(30,775)	(9,950)	(7,314)	(8,219)	(5,008)	(19,524)	(77,198)	(27,648)	(14,714)	(10,383)	(210,733)
RI claims reserves from 2011 to 2020	3,516	2,683	32	1,101	339	1,491	25,399	24,995	47,091	39,499	146,146
RI claims reserves on 2010 and prior											10,120
RI claims reserves											156,266

Accident Year (\$'000)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
NET											
At end of accident year	40,688	42,974	87,624	117,127	94,595	100,149	151,750	131,882	117,431	141,317	
One year later	42,063	43,558	94,050	112,292	85,988	104,261	151,225	137,994	125,228		
Two years later	41,237	34,467	85,669	105,401	76,645	96,703	137,512	133,980			
Three years later	35,138	31,293	82,310	101,645	73,455	90,535	129,639				
Four years later	30,684	29,863	81,315	101,205	73,487	89,929					
Five years later	31,114	29,601	80,134	102,492	72,211						
Six years later	30,428	26,685	75,959	99,140							
Seven years later	29,698	25,873	77,554								
Eight years later	31,083	26,375									
Nine years later	29,956										
Net ultimate claims	29,956	26,375	77,554	99,140	72,211	89,929	129,639	133,980	125,228	141,317	925,329
Less: Cumulative net paid claims	(25,935)	(22,680)	(76,409)	(91,314)	(65,435)	(84,300)	(121,502)	(109,059)	(78,741)	(39,600)	(714,975)
Net claims reserves from 2011 to 2020	4,021	3,695	1,145	7,826	6,776	5,629	8,137	24,921	46,487	101,717	210,354
Net claims reserves on 2010 and prior											4,713
Net claims reserves											215,067

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

19. Long-Term Debt and Financing Arrangements

During the year ended 31 December 2020, there have been no changes made to the Group's long term debt and financing arrangements as a result of the COVID-19 pandemic.

Long Term Debt

As at 31 December	2020 \$'000	2019 \$'000
Unsecured floating rate subordinated loan notes	73,685	72,332

The carrying amount disclosed above reasonably approximates to fair values at year end.

In 2004, two unsecured floating rate subordinated loan notes due 2034 were issued by the Company. Both notes were listed on the Irish Stock Exchange effective from 12 January 2005 and are as follows:

- €12,000,000 floating rate subordinated loan note issued on 18 November 2004 and repayable in September 2034, paying quarterly interest based on a set margin of 3.75%, above the three-month EURIBOR; and
- \$10,000,000 floating rate subordinated loan note issued on 26 November 2004 and repayable in September 2034, paying quarterly interest based on a set margin of 3.75%, above the three-month LIBOR.

In 2005, a further two unsecured floating rate subordinated loan notes due 2035 were issued by the Company. These notes were listed on the Irish Stock Exchange effective from 1 July 2005 and 1 March 2006 and are set out below:

- \$25,000,000 floating rate subordinated loan note issued on 13 May 2005 and repayable in June 2035, paying quarterly interest based on a set margin of 3.25%, above the three-month LIBOR; and
- \$25,000,000 floating rate subordinated loan notes issued on 18 November 2005 and repayable in December 2035, paying quarterly interest based on a set margin of 3.25%, above the three-month LIBOR.

See page 33 for consideration and management of the possible impact of LIBOR reform.

The Company has the option to redeem these subordinated loan notes in whole or in part, prior to the respective maturity dates.

The amount of interest charged during the year in respect of the unsecured floating rate subordinated loan notes is set out in Note 10 of the consolidated financial statements, which is included within other payables.

Syndicate Bank Facilities

The syndicates, through LSL, have credit facilities in place to assist them, where necessary, in meeting their policyholder liabilities; however, these are not available to the Group other than through their participation on the syndicates it supports.

As at 31 December 2020 and 2019, Syndicate 2010 had in place an \$80.0m catastrophe facility. The facility is available to assist in paying claims and the gross funding of catastrophes for Syndicate 2010. While up to \$80.0m in aggregate can be utilised by way of Letters of Credit ("LoC") or Revolving Credit Facility ("RCF") to assist Syndicate 2010's gross funding requirements, only \$40.0m of this amount can be utilised by way of an RCF. With effect from 1 January 2021, the RCF element has been removed and the facility now solely operates as a LoC facility, available up to a maximum amount of \$60.0 million. A separate uncommitted overdraft facility will be made available to Syndicate 2010 of \$20.0m.

