SIRIUS POINT

Sirius International Corporate Member Limited

Registered number: 07630350

SIRIUS INTERNATIONAL CORPORATE MEMBER LIMITED –

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2020

ANNUAL REPORT 2020

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ANNUAL REPORT 2020

Directors and Administration

The directors of the Company during the year and to the date of this report were:

M Cramér Manhem
L Ek
R Harman
D Foster (appointed 6 August 2020)

Company Secretary
BLG (Professional Services) Limited
7th Floor, Beaufort House
15 St Botolph Street
London
EC3A 7NJ

Registered office

The St Botolph Building
138 Houndsditch
London
EC3A 7AR

Registered number 07630350

Independent Auditors'

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

ANNUAL REPORT 2020

Strategic Report

The Directors of Sirius International Corporate Member Limited (SICM), ("the Company") present their strategic report for the year ended 31 December 2020.

The Company underwrites insurance business at Lloyd's by means of its participation in Syndicate 1945, providing 100% of the capital. The Syndicate began underwriting in July 2011 with a view to underwriting certain business previously underwritten by Sirius International Insurance Corporation (publ) through a London branch office.

Review of the business

The principal activity of Syndicate 1945 continues to be the transaction of general insurance and reinsurance business in the United Kingdom at Lloyd's. The global Corona virus pandemic has adversely impacted the Syndicate result with net losses totalling £57.3m. These arose mainly on our Contingency book which is no longer underwritten. Without the COVID-19 losses the result for the year would have been a profit of £1.1m.

As a result of the UK's departure from the European Union and the end of the 'transition period', the Syndicate effected a Part VII transfer of relevant EEA business to Lloyd's Insurance Company S.A. (LIC) on 30 December 2020. On the same day the Syndicate entered into a 100% reinsurance contract with LIC on the same business. The combined effect of the two transactions mean there is no economic impact for the Syndicate. For further information on the Part VII transfer please refer to Note 25.

The impact from exiting the European Union was limited from an underwriting point of view. The majority of the Syndicate's business is US exposed, however for the small number of European exposed risks (namely affecting Energy, Space and Property), having access to the Lloyd's Insurance Company ensured no business was lost.

With the UK Government's recommendation that people should work from home if possible, the London office has been temporarily closed. The business has adapted well to the new working conditions with staff working remotely from home.

On 6 August 2020, Sirius International Insurance Group, Ltd, ("The Group") announced that it had entered into an Agreement and Plan of Merger (the "2020 Merger Agreement") with Third Point Reinsurance Ltd., a Bermuda exempted company ("TPRE"), and Yoga Merger Sub Limited, a Bermuda exempted company and a wholly owned subsidiary of TPRE ("Merger Sub").

The 2020 Merger Agreement provided, among other things, that, upon the terms and subject to the conditions set forth in the 2020 Merger Agreement and a Statutory Merger Agreement to be executed by the Group, TPRE and Merger Sub (the "Statutory Merger Agreement"), Merger Sub would merge with and into the Group, with the Group surviving as a wholly owned subsidiary of TPRE (the "TPRE Merger").

The 2020 Merger Agreement, the Statutory Merger Agreement, and the consummation of the transactions contemplated by the 2020 Merger Agreement, the Statutory Merger Agreement, including the TPRE Merger have been unanimously approved by the board of directors of each of the Group and TPRE. The Group received all the required regulatory approvals and the TPRE Merger closed on 26 February 2021, and the ultimate parent of the Syndicate changed from China Minsheng Investment Group Corp Ltd to Third Point Reinsurance Ltd.

Results and performance

The total comprehensive income for the financial year was a loss of £57.5m (2019: total comprehensive income of a loss of £22.9m). No dividend has been paid or proposed. The balance of accumulated losses was transferred to reserves. During the year the Company has settled the 2017 year of account loss and has injected funds into the Syndicate to reduce the deficit in members' funds. At 31 December the deficit was £34.7m (2019: deficit of £63.8m).

Strategic Report (continued)

Results and performance (continued)

The Company's business is derived from that of the Syndicate. These are the classes of business that management use to review the business.

Gross written premium by class of business	2020 £000	2019 £000
Accident and health	40,935	39,550
Contingency	(108)	1,110
Property	12,403	13,136
Marine	3,707	1,954
Energy	12,464	9,005
Casualty	39,431	31,836
Total	108,832	96,591

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

Performance	Syndicate 2020 £000	SICM 2020 £000	Company 2020 £000	Syndicate 2019 £000	SICM 2019 £000	Company 2019 £000
Gross written premium	108,832	-	108,832	96,591	-	96,591
Net earned premium	95,712	-	95,712	90,812	-	90,812
Net claims incurred	(121,684)	-	(121,684)	(77,212)	-	(77,212)
Expenses	(30,850)	(649)	(31,499)	(32,019)	(860)	(32,879)
Underwriting result	(56,822)	(649)	(57,471)	(18,419)	(860)	(19,279)
Investment return	769	12	781	1,534	-	1,534
Balance on technical account	(56,053)	(637)	(56,690)	(16,885)	(860)	(17,745)
Unrealised foreign exchange (loss)/gain	(111)	4	(107)	1,031	(32)	999
Loss before tax	(56,164)	(633)	(56,797)	(15,854)	(892)	(16,746)

Performance	Syndicate 2020	Company 2020	Syndicate 2019	Company 2019
Claims ratio	127.1%	127.1%	85.0%	85.0%
Expense ratio	32.2%	33.0%	34.2%	35.1%
Combined ratio	159.3%	160.1%	119.2%	120.1%

The increase in the net loss ratio in 2020 to 127.1% (2019: 85.0%) is largely due to COVID-19 losses.

Strategic Report (continued)

Results and performance (continued)

The impact of a number of years of poor performance in the Property market as a result of sizeable hurricane losses as well as back year deterioration seen in the Casualty market, has meant that 2020 has seen sizeable rate increases on these two portfolios. This is particularly pronounced within the US market with rate increases seeing double digits. The Syndicate has taken advantage of these market movements with risk adjusted rate change being 18% (12% above plan) for Property and 10% (6% above plan) for Casualty. Similarly, Space has also seen significant rate increases following a number of significant large losses in the market, with risk adjusted rate change being 26% (21% above plan). For the Energy and A&H class, rate increases are starting to show, following the Coronavirus impact, albeit not to the same level of increases seen on the other classes. Additionally, rate improvements are more localised, primarily impacting the Renewable Energy and PA Cat XLs. For these classes, the Energy class has seen risk adjusted rate change of 9% (6% above plan) and the A&H class has seen risk adjusted rate change of 2% (2% above plan) in 2020 underwriting year.

Analysis of result	2020 £000	2019 £000
Balance per technical account	(56,702)	(17,745)
(Losses)/Gains on foreign exchange	(107)	999
Investment income not transferred to the technical account	12	-
Taxation	121	(6,176)
Loss for the financial year after taxation and adjustments	(56,676)	(22,922)
Other comprehensive income – currency translation adjustments	(817)	5
Total comprehensive expense for the year	(57,493)	(22,917)

At 31 December 2020, the parent company, Sirius International Insurance Corporation (publ), provided Letters of Credit and cash amounting to US$250m (2019: U$256M) in favour of The Society and Council of Lloyd's on behalf of the Company and additional US$64m of Funds in Syndicate. The Company has utilised these assets as Funds at Lloyd's in support of its underwriting membership of Syndicate 1945. In addition, the Company has a £20m loan facility from its parent company to provide working capital for Syndicate 1945.

Section 172 statement

The board members of the company act in a way that they consider, in good faith, would be most likely to promote the success of the company for all stakeholders. Stakeholders include: customers; suppliers; employees of other Group entities who provide services to the company, its managing agent (Sirius International Managing Agency Limited 'SIMA'), and Syndicate (the employees); investors; the regulatory authorities; the wider local community and the environment. Directors are cognisant of the fact that decisions taken in running the business may have long term consequences for some or all of these parties.

The Board determines the strategic objectives and policies of the company to support the delivery of long term value. The Board is collectively responsible for the success of the company. The Board delegates the day to day operation of the Syndicate to SIMA and supports the company's relationships with Group and Syndicate stakeholders as set out below:

Colleagues

The employees are engaged in regular staff meetings articulating business performance alongside updates to HR policies and procedures where relevant to current circumstances. Employees are kept involved in company business via regular and frequent communication with executive directors both at departmental level and the company operations working group. In addition, quarterly presentations are made to the staff on the financial results and discussions are had on their implications for ongoing business.

Strategic Report (continued)

S172 statement (continued)

Shareholder and Group relationships

The company's board consists of two Sirius Non-Executive Directors and the SIMA Chief Executive Officer and Chief Financial Officer. The company's parent is Sirius International Corporation (publ), a company incorporated in Sweden, which is part of the Sirius International Insurance Group, Bermuda. The two Sirius Non-Executive Directors also sit on the SIMA board giving the company in London a broader perspective on the needs and requirements of the company's sole capital provider.

Regulators and Lloyd's

SICM is not a regulated entity. All the directors on the Board of Sirius Managing Agency Limited (the company) are individually approved / certified by the Prudential Regulatory Authority (PRA) and /or Financial Conduct Authority (FCA) as applicable and various directors meet with both the PRA and Lloyd's throughout the year. There were no regulatory breaches during 2020 or since the reporting date.

We have a Code of Business Policy which emphasises our desire for a high standard of business conduct. The Code is a statement of the fundamental principles and key policies and procedures that govern the conduct of the Company's business. We are committed to transacting our business in a way that is compliant with applicable laws, rules and regulations.

Each year, the Board of SIMA have to agree a business plan with Lloyd's for Syndicate 1945 and such Syndicate Business Forecast is monitored by Lloyd's via quarterly reporting performance returns. SIMA have been closely following the developments of the Future at Lloyd's initiative during 2020, including a detailed review of both the Blueprint One and Blueprint Two documentation. The SIMA board are supportive of the key principles of the initiative and agreed that developments should be monitored closely, whilst ensuring SIMA is positioned to actively participate (as SIMA has with electronic placement) with the support of an advancing IT environment and efficient workforce.

Brokers, coverholders and policyholders

SIMA board members participate on various company committees which oversee different elements of the Syndicate's business and ensures, among other things, that customers are being treated fairly. The company regularly reviews our broker and coverholder trading partners and our major Reinsurance cedent companies to understand their financial strength. In addition, regular coverholder audits are carried out to ensure the terms and conditions are appropriate and are being adhered to.

Suppliers

Terms of engagement with advisors, suppliers and contractors are reviewed annually by the executive board members. Clear and fair guidance and service level agreements are in place and these are amended and adjusted to align with the needs of the business. We manage our operational risk relating to our outsourcing arrangements through the monitoring of defined service level agreements. The company expects our suppliers to have a clear stance on their impact on the environment including their sustainability policies.

Community and the environment

The owners of our London office at 20 Fenchurch Street secured an 'excellent' BREEAM assessment and employees contribute to sustainability through comprehensive recycling. The risk of rising sea levels as a result of climate change does elevate the risk of flooding in the City of London. The Board has considered whether the cost of the floor space (rent, electricity, air conditioning etc.) is inefficient on both the basis of profitability and contribution to climate change.

The company is continuously developing company culture in respect of climate change and playing our part in global sustainability. Employees and management discuss and ask questions about the impact of both our own policies and our trading partners' policies on our environment.

Sirius recognises that its employees have also a part to play in the local community, staff members are encouraged to participate in the Lloyd's volunteer reader initiative with Tower Hamlets schools. Sirius staff corporate days have been adapted to give time to maintaining local community gardens.

Strategic Report (continued)

S172 statement (continued)

Decision making

The SICM Board approves the Syndicate business plan and deals with the capital issues arising out of this. The Company increased its share capital on 12 May 2020, 24 November 2020 and 4 March 2021 to support the liquidity requirements of the Syndicate as set out in notes 26 and 27.

SIMA has a comprehensive board and committee reporting structure with monthly and quarterly updates. These address the needs of a PRA/FCA regulated managing agency and our overall systems of governance satisfy many of the needs of our stakeholders.

Following significant remediation of the underwriting in years 2017 and 2018 including putting a number of poorly performing lines into run off and significantly reducing the direct and facultative property portfolio, 2019 and 2020 has seen the company continue to develop its four pillar strategy of Accident and Health, Property, Casualty and Speciality whilst maintaining a balance between short tail and long tail exposures. It continues to be a leader in the Accident and Health market and in 2020 has continued to grow the Casualty book. The company's Syndicate business plan for 2021 has been approved by Lloyd's and we continue to participate and contribute to Lloyd's initiatives. New and independent appointments to the company's board have brought a new impetus for innovation and progress. The company's London human resources department is focused on resourcing, retention and succession planning.

SICM, SIMA and its employees are coping very well, with trading during the COVID-19 lockdown. Employees and trading partners both locally in the United Kingdom and globally are working remotely from their offices. We do not underestimate the challenges involved in managing business through the crisis and we have flexed our business projections and forecast accordingly to ensure a decent measure of resilience both operationally and financially.

Future developments

The Syndicate will continue to transact the current classes of general insurance and reinsurance business, and if opportunities arise to write new classes of business, these will be investigated at the appropriate time.

The Syndicate's income to date has been in line with expectations. The current rating environment still provides opportunities for growth over the planning cycle, either organically or by adding new strategies.

The Syndicate's 2021 Business Forecast was submitted to Lloyd's with a planned gross written premium of £111.3m (Gross net written premium: £88.3m). The capacity for the 2021 year of account is £100.0m.

As mentioned in the "Business Review" section of this report, the merger between Third Point Reinsurance Ltd. and Sirius International Insurance Group, Ltd was completed on 26 February 2021. There are no changes expected to the Syndicate's planned activities over the next twelve months.

Principal Risks and Uncertainties

Sirius International Managing Agency Limited ("SIMA") sets the risk appetite for the Company annually, which is approved by the Board as part of the Syndicate's business planning and Solvency Capital Requirement ("SCR") process. The SIMA Risk and Capital Committee meets quarterly to oversee the risk management framework. This committee reviews the risk profile and monitors performance against risk appetite using a series of key risk indicators. The principal risks and uncertainties facing the Company are as follows:

Insurance Risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The SIMA Board manages insurance risk by agreeing its appetite for these risks annually through the

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The SIMA Underwriting Committee then monitors performance against the business plan regularly through the year. Reserve adequacy is monitored through quarterly review by the SIMA Reserving Committee. It is also reviewed annually by an independent firm of actuaries, which is part of the Statement of Actuarial Opinion (SAO) process.

Credit Risk

Credit risk is the risk of default by one of the direct debtors of the Company being unable to pay their debts when due.

A key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers. The SIMA Board's policy is that the Company will normally only reinsure with businesses rated in the A range (S & P or AM Best) or higher or otherwise requires collateral. SIMA participates in the Sirius Group Security Committee which assesses and is required to approve all new reinsurers before business is placed with them.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Syndicates' liability as primary insurer. If a reinsurer fails to pay a claim, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. Where ratings are lower than the A range (S & P or AM Best) and in certain other circumstances, deposits from reinsurers may be held as collateral.

Market Risk

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

The key aspect of market risk for the Syndicate is that it may incur losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. SIMA's policy is to maintain received income or incurred expenditure in the currencies in which they were received or paid. Any significant surplus or deficit in a currency would be subject to review by the SIMA Investment Committee, and depending on the magnitude of the surplus or deficit, to escalation to the SIMA Board.

It is the policy of the syndicate that it only invests in assets and instruments the risks of which they can properly identify, measure, monitor, manage and control as well as appropriately take into account in the assessment of their overall solvency needs. The investment objectives are to maintain sufficient credit risk spread within the portfolio and to invest in easily realisable, highly-rated securities.

SIMA has an investment committee to recommend investment strategy and guidelines. During the year the Syndicate appointed an investment manager with a mandate to actively manage the USD Credit for Reinsurance Trust Fund (CRTF) and USD Lloyd's Dollar Trust Fund (LDTF). Other Syndicate Trust Funds are currently too small to be actively managed but this is kept under management review. In the interim, these funds are invested in the Western Asset Government Reserve Mutual Fund, the Western Asset Liquidity Fund and the Fiera Funds. These are highly liquid, being available for utilisation immediately as required.

Liquidity and Cash Flow Risk

This is the risk that the Company will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. To mitigate this risk, the SIMA Investment Committee reviews cash flow projections regularly and the investment portfolio is held in cash and readily realisable securities. In addition, the Syndicate has a credit facility with SINT. Where appropriate, the Investment Committee escalates liquidity risk issues to the SIMA Board.

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

Operational Risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. SIMA seeks to manage this risk through the use of detailed procedures manuals and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

The business continuity plan was tested during the global Corona virus pandemic and was proven to be effective, allowing staff to utilise available technology to work remotely with efficiency.