There are no balances outstanding under the Syndicate bank facility as at 31 December 2020 and 2019. The Syndicate bank facility is not available to the Group other than through its participation on the syndicates it supports.

20. Provision for Deferred Tax

As at 31 December	2020 \$'000	2019 \$'000
Profit/(loss) of closed underwriting year	1,406	(7,849)
Underwriting losses not yet recognised for tax	(9,319)	(7,539)
Claims equalisation reserve	1,713	3,271
Reinsurance premium payable under quote share agreement	7,428	13,755
Net deferred tax liability	1,228	1,638

All deferred tax assets included within net deferred tax balance above as at 31 December 2020 are considered to be recoverable.

Deferred tax assets are recognised to the extent that realising the related tax benefit through future taxable profits is likely. The Group has considered the current impact of the COVID-19 pandemic on future taxable profits. It is anticipated that sufficient taxable profits will be available within the Group in 2021 and subsequent years to utilise the deferred tax assets recognised when the underlying temporary differences reverse.

For the years ended 31 December 2020 and 2019, the Group had no uncertain tax positions.

All deferred tax assets and liabilities are classified as non-current.

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For the year ended 31 December 2020

21. Share Capital

	2020 Number	2019 Number
Authorised issued and fully paid ordinary shares:		
Authorised ordinary shares of 25p each	400,000,000	400,000,000
Allotted issued and fully paid ordinary shares of 25p each	41,265,775	41,265,775
As at 31 December	2020 \$'000	2019 \$'000
Nominal value:		
Ordinary shares of 40.75p each	16,815	16,815

There are no rights or restriction regarding dividends and repayment of capital.

22. Related Party Transactions

(i) Directors' interest in transactions

Mr Maloney (Group CEO) and his spouse acquired 100% of the shares in Nameco 801 on 7 November 2016. Nameco 801 provides capacity to a number of Lloyd's Syndicates including Syndicate 2010 which is managed by the Company.

Nameco 801 has provided \$0.2m of capacity to Syndicate 2010 for the 2021 year of account (2019: \$0.2m for the 2020 year of account). Mr Maloney receives a proportionate share of the underwriting results of Syndicate 2010 to which he is contractually entitled through his participation.

No other Directors had an interest in transactions other than in the normal course of business or disclosed in (iv) below.

(ii) Other

Cathedral Capital Limited ("CCL"), registered in England & Wales, is the Company's immediate parent company. Lancashire Holdings Limited ("LHL"), registered in Bermuda, is the Company's ultimate parent company. LHL is the largest group for which consolidated financial statements are prepared.

LHL has been approved as a controller of the Group's managing agency subsidiary by Lloyd's, the PRA and FCA.

(iii) Balances and transactions with related parties

The Group had the following intercompany balances with its parent company and Lancashire group companies:

As at 31 December	2020 \$'000	2019 \$'000
Amounts due to Lancashire Holdings Limited	1,374	1,114
Amounts due to Lancashire Insurance Services Limited	15,805	24,863
Amounts due to Lancashire Insurance Company (UK) Limited	69	463
Amounts due to Lancashire Insurance Company Limited	12,744	8,897
Total	29,992	35,337

The amounts due to Lancashire group companies is included in Note 17 within amounts due to group undertakings. This balance mainly includes intercompany recharges from LHL relating to the costs of restricted share scheme awards and other operating expenses. The above also includes overrider payable to Lancashire Insurance Company (UK) Limited included within amounts payable to reinsurers of \$0.2m (2019: \$0.4m).

The following transactions took place with other companies of the Group:

- Dividends paid to the immediate parent company, CCL, are set out in the consolidated statement of changes in equity. In 2020, no dividends were paid to CCL (2019: \$nil).
- The costs relating to restricted share scheme in the year charged from the Lancashire Group is \$2.7m (2019: \$2.0m) (see Note 9. In addition, group relief was paid from Cathedral Capital Limited to Lancashire Holdings Limited as set out in Note 11.
- During 2013, the Group entered into a quota share reinsurance with LICI, a fellow Lancashire group subsidiary based in Bermuda. Under this arrangement, premiums/claims are payable to/recoverable from LICI which are equal to 85% of the net underwriting profit/losses from the Group's participation on Syndicates 2010 and 3010. This covers the 2014 and prior years of account as they are earned from 1 January 2014. Premiums will be settled on distribution of the relevant year of account from Lloyd's. The quota share reinsurance includes reinsurance commission of 15% payable to the Cathedral Capital Holdings Limited Group. The arrangements were made on normal commercial terms.