SIMA relies on the processes of Xchanging, and therefore considers the controls in place at Xchanging as part of its control environment. SIMA has noted that the Xchanging controls assurance audit report for 2020 contained a qualified opinion. SIMA has reviewed the breaches detailed in the report and subsequent Xchanging management response and are satisfied that the breaches have not resulted in any errors in processing for the Syndicate's business.

Regulatory Risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. SIMA is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. SIMA monitors regulatory developments and assesses the impact on agency policy.

Climate Change

During 2020 the SIMA Board set out an action plan to consider the impact of climate change on all aspects of the business of the Managing Agency and Syndicate. As a key developing risk identified by the emerging risk process, a range of impacts are considered; including weather-related natural catastrophes, transition risks and SIMA's environmental responsibilities. These risks will continue to be an area of management focus as the plan is implemented and SIMA's approach to managing the risks is embedded throughout the business. The Board of SICM will continue to monitor and follow the approach to climate change as adopted by SIMA.

On behalf of the Board

R Harman
Director

26 May 2021

Report of the Directors

The directors submit their report and the audited financial statements of Sirius International Corporate Member Limited ("the Company") for the year ended 31 December 2020.

Results, dividends and future developments

The results for the year, together with the directors' view on dividends and their expectations of future developments are presented in the Strategic Report.

Dividends

No interim dividend was paid and the directors do not propose to pay a final dividend. No dividend was paid in 2019.

Future Developments

Likely future developments in the business of the Company are discussed in the Strategic Report.

Financial risk management and financial instruments

The Company's financial risk management, and the principle risks and uncertainties facing the business, are discussed in the Strategic Report. Information on the use of financial instruments by the Company and its management of financial risk is set out in note 5.

Investment Policy

The investment policy of the Company is discussed in the Strategic Report.

Directors and Directors' Indemnities

The individuals, who served as directors during the year to 31 December 2020 to the date of signing the financial statements, unless otherwise stated, are listed on Page 2 of this report. None of the directors have any participation in the premium income capacity of the Syndicate.

The directors of the Company are covered by the Sirius Group indemnity provision policy, which was in force during the financial year and at the date of signing the annual financial statements.

Going concern

The financial statements have been prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the directors have considered the information contained in the financial statements, the company's latest business plan, and the company's current solvency calculations. In addition, the directors have received confirmation that Sirius International Insurance Corporation (publ) intends to support the Company for at least one year after these financial statements are signed. The directors are therefore satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The directors have considered the going concern basis of preparation of the Company's financial statements as at 31 December 2020. This included the factors likely to affect its future performance as well as the Company's principal risks and uncertainties, including the potential impact of COVID-19. Considering the ongoing uncertainty regarding the impact of COVID-19, additional scenario testing was performed to assess the impact of reasonably foreseeable scenarios. These scenarios included, but were not limited to, an increase in loss ratios, restrictions on growth and loss of key team personnel.

Report of the Directors (continued)

Going concern (continued)

The directors believe that the conclusion on the use of the going concern basis of preparation remains unchanged under these reasonably foreseeable, but unlikely, scenarios. Additionally, the directors have also considered those circumstances which may cause the business to cease to function effectively as a going concern.

The directors have concluded that there are no material uncertainties that may cast significant doubt about the Company's financial ability to continue as a going concern and they have a reasonable expectation that the Company have adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts". 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 and FRS 103, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Report of the Directors (continued)

Independent Auditors

The shareholders have dispensed with the requirement to hold Annual General Meetings and appoint auditors annually, through an elective resolution. During the year, following a review of the audit provision, PricewaterhouseCoopers LLP were appointed as the Company's auditor and they have indicated their willingness to continue in office for the next financial year. PricewaterhouseCoopers LLP are the principal auditors for the Sirius group of companies.

On behalf of the Board

R Harman
Director

26 May 2021

Independent auditors' report to the members of Sirius International Corporate Member Limited

Report on the audit of the financial statements

Opinion

In our opinion, Sirius International Corporate Member Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position - Assets, the Statement of Financial Position - Liabilities as at 31 December 2020; the Income Statement: Technical Account – General Business, the Income Statement: Non-technical Account, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic report and Report of the directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Report of the directors for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and the potential for management bias in making key accounting estimates, identified as the valuation of claims incurred but not reported and pipeline premium. Audit procedures performed by the engagement team included:

- Discussions with the Audit Committee, management and Internal Audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Obtaining an understanding of the end to end process of posting journals to the general ledger and the financial reporting process;
- Performing testing over journals based on defined risk criteria, such as unusual combinations of journals and unusual words and examining the accounting records and supporting documentation for each journal entry identified for investigation;
- Identifying significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual; and
- Understanding and assessing, with reference to supporting data and, where deemed appropriate, independent auditor reprojections, the significant judgements made by management, in particular in relation to the valuation of claims incurred but not reported and the estimation of premium income, including consideration of potential conditions for increased management bias.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Kirstie Hanley

Kirstie Hanley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 May 2021

Income Statement: Technical Account – General Business

For the year ended 31 December 2020

	Note	2020 £000	£000	2019 £000	£000
Earned premiums, net of reinsurance					
Gross premiums written	6	108,832		96,591	
Outwards reinsurance premiums		(9,566)		(8,465)	
			99,266		88,126
Change in the provision for unearned premiums	17				
Gross amount		(4,754)		2,643	
Reinsurers share		1,200		43	
			(3,554)		2,686
			95,712		90,812
Allocated investment return transferred from the non-technical account	10		769		1,534
Claims incurred, net of reinsurance					
Claims paid	17				
Gross amount		(72,062)		(84,509)	
Reinsurers' share		12,210		7,613	
			(59,852)		(76,896)
Change in the provision for claims	17				
Gross amount		(80,087)		2,020	
Reinsurers' share		18,255		(2,336)	
			(61,832)		(316)
Claims incurred, net of reinsurance			(121,684)		(77,212)
Net operating expenses	8		(31,499)		(32,879)
Balance on the technical account – general business			(56,702)		(17,745)

Income Statement: Non-Technical Account

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Balance on the technical account – general business		(56,702)	(17,745)
Investment income		813	1,543
Investment expenses and charges		(32)	(9)
Allocated investment return transferred to technical account	10	(769)	(1,534)
(Loss)/profit on foreign exchange		(107)	999
Loss for the financial year before taxation		(56,797)	(16,746)
Tax on loss for the financial year	20	121	(6,176)
Loss for the financial year		(56,676)	(22,922)

All operations relate to continuing activities.

Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Loss for the financial year		(56,676)	(22,922)
Currency translation differences	3	(817)	5
Total comprehensive expense		(57,493)	(22,917)

Statement of Financial Position - Assets

As at 31 December 2020

	Note	2020 £000	£000	2019 £000	£000
Investments					
Other financial investments	11		138,351		49,738
Deposits with ceding undertakings			229		-
Reinsurers' share of technical provisions	17				
Provision for unearned premiums		3,038		1,937	
Claims outstanding		22,120		5,568	
			25,158		7,505
Debtor amounts falling due within one year					
Debtors arising out of direct insurance operations	12	8,907		7,905	
Debtors arising out of reinsurance operations	13	35,267		28,141	
Other debtors	21	5,416		6,747	
			49,590		42,793
Other assets	19				
Cash at bank and in hand		7,198		4,709	
Overseas deposits		9,208		15,722	
			16,406		20,431
Prepayments and accrued income					
Deferred acquisition costs	14	13,008		12,299	
Other prepayments and accrued income		937		845	
			13,945		13,144
Total assets			243,679		133,611

Statement of Financial Position – Liabilities

As at 31 December 2020

	Note	2020 £000	£000	2019 £000	£000
Capital and reserves					
Called up share capital	27	-		-	-
Share premium reserve		86,589		-	-
Profit and loss account		(121,286)		(63.793)	
			(34,697)		(63,793)
Technical provisions	*17*				
Provision for unearned premiums		53,640		49,476	
Claims outstanding		168,966		96,577	
			222,606		146,053
Creditors	*18*				
Within one year					
Creditors arising out of direct insurance operations		886		1,163	
Creditors arising out reinsurance operations		6,542		5,260	
Other creditors		7,101		10,732	
			14,529		17,155
After one year					
Creditors arising out of direct insurance operations	18	54		-	
			54		-
Accruals and deferred income			41,187		34,196
Total liabilities and equity			243,679		133,611

The notes on pages 22 to 57 form an integral part of these annual accounts.

The financial statements on pages 17 to 57 were approved by the Board on 25 May 2021 and were signed on its behalf by

D Foster

Director

26 May 2021

Statement of Changes in Equity

For the year ended 31 December 2020

For the year to 31 December 2020	Called up share capital £000	Share premium reserve £000	Profit and loss account £000	Total shareholders' deficit £000
Balance at 1 January 2020	-	-	(63,793)	(63,793)
Loss for the financial year	-	-	(56,676)	(56,676)
Other comprehensive income	-	-	(817)	(817)
Issue of ordinary shares	-	86,589	-	86,589
Balance at 31 December 2020	-	86,589	(121,286)	(34,697)

For the year to 31 December 2019	Called up share capital £000	Share premium reserve £000	Profit and loss account £000	Total shareholders' deficit £000
Balance at 1 January 2019	-	-	(40,876)	(40,876)
Loss for the financial year	-	-	(22,922)	(22,922)
Other comprehensive income	-	-	5	5
Balance at 31 December 2019	-	-	(63,793)	(63,793)

Notes to the Financial statements for the year ended 31 December 2020

1.General information and statement of compliance

Sirius International Corporate Member Limited (the Company) is a company limited by shares and incorporated in England. The address of the Company's registered office is The St Botolph Building, 138 Houndsditch, London, EC3A 7AR.

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102")14, Financial Reporting standard 103 *Insurance contracts* ("FRS 103") and the Companies Act 2006.

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

2. Basis of preparation

Basis of preparation

The financial statements are presented in Pound Sterling (GBP). Following the introduction of FRS 102 the US Dollar has been determined as the functional currency of the Company, being the major currency in which business is conducted and costs are incurred. Amounts are presented rounded to the nearest thousands, except where stated.

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value through profit or loss. In assessing going concern the directors have taken into account the intention for the Syndicate to participate on the 2022 year of account and its ability to meet the capital requirements set by Lloyd's associated with this participation, including the continued financial support from the parent company, Sirius International Insurance Corp.

Exemption for qualifying entities under FRS102

The company has taken advantage of the exemption under FRS 102 from preparing a cash flow statement on the grounds that it is a wholly owned subsidiary of Sirius International Insurance Group Ltd, Bermuda which prepares group consolidated financial statements which are publicly available and include a group consolidated cash flow statement. Accordingly, no cash flow statement is presented.

As the company is a wholly owned subsidiary, whose parent company is Sirius International Insurance Group Ltd, Bermuda, the company has taken advantage of the exemption under Financial Reporting Standard 102 from disclosing related party transactions with entities which form part of the Sirius International Insurance Group Ltd, group ("Sirius group"). However, the company is required to disclose year end balances. These are disclosed in Notes 23 and 24.

3. Significant accounting policies

The accounting policies, which have been applied consistently in the preparation of these financial statements, are listed in below.

Premiums written

Gross premiums written reflect direct and inwards reinsurance business written during the period, gross of commission payable to intermediaries, and exclude any taxes or duties based on premiums. Premiums written include estimates for 'pipeline' premiums representing amounts due to the Syndicate not yet notified and adjustments to estimates of premiums written in previous periods. The earned proportion of premiums is recognised as income. Premiums are earned from the date of attachment of risk over the indemnity period based on the pattern of the risks underwritten. Outwards reinsurance premiums on quota share policies are accounted for in the same accounting period as the premiums for the related direct

Notes to the Financial statements for the year ended 31 December 2020 (continued)

3. Significant accounting policies (continued)

Premiums written (continued)

or inwards business being reinsured. Excess of loss reinsurance policies are accounted for over their term. Insurance contracts are those contracts that transfer significant risk.

Unearned premiums

The provision for unearned premiums comprises the proportion of gross premiums written that is estimated to be earned in the following or subsequent financial periods, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Acquisition costs

Costs incurred in acquiring general insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date. Acquisition costs include direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies.

Claims provisions

Claims incurred comprise claims and claims handling expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses.

Outstanding claims include an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year end (IBNR). Anticipated salvage and subrogation and other recoveries are recognised as other assets.

IBNR amounts are based on statistical techniques of estimation, generally involving projecting from past experience of the development of claims over time, or market benchmarks where there is limited own data. On specific losses/events a more bespoke approach is undertaken, involving inputs from Underwriting, Claims and Exposure management.

Claims recoveries

The reinsurers' share of provisions for claims is calculated based on the reinsurance programmes in place and outstanding claims advised plus projections for IBNR. Where applicable, irrecoverable amounts are estimated having regard to the reinsurance programmes in place for the class of business, and the current security rating of the reinsurance companies involved. A number of statistical techniques are used to assist in making these estimates.

Reinsurance assets are assessed for impairment at each balance sheet date and appropriate provisions are calculated as deemed necessary.

Unexpired risks provision

Provision is made for unexpired risks arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums provision in relation to such policies (after the deduction of any deferred acquisition costs). A review is performed by Lloyd's reporting class of business and underwriting year and a provision for unexpired risks is calculated taking into account the expected loss ratio on unexpired premium. The unexpired risk provision as of 31 December 2020 was £1.94m (2019: £0.29m).

Notes to the Financial statements for the year ended 31 December 2020 (continued)

3. Significant accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on translation of foreign currency amounts relating to the insurance operations of the Syndicate are included in the non-technical account.

Transactions in functional currency are translated to the presentational currency using average exchange rates for the period. Assets and liabilities are translated from functional currency to presentational currency at the rates of exchange at the balance sheet date. The currency translation differences are found in the statement of comprehensive income, for 2020 profit of £3.39m (2019: profit of £0.65m).

Financial assets and liabilities

In applying FRS 102, the Company has chosen to apply the recognition and measurement provisions of FRS 102 chapters 11 and 12.

Recognition

The Company does not hold financial assets or financial liabilities for trading purposes. Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at transaction price.

Financial assets are derecognised if the Syndicate 's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

Regular purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Company commits itself to purchase or sell the asset.

Classification and measurement

Investments in debt and other fixed income securities are subsequently carried at fair value through profit or loss. Fair value changes are recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

Debtors including debtors arising out of direct insurance and reinsurance operations, cash at bank and in hand, and creditors including creditors arising out of direct insurance and reinsurance operations are subsequently carried at amortised cost.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

3. Significant accounting policies (continued)

Financial assets and liabilities (continued)

Identification and measurement of impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets not at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Off-setting

Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Company currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Investment return

Financial investments comprise of US Government Treasury Notes and funds held in money market funds. Investment income in respect of financial investments consists of interest income and realised investment gains. Investment return comprises of investment income and movements in unrealised gains and losses on financial instruments at fair value through profit or loss, less investment management expenses, interest payable, realised losses and impairment losses.

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price.

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise changes during the reporting period in the value of the investments held.

Investment return is initially recorded in the non-technical account. The return is transferred in full to the general business technical account to reflect the investment return on funds supporting underwriting business.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances at bank, LOC collateralisation accounts and funds held in overnight "sweep" accounts with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Company in the management of its short-term commitments.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

3. Significant accounting policies (continued)

Deposits with Ceding Undertakings

Deposits with ceding undertakings are measured at cost less allowance for impairment.

Taxation

Taxation in the profit and loss account for the period comprises current and deferred tax recognised in reporting period. UK taxation is based on the underwriting result of the closed syndicate year of account and other income and charges of the period as determined in accordance with the relevant tax legislation.

Where applicable, taxation in the profit and loss account may include adjustments to taxation provision made in previous periods.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

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

Deferred tax

Deferred taxation arises from timing differences between taxable profits and income reported in the financial statements. These occur from the inclusion of income and expenses in tax assessments in periods different from those in which they are reported in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised to the extent that there is a reasonable expectation that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits, or used to group relieve profits in other parts of the Sirius group where eligible to do so.

Deferred tax is measured using tax rates and laws that have been enacted or substantially enacted by the period end and that are expected to apply to the reversal of the timing difference.

Pension costs

SIMA does not employ any staff directly and does not operate a pension scheme. No pension contributions are charged directly to the Syndicate.

Profit commission

There is no provision in SIMA's managing agency agreement for profit commission.

Related party transactions

The Company discloses transactions with related parties including parties not wholly owned within the Group.

As noted in the paragraph on *exemption for qualifying entities under FRS102* above, the company has taken advantage of the exemption under Financial Reporting Standard 102 from disclosing related party transactions with entities which form part of the Sirius International Insurance Corporation (publ) group.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

4. Use of judgments and estimates

In preparing these financial statements, the directors have made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The material judgements and estimates made in preparing these financial statements are described below.

Claims provisions

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

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 judgemental 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, judgement 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 Syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate Managing Agent's in house 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. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part from considerations of market benchmarks (especially where the account is relatively new), output from rating and other models of business accepted and assessments of underwriting conditions. On specific losses/events a more bespoke approach is undertaken, involving inputs from Underwriting, Claims and Exposure management. The provision for claims also includes amounts in respect of internal and external claims handling costs.