The Group renewed the quota share arrangement with LICI during 2019 and 2020. The amounts recognised through statement of comprehensive loss in respect of the quota share reinsurance are: quota share reinsurance premiums \$3.5m (2019: \$6.8m) and profit commission included within other income of \$1.1m (2019: \$0.5m).

As at 31 December 2020, the total amount of reinsurance quota share premium receivable from LICI is \$26.7m (2019: 57.1m), which is disclosed in Note 14 of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(iv) Key management compensation

Details of key management compensation is disclosed in Note 9.

Loans advanced to Directors and key management of the Company (and their families) are solely in relation to the timing of payment of personal items. No interest is charged on these small loans. At 31 December 2020 these items were \$nil (2019: \$nil). All pension contributions are made to the Directors' own personal pension schemes.

23. Capital

The Group's capital structure consists of equity balances attributable to equity holder of the Company (which comprises share capital, other reserves and retained earnings) and unsecured floating rate subordinated notes. Details of the equity balances attributable to equity holder of the Company are set out in the Consolidated Statement of Changes in Shareholder's Equity on page 17 and details of the loan capital are set out in Note 19, and there has been no change in the Group's policies in managing capital since the prior year. A significant proportion of the Group's capital is used to support its Lloyd's underwriting commitments.

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority ("PRA") under the Financial Services and Market Act 2000. It is also subject to Solvency II, a regulatory regime for (re)insurance in the European Economic Area. Within the supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital requirements, and beyond that to meet its own financial strength, license and ratings objectives.

The capital framework at Lloyd's requires each managing agent to calculate the capital requirement for each syndicate it manages. Lloyd's requires the submission of an ultimate Solvency Capital Requirement ("uSCR"). The uSCR captures the risk in respect of the planned underwriting for the prospective year of account in full, covering ultimate adverse development and all exposures at a 1:200 confidence level.

The uSCR of each syndicate at Lloyd's is regarded as the minimum Regulatory Capital Requirement for the business. Lloyd's has the discretion to take into account other factors at member level to uplift the calculated uSCR (including the need to maintain the market's overall security rating) and achieves this currently by applying a market-wide loading of 35% to each uSCR to produce a Syndicate Economic Capital Assessment ("ECA").

Management are required to carry out regular assessments of the amount of capital that is adequate for the size and nature of each syndicate and each syndicate uSCR is reviewed annually by Lloyd's. Funds at Lloyd's requirements are formally assessed twice a year and must be met for the Group to continue underwriting at Lloyd's. In addition, adjustments are made by Lloyd's to allow for open year profits and losses of the syndicates on which the corporate member participates. There is an obligation on members to remain solvent on a continuous basis.

The Group's objective when managing capital is to ensure there is sufficient capital to meet the requirements set out above. As at 31 December 2020, the Group's funds at Lloyd's were provided by Cathedral Capital Holdings Limited, Lancashire Insurance Company Limited, and Cathedral Capital (1998) Limited. These balances were invested in a mixture of equities, fixed interest instruments, cash and LoC.

	2020 \$'000	2019 \$'000
Funds at Lloyd's provided by Cathedral Capital Holdings Limited	51,298	48,740
Funds at Lloyd's provided by Lancashire Insurance Company Limited	358,761	312,831
Funds at Lloyd's provided by Cathedral Capital (1998) Limited	16,540	6,414
Total	426,599	367,985

24. Ultimate Parent Undertaking

CCL, registered in England and Wales, is the immediate parent company of the Company. LHL, incorporated in Bermuda, is the ultimate parent company of the Company.

LHL is the largest company which includes the Company and for which the consolidated financial statements are prepared.

Copies of the consolidated financial statements for LHL can be obtained from 29th Floor, 20 Fenchurch Street, London, EC3M 3BY.

25. Post Balance Sheet Events

On 13 February 2021, the Winter Storm Uri loss event commenced in the US State of Texas. At the time of signing the consolidated financial statements, it is too early to quantify the effects, however it is an event which is in the normal course of insurance business and the Group will closely monitor developments in the coming weeks. This will be a 2021 calendar year loss and will not impact the 2020 consolidated financial statements.