Areas where there is a relatively higher level of uncertainty at Q4 2020:

Casualty lines of business

Casualty has been underwritten since 2018 (International Casualty from 2020) and the reserves have become more dominant as the reserves on the run-off classes (Marine and Contingency since 2018) continue to reduce along with the downsizing of the property account since 2019. The Casualty business has a long tail and there is only limited claims experience to date.

The key assumption underlying the Casualty reserves is the Initial Expected Loss Ratios ("IELRs"). The IELRs are calibrated by considering planning and pricing loss ratios, premium rate change assumptions, claims inflation assumptions and external benchmarks.

COVID-19

On classes with material Covid-19 exposures, policy/contract level analysis is performed considering likelihood and severity of losses given emerging experience and market insight, with inputs from Underwriting/Claims. One of the key assumptions underlying the Covid-19 estimates is that there will be no expansion of coverage against current contract wording (which can potentially result from government intervention for example, and mostly impacts the Property account).

Notes to the Financial statements for the year ended 31 December 2020 (continued)

4. Use of judgments and estimates (continued)

Claims provisions (continued)

Areas where there is a relatively higher level of uncertainty at Q4 2020 continued:

The largest areas of uncertainty relating to Covid-19 reserves are within the following classes:

- Accident & Health; due to limited level of information received to date and coupled with uncertainty around application of loss triggers on PA & Travel policies.
- Contingency; exposure for 2021 events where estimates could be materially different if the impact of the pandemic worsens compared to 2020.

Margin

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate, which reduces the possibility of adverse claims development during run-off.

Margin is considered for exceptional reserves (such as large natural catastrophes such as hurricanes and Covid-19) and the main block reserves separately. The Covid-19 margin is set on each class based on considering the level of uncertainty/downside potential for each class (e.g. reviewing the margin as a % of total potential downside or as a % of a pessimistic scenario; these are considered for the Accident &Health Personal Accident & Travel estimates and Contingency Direct &Facultative).

For the main block reserves, the margin is calibrated based on the attritional reserve distribution from the Internal Model. The level of the margin is set to maintain the booked reserves to be in line with the Syndicate's Reserve Risk Appetite.

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 5 and further information about the amounts of claims outstanding is contained in Note 17.

Pipeline premium

The Company makes an estimate of premiums written during the year that have not yet been notified by the end of the financial year ("pipeline premiums"), based on business written but not yet signed. For certain insurance contracts, written premium is initially recognised based on estimates of ultimate premiums. These estimates are derived based on a combination of underwriting information (e.g. contractual terms, coverholder/broker estimates on expected premium etc.) and statistical/projection methods. Where statistical methods are used, the main assumption underlying these estimates is that past premium development can be used to project future premium development. The estimates are judgemental and could result in misstatements of revenue recorded in the financial statements, and are therefore subject to a quarterly review and control process. The pipeline premium included in gross written premium is £37.5 million (2019: £27.5 million).

Deferred Tax Asset

The Company has undergone a number of changes, and as a result management has revised its future plans and forecasts. Due to the inherent uncertainty over the required regulatory approval prior to the implementation of these plans, as well as future financial performance, the company's ability to meet these plans and forecasts is not certain. As a result, utilisation of the deferred tax asset could differ materially (both higher and lower) from the amount currently recognised. The profits to unwind the deferred tax asset are expected to materialise subsequent to the 2020 financial year. The recognised deferred tax asset is £nil (2019: £nil).

Notes to the Financial statements for the year ended 31 December 2020 (continued)

5. Risk and capital management

Introduction and overview

The principal risks to which the Company is exposed arise from its participation in Syndicate 1945 at Lloyd's, this note presents information about the nature and extent of insurance and financial risks to which the Syndicate is exposed, the Managing Agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the Syndicate's capital.

Risk management framework

The Board of Directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. The Board has established a Risk and Capital Committee to oversee the operation of the Syndicate's risk management framework and to review and monitor the management of the risks to which the Syndicate is exposed. Additionally, the Board of SIMA has delegated oversight aspects of insurance risks to the Strategic Underwriting and Reserving Committees, which are responsible for monitoring insurance and reserving risk management policies, and the management of aspects of financial risks to the Investment Committee, which is responsible for developing and monitoring financial risk management policies.

The Risk and Capital Committee reports regularly to the Board of Directors on its activities. Similarly, the Strategic Underwriting, Reserving and Investment Committees report regularly to the Board on their areas of responsibility.

The risk management policies are established to identify and analyse the risks faced by the Syndicate, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Insurance Risk

Management of insurance risk

A key component of the management of underwriting risk for the Company is a disciplined underwriting strategy that is focused on writing quality business and not writing for volume. Product pricing is designed to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Company's total exposure to specific risks together with limits on geographical and industry exposures. The aim is to ensure a well-diversified book is maintained with no over exposure in any one geographical region.

Contracts can contain a number of features which help to manage the underwriting risk such as the use of deductibles, or capping the maximum permitted loss, or number of claims (subject to local regulatory and legislative requirements).

Both the Company and the Syndicate makes use of reinsurance to mitigate the risk of incurring significant losses linked to one event, including excess of loss, stop loss and catastrophe reinsurance. Where an individual exposure is deemed surplus to the Syndicate's appetite additional facultative reinsurance is also purchased.

The Reserving Committee oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development are all instrumental in mitigating reserving risk.

The Managing Agent's in house actuaries perform a reserving analysis on a quarterly basis, liaising closely with underwriters and claims staff. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed annually by external consulting actuaries.

The Reserving Committee performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review, the Reserving Committee makes recommendations to the Managing Agent's Board of Directors of the claims provisions to be established.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

5. Risk and capital management (continued)

Management of insurance risk (continued)

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate which reduces the possibility of adverse claims development during run-off.

Concentration of insurance risk

The exposure to insurance risk is well diversified. The following tables provides an analysis of the geographical breakdown and by class of business, which the directors consider to be the major types of insurance exposures.

Premium by class of business and geographic analysis is shown below: -

Year 2020	Accident & Health	Marine, aviation and transport	Fire and other damage to property	Pecuniary loss	Reinsurance	Total £000
UK	5,299	5,127	9,001	(9)	46,944	66,362
EU	-	-	-	-	1,851	1,851
US	2,121	2,052	3,602	(3)	18,792	26,564
Canada	154	148	261	-	1,362	1,925
Other	968	937	1,645	(2)	8,582	12,130
Total	8,542	8,264	14,509	(14)	77,531	108,832

Year 2019	Accident & Health	Marine, aviation and transport	Fire and other damage to property	Pecuniary loss	Reinsurance	Total £000
UK	9,889	3,383	6,156	499	32,637	52,564
EU	-	-	-	-	1,244	1,244
US	2,635	901	1,640	133	9,028	14,337
Canada	1,126	385	701	57	3,858	6,127
Other	4,102	1,403	2,554	207	14,053	22,319
Total	17,752	6,072	11,051	896	60,820	96,591

Notes to the Financial statements for the year ended 31 December 2020 (continued)

5. Risk and capital management (continued)

Concentration of insurance risk (continued)

Claims liabilities by class of business is shown below: -

	2020 Gross liabilities £000	2020 Reinsurance of liabilities £000	2020 Net liabilities £000	2019 Gross liabilities £000	2019 Reinsurance of liabilities £000	2019 Net liabilities £000
Accident and health	7,301	(146)	7,155	7,230	(262)	6,968
Marine, aviation and transport	11,391	(2,720)	8,671	9,742	(1,671)	8,071
Fire and other damage to property	15,402	(203)	15,199	18,871	-	18,871
Pecuniary loss	21,566	(11,734)	9,832	1,326	(700)	626
Reinsurance	113,306	(7,317)	105,989	59,408	(2,935)	56,473
Total	168,966	(22,120)	146,846	96,577	(5,568)	91,009

The geographical concentration of the outstanding claims liabilities is noted below. This is based on the location of the risk exposure: -

	2020 Gross liabilities £000	2020 Reinsurance of liabilities £000	2020 Net liabilities £000	2019 Gross liabilities £000	2019 Reinsurance of liabilities £000	2019 Net liabilities £000
UK	**20,850**	**(3,271)**	**17,579**	13,780	(917)	12,863
EU	**2,785**	**(448)**	**2,337**	1,805	(125)	1,680
US	**71,303**	**(9,303)**	**62,000**	36,026	(2,225)	33,801
Canada	**10,167**	**(1,411)**	**8,756**	7,782	(387)	7,395
Other	**63,861**	**(7,687)**	**56,174**	37,184	(1,914)	35,270
Total	**168,966**	**(22,120)**	**146,846**	96,577	(5,568)	91,009

The Company's Realistic Disaster Scenarios (RDS) provides an estimate of the effect on the Company's results on an aggregation of the claims arising from a large range of disasters. This includes those specified by Lloyd's. The table below was taken from July 2020 submission to Lloyd's. It also illustrates the effect of the RDS on the underwriting result.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

5. Risk and capital management (continued)

Concentration of insurance risk (continued)

Event	Industry Loss £Bn	Gross Loss £m	Net loss £m
Florida Windstorm – Miami Dade	99.2	4.6	2.2
Florida Windstorm – Pinellas	101.5	6.2	2.5
Gulf of Mexico Windstorm	84.1	8.4	4.5
Two Events – Event 1 – North East Windstorm	61.4	3.3	2.1
Two Events – Event 1 – Carolinas Windstorm	29.5	4.2	2.1
California Earthquake – Los Angeles	59.1	9.1	6.1
California Earthquake – San Francisco	60.6	10.5	6.3
New Madrid Earthquake	33.3	4.6	4.1

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends can be applied in the future. The assumptions used to determine the sensitivity have not changed from the prior year. Additional qualitative judgements are used to assess the extent to which past trends can be applied in the future. The assumptions used to determine the sensitivity have not changed from the prior year on attritional losses and Cat losses (excluding Covid-19). For Covid-19, bespoke approaches have been used to estimate reserves. On classes with material Covid-19 exposure a contract level analysis is performed considering likelihood and severity of losses, as well as pessimistic scenarios given emerging experience and market insight, with inputs from Underwriting and Claims.

Sensitivity to insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of claims incurred but not reported (IBNR). Covid-19 reserves account for approximately one third on the net reserves at 31 December 2020.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

5. Risk and capital management (continued)

Sensitivity to insurance risk (continued)

The provision for claims outstanding is the key insurance risk faced by the Syndicate. For the claims provisions excluding Covid-19 (approximately two thirds of the net reserves), the directors consider that a 5% variation in the value of claims outstanding is a realistic spread of the uncertainty.

For Covid-19, a 10% variation is selected considering the relative higher level of uncertainty compared with the rest of the provision, noting that the attritional and Covid-19 margin is around 5% and 7.5% of the attritional and Covid-19 best estimates respectively.

Overall, a 7.5% variation in the value of total claims outstanding is considered, the effect this would have on profit and member's balance and hence the Syndicate is illustrated in the tables below:

	2020 Gross		2020 Net	
	7.5% increase	7.5% decrease	7.5% increase	7.5% decrease
Accident & Health	(533)	533	(522)	522
Marine, aviation and transport	(828)	828	(624)	624
Fire and other damage to property	(1,126)	1,126	(1,110)	1,110
Direct Contingency	(1,324)	1,324	(589)	589
Reinsurance	(8,304)	8,304	(7,756)	7,756
Total	(12,115)	12,115	(10,601)	10,601

	2019 Gross		2019 Net	
	5% increase	5% decrease	5% increase	5% decrease
Accident & Health	(350)	350	(337)	337
Marine, aviation and transport	(472)	472	(388)	388
Fire and other damage to property	(908)	908	(908)	908
Direct Contingency	(64)	64	(29)	29
Reinsurance	(2,878)	2,878	(2,731)	2,731
Total	(4,672)	4,672	(4,393)	4,393

Financial risk

The focus of financial risk management for the Company is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

5. Risk and capital management (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to discharge a contractual obligation.

The Company is exposed to credit risk in respect of the following:

- Reinsurers' share of insurance liabilities
- Amounts due from reinsurers in respect of settled claims
- Debt securities
- Amounts due from intermediaries
- Cash and cash equivalents
- Other debtors and accrued interest

The nature of the Company's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year. The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers

Management of credit risk

The Board's policy in respect of credit risk exposure to reinsurers is that the Syndicate will normally only reinsure with businesses rated in the A range or higher. SIMA participates in the Sirius Group Security Committee which assesses and is required to approve all new reinsurers before business is placed with them.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Syndicate's liability as primary insurer. If a reinsurer fails to pay a claim, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. Where ratings are lower than A range (S & P or AM Best) and in certain other circumstances, deposits from reinsurers may be held as collateral.

Other elements of credit risk are managed by monitoring exposure to individual counterparties and participation in money market funds and collective investment schemes.

Exposure to credit risk

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure. The Company does not purchase any credit enhancements (such as guarantees, credit derivatives and netting arrangements that do not qualify for offset). The following table analyses the credit rating by investment grade of financial investments of financial assets that are neither past due, nor impaired.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

5. Risk and capital management (continued)

Exposure to credit risk (continued)

Credit rating for financial assets that are neither past due or impaired Year 2020	AAA £000	AA £000	A £000	BBB £000	BBB or less £000	Not rated £000	Total £000
Financial investments							
Shares & other variable yield securities & Unit trusts	37,503	17,860	24,245	-	-	3,783	83,391
Debt securities	39,451	732	13,415	958	-	-	54,556
Other assets							
Deposits with ceding undertakings	-	-	229	-	-	-	229
Overseas deposits	4,723	836	705	498	1,570	876	9,208
Other investments	-	-	404	-	-	-	404
Reinsurers' share of claims outstanding	-	-	21,958	-	-	162	22,120
Debtors arising out of reinsurance operations	-	-	1,039	-	-	995	2,034
Cash at bank and in hand	-	-	7,198	-	-	-	7,198
Total	81,677	19,428	69,193	1,456	1,570	5,816	179,140

Credit rating for financial assets that are neither past due or impaired Year 2019	AAA £000	AA £000	A £000	BBB £000	BBB or less £000	Not rated £000	Total £000
Financial investments							
Shares & other variable yield securities & Unit trusts	16,487	6,813	7,440	-	-	12,517	43,257
Debt securities	6,083	-	-	-	-	-	6,083
Other assets							
Overseas deposits	9,084	1,992	1,490	1,009	1,619	528	15,722
Other investments	-	-	-	-	-	398	398
Reinsurers' share of claims outstanding	-	-	5,275	-	-	293	5,568
Debtors arising out of reinsurance operations	-	-	1,798	-	-	724	2,522
Cash at bank and in hand	-	-	4,709	-	-	-	4,709
Total	31,654	8,805	20,712	1,009	1,619	14,460	78,259

At year end, the largest concentration of credit risk to the Company was to Citibank £8.4m (2019: £4.2m) and United States government: £29.9m (2019: £6.1m).

Cash held at Citibank at year end was classified as A-rated, in line with the treatment at 2019.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

5. Risk and capital management (continued)

Financial assets that are past due or impaired

The Syndicate has some debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. The Syndicate does not consider these debtors to be impaired on the basis of stage of collection of amounts owed to the Syndicate. The Syndicate has no debtors arising from direct insurance operations that are impaired at the reporting date.

In preparation of this analysis, debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties. An analysis of the carrying amounts of past due or impaired debtors is presented in the table below.

Year 2020	Neither past due nor impaired £000	Past due £000	Impaired £000	Total £000
Shares & other variable yield securities & unit trusts	83,391	-	-	83,391
Debt securities	54,556	-	-	54,556
Overseas deposits	9,208	-	-	9,208
Other Investments	404	-	-	404
Deposits with ceding undertakings	229	-	-	229
Reinsurers' share of claims outstanding	22,120	-	-	22,120
Debtors arising out of reinsurance operations	2,034	9	-	2,043
Cash at bank and in hand	7,198	-	-	7,198
Insurance debtors	8,907	-	-	8,907
Other debtors	55,502	-	-	55,502
Total credit risk	243,549	9	-	243,558

Year 2019	Neither past due nor impaired £000	Past due £000	Impaired £000	Total £000
Shares & other variable yield securities & unit trusts	43,257	-	-	43,257
Debt securities	6,083	-	-	6,083
Overseas deposits	15,722	-	-	15,722
Other Investments	398	-	-	398
Reinsurers' share of claims outstanding	5,568	-	-	5,568
Debtors arising out of reinsurance operations	2,522	877	-	3,399
Cash at bank and in hand	4,709	-	-	4,709
Insurance debtors	7,905	-	-	7,905
Other debtors	46,570	-	-	46,570
Total credit risk	132,734	877	-	133,611

Notes to the Financial statements for the year ended 31 December 2020 (continued)

5. Risk and capital management (continued)

Financial assets that are past due or impaired (continued)

Reinsurance recovery amounts which are past due of £9,000 (2019: £0.88m) are fully realisable. These amounts are not in dispute, albeit they are up to six months overdue.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities. The Company is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts.

The nature of the exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

Management of liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

The Company's approach to managing its liquidity risk is as follows:

- Forecasts are prepared and revised on a regular basis to predict cash outflows from insurance contracts over the short, medium and long term
- The Company purchases assets with durations not greater than its estimated insurance contract outflows
- Assets purchased by the Company are required to satisfy specified marketability requirements
- The Company maintains cash and liquid assets to meet daily calls on its insurance contracts
- The Company holds a working capital borrowing facility from Sirius International Insurance Corporation (publ) to enable cash to be raised in a relatively short time-span
- The Company regularly reviews its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

The maturity analysis presented in the table below shows the remaining contractual maturities for the Company's insurance contracts. For insurance contracts, the contractual maturity is the estimated date when the gross undiscounted contractually required cash flows will occur. Financial assets have a maturity profile of less than one year.

The maturity analysis presented in the table below shows the remaining contractual maturities for the Syndicate and the Company's insurance contracts and other liabilities. For insurance contracts, the contractual maturity is the estimated date when the gross undiscounted contractually required cash flows will occur. Financial assets have a maturity profile of less than one year.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

5. Risk and capital management (continued)

Management of liquidity risk (continued)

Year 2020	Carrying amount £000	Less than 1 Year £000	1-2 years £000	2-5 years £000	5-10 years £000	More than 10 years £000	Total £000
		Undiscounted net cash flows					
Outstanding claim liabilities	168,966	85,499	57,897	13,882	8,799	2,889	168,966
Other creditors	14,583	14,529	54	-	-	-	14,583
Total	183,549	100,028	57,951	13,882	8,799	2,889	183,549

Year 2019	Carrying amount £000	Less than 1 year £000	1-2 years £000	2-5 years £000	5-10 years £000	More than 10 years £000	Total £000
		Undiscounted net cash flows					
Outstanding claim liabilities	96,577	52,371	28,839	7,863	7,504	-	96,577
Other creditors	17,155	17,155	-	-	-	-	17,155
Total	113,732	69,526	28,839	7,863	7,504	-	113,732

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk. The nature of the exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

Management of market risks

For each of the major components of market risk, policies and procedures are in place which detail how each risk should be managed and monitored. The management of each of these major components of major risk and the exposure at the reporting date to each major risk are addressed below.

Interest rate risk

Interest rate risk arises primarily from financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The Investment Committee monitors the duration of these assets on a regular basis.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

5. Risk and capital management (continued)

Currency risk

Business is primarily written in Sterling, US Dollar, Australian Dollar, Canadian Dollar and Euro, and is therefore exposed to currency risk arising from fluctuations in the exchange rates of Sterling against these currencies.

The foreign exchange policy is to maintain Syndicate assets in the currency in which the cash flows from liabilities are to be settled in order to hedge the currency risk inherent in these contracts.

The table below summarises the carrying value of the Syndicate and the Corporate Member's assets and liabilities, at the reporting date:

Year 2020	UK £ £000	US $ £000	CAD $ £000	Euro £000	AUD $ £000	Other £000	Total £000
Total assets	11,423	202,925	11,770	3,641	13,794	5	243,558
Total liabilities	(52,347)	(200,087)	(6,618)	(5,665)	(11,477)	(2,182)	(278,376)
Net assets/(liabilities)	(40,924)	2,838	5,152	(2,024)	2,317	(2,177)	(34,818)

Year 2019	UK £ £000	US $ £000	CAD $ £000	Euro £000	AUD $ £000	Other £000	Total £000
Total assets	5,791	88,590	12,863	2,316	21,390	2,661	133,611
Total liabilities	(45,383)	(122,290)	(8,737)	(4,731)	(15,612)	(651)	(197,404)
Net assets/(liabilities)	(39,592)	(33,700)	4,126	(2,415)	5,778	2,010	(63,793)

The most significant net liability position arises in sterling, partly due to the need to fund operating expenses in sterling. The small deficits in other currencies arises on claims liabilities and may be managed by a sale of currencies that have a surplus or by utilisation of the Working Capital Facility mentioned in Note 23.

Sensitivity analysis to market risks for financial instruments

An analysis of the sensitivity to interest rate, currency and other price risk is presented in the table below. The table shows the effect on profit or loss of reasonably possible changes in the relevant risk variable, assuming that all other variables remain constant, if that change had occurred at the end of the reporting period and had been applied to the risk exposures at that date.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

5. Risk and capital management (continued)

Sensitivity analysis to market risks for financial instruments (continued)

	2020 Impact on net assets £000	2019 Impact on net assets £000
Interest rate risk		
+ 50 basis points shift in interest rates	(217)	(103)
- 50 basis points shift in interest rates	217	103
Currency risk		
10 percent increase in USD/GBP exchange rate	(507)	3,522
10 percent decrease in USD/GBP exchange rate	507	(3,522)
10 percent increase in USD/Euro exchange rate	(202)	(253)
10 percent decrease in USD/Euro exchange rate	202	253
10 percent increase in USD/AUD exchange rate	232	1,549
10 percent decrease in USD/AUD exchange rate	(232)	(1,549)

The impact of the reasonably possible changes in the risk variables on retained earnings would be the same, since all changes in recognised assets and liabilities are recognised in profit or loss or other comprehensive income.

A 10% increase (or decrease) in exchange rates, a 50 basis point increase in yield curves and a 50 basis point decrease in yield curves have been selected on the basis that these are considered to be reasonably possible changes in these risk variables over the following year.

The sensitivity analysis demonstrates the effect of a change in a key variable while other assumptions remain unchanged. However, the occurrence of a change in a single market factor may lead to changes in other market factors as a result of correlations.

The sensitivity analysis is based on the financial position of the Company and the Syndicate at the reporting date and may vary at the time that any actual market movement occurs.

Capital management

Capital framework at Lloyd's

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

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level, Accordingly, the capital requirement in respect of Syndicate 1945 is not disclosed in these financial statements.

Lloyd's capital setting process

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

Notes to the Financial statements for the year ended 31 December 2020 (continued)

5. Risk and capital management (continued)

Lloyd's capital setting process (continued)

horizon (one-year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicates on which it is participating but not other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2019 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

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

The Company has met its 2021 Funds at Lloyd's requirement to support its underwriting capacity by a combination of Investment holdings and Letters of Credit (LOCs). At 31 December 2020, the Funds at Lloyd's stood at US$250m, comprising LOCs of US$105m and Investments of US$145m. The LOCs are issued by Nordea Bank (US$80m) and DNB Bank (US$25m).

Neither the Letters of Credit nor the collateral held by the Company's bankers in support of these instruments is shown on the Company's balance sheet as they are utilised by Lloyd's of London to provide security for the Company's underwriting.

Accordingly, all of the assets less liabilities of the Syndicate, as represented in the member's balances reported on the statement of the financial position on page 20 represent resources available to meet member's and Lloyd's capital requirements.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

6. Analysis of underwriting result

Year 2020	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance						
Accident and health	8,542	11,193	(7,267)	(3,572)	(95)	259
Marine, aviation and transport	8,264	7,475	(3,891)	(1,819)	(1,422)	343
Fire and other damage to property	14,509	13,901	(10,495)	(3,879)	(1,103)	(1,576)
Pecuniary loss	(14)	309	(40,361)	(70)	19,750	(20,372)
Reinsurance	77,531	71,200	(90,135)	(22,159)	4,969	(36,125)
Total	108,832	104,078	(152,149)	(31,499)	22,099	(57,471)

Year 2019	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct Insurance						
Accident and health	17,752	18,639	(10,717)	(7,707)	(227)	(12)
Marine, aviation and transport	6,072	8,391	(6,871)	(3,107)	835	(752)
Fire and other damage to property	11,051	19,403	(22,468)	(5,749)	(2,180)	(10,994)
Pecuniary loss	896	1,936	(178)	(492)	(674)	592
Reinsurance	60,820	50,865	(42,255)	(17,474)	(752)	(8,113)
Total	96,591	99,234	(82,489)	(34,529)	(1,494)	(19,279)

Current year underwriting results for the Part VII transfer of EU business to Lloyd's Insurance Company Limited (LIC) have been reported in the same classes of business as in prior years, which is consistent with the presentation in the Income Statement: Technical Account – General Business. In future years, results relating to these risks will be reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with LIC.

The Syndicate recognised a profit of £23.8m in the year on buying reinsurance (2019: loss of £4.8m).

The gross premiums written by business origin are presented in the table below:

	2020 £000	2019 £000
United Kingdom	66,362	52,564
Other European Union Member States	1,851	1,244
US	26,564	14,337
Other countries	14,055	28,446
Total gross premiums written	108,832	96,591

Notes to the Financial statements for the year ended 31 December 2020 (continued)

7. Claims outstanding

The tables below show the movements on claims reserves brought forward.

2020	Gross £000	Reinsurers' share £000	Net £000
At 1 January 2020	96,577	(5,568)	91,009
Claims incurred in current underwriting year	46,731	(2,068)	44,663
Claims incurred in prior underwriting years	105,418	(28,397)	77,021
Claims paid during the year	(72,062)	12,210	(59,852)
Foreign exchange	(7,698)	1,703	(5,995)
At 31 December 2020	168,966	(22,120)	146,846

2019	Gross £000	Reinsurers' share £000	Net £000
At 1 January 2019	101,997	(8,123)	93,874
Claims incurred in current underwriting year	25,940	(1,445)	24,495
Claims incurred in prior underwriting years	56,549	(3,832)	52,717
Claims paid during the year	(84,509)	7,613	(76,896)
Foreign exchange	(3,400)	219	(3,181)
At 31 December 2019	96,577	(5,568)	91,009

8. Net operating expenses

The Syndicate is charged a managing agency fee at a rate of 0.66% of stamp capacity. In addition, all necessary expenses incurred in the administration of the Syndicate were charged to the Syndicate.

	2020 £000	2019 £000
Acquisition costs:		
Brokerage and commissions	23,748	21,040
Other acquisitions costs	1,632	1,555
	25,380	22,595
Change in deferred acquisition costs	(859)	2,760
Administrative expenses	7,357	8,359
Members' standard personal expenses	1,346	815
Reinsurance commissions and profit participation	(1,725)	(1,650)
Net operating expenses	31,499	32,879

Notes to the Financial statements for the year ended 31 December 2020 (continued)

8. Net operating expenses (continued)

Total gross commissions for direct insurance business for the year amounted to £7.0m (2019: £11.8m).

Administrative expenses (including other administrative expenses included in the non-technical account) include:

	2020 £000	2019 £000
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of these financial statements	15	15
Fees payable to the Company's auditors for the audit of the Syndicate 1945 financial statements	123	238
Fees payable to the Company's auditors in respect of the audit of Sirius International Insurance Group Limited	20	-
Fees payable to the company's auditors in respect of other audit assurance services for the Syndicate	193	-
Fees payable to the company's auditors in respect of previous year overruns	-	30
	351	283

9. Directors, employees and management personnel compensation

The Company has no employees. However, the Company used the services of employees of Sirius International Insurance Corporation (publ) during 2020. The directors received no emoluments for their services to the Company.

Staff and directors' costs on behalf of the Company are borne by another group undertaking, and no recharges were made to the Company for the year ended 31 December 2020 (2019: £nil). Staff and directors' costs in respect of work done on behalf of the Syndicate are part of the fee charged by Sirius International Insurance Corporation (publ) to the Syndicate but, as disclosed in the Syndicate's Annual Report and Accounts, they are not separately identifiable within the overall fee.

No other compensation was payable to key management personnel.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

10. Investment return

The investment return transferred from the technical account to the non-technical account comprises the following:

	2020 £000	2019 £000
Investment income:		
Interest	799	1,132
Realised gains	127	411
Unrealised losses	(125)	-
Investment expenses and charges:		
Investment management expenses, including interest	(32)	(9)
Total transferred from the technical account	769	1.534
Additional income:		
Interest	12	-
Total investment income	781	1,534

The total income, expenses, net gains or losses, including changes in fair value, recognised on all financial assets and financial liabilities comprises the following:

	2020 £000	2019 £000
Financial assets at fair value through profit or loss	529	1,028
Interest income	284	515
Investment management expenses, excluding interest	(32)	(9)
Total investment return	781	1,534

The table over the page presents the average amounts of funds in the year per currency and analyses by major currency the average investment yields in the year.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

10. Investment return (continued)

	2020 £000	2019 £000
Average amount of funds available for investment during the year		
Sterling	2,393	1,922
Euro	778	1,326
US dollar	83,768	39,262
Canadian dollar	9,019	9,081
Other	12,865	17,050
Total funds available for investment, in sterling	108,823	68,641
Annual investment yield		
Sterling	1.42%	0.00 %
Euro	0.00%	0.00 %
US dollar	0.33%	2.23 %
Canadian dollar	1.18%	1.92 %
Other	2.73%	2.87 %
Total annual investment yield, in sterling	0.71%	2.24 %

11. Other financial investments

	Carrying value 2020 £000	Cost 2020 £000	Listed 2020 £000
Financial assets measured at fair value through profit or loss			
Shares and other variable yield securities and units in unit trusts	83,392	83,392	83,392
Debt securities and other fixed income securities:			
Government and supranational securities	54,555	54,475	54,555
Deposits with credit institutions	404	404	404
Total financial investments	138,351	138,271	138,351

Notes to the Financial statements for the year ended 31 December 2020 (continued)

11. Other financial investments (continued)

	Carrying value 2019 £000	Cost 2019 £000	Listed 2019 £000
Financial assets measured at fair value through profit or loss			
Shares and other variable yield securities and units in unit trusts	43,257	43,257	43,257
Debt securities and other fixed income securities:			
Government and supranational securities	6,083	6,009	6,083
Deposits with credit institutions	398	398	398
Total financial investments	49,738	49,664	49,738

The Syndicate classifies its financial instruments held at fair value in its balance sheet using a fair value hierarchy, as follows:

- Level 1 – The fair value is based on the unadjusted quoted prices in an active market, for identical assets or liabilities that the Syndicate can access at the measurement date.
- Level 2 – Inputs to level 2 fair values are inputs other than quoted prices included in level 1 that are observable for the asset or liabilities, either directly or indirectly.
- Level 3 – Level 3 financial instruments are financial assets and liabilities for which the values are based on prices or valuation techniques that requires inputs that are both unobservable, and significant, to the fair value measurement.

The table below analyses financial instruments held at fair value in the balance sheet at the reporting date by its level in the fair value hierarchy.

2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	9,021	72,842	1,528	83,391
Debt securities and other fixed income securities	29,989	24,567	-	54,556
Loans and deposits with credit institutions	404	-	-	404
Total	39,414	97,409	1,528	138,351

2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	10,895	32,000	362	43,257
Debt securities and other fixed income securities	6,083	-	-	6,083
Loans and deposits with credit institutions	398	-	-	398
Total	17,376	32,000	362	49,738

Notes to the Financial statements for the year ended 31 December 2020 (continued)

11. Other financial investments (continued)

Information on the methods and assumptions used to determine fair values for each major category of financial instrument measured at fair value is provided below.

Units in unit trusts and other variable yield securities are held in money market funds. These shares and other variable yield securities and units in unit trusts are generally categorised as level 1 in the fair value hierarchy except where they are not actively traded, in which case they are generally measured on prices of recent transactions in the same instrument. The Syndicate has no exposure to hedge funds.

Debt securities comprise of United States Government Treasury Bills. These are actively traded and are valued using quoted prices provided by external pricing vendor.

At the reporting date all debt instruments assets were valued using valuation techniques based on observable market data.

12. Debtors arising out of direct insurance operations

	2020 £000	2019 £000
Amounts due from intermediaries	8,907	7,905
Due within one year	8,907	7,905

13. Debtors arising out of reinsurance operations

	2020 £000	2019 £000
Due from ceding insurers and intermediaries	33,225	24,742
Due from reinsurers and intermediaries	2,042	3,399
Due within one year	35,267	28,141

Notes to the Financial statements for the year ended 31 December 2020 (continued)

14. Deferred acquisition costs

The table below shows changes in deferred acquisition costs assets during the year.

	2020 £000	2019 £000
Balance at 1 January	12,299	15,465
Incurred costs deferred	25,380	22,595
Amortisation	(24,521)	(25,356)
Effect of movements in exchange rates	(150)	(405)
Balance at 31 December	13,008	12,299

15. Year of account development

The result development by year of account is:

Year of account	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	Total £000
2011	(2,278)	(230)	164	-	-	-	-	-	-	-	(2,344)
2012	-	(5,037)	270	6,564	-	-	-	-	-	-	1,797
2013	-	-	(4,514)	4,545	4,402	-	-	-	-	-	4,433
2014	-	-	-	(5,886)	419	14,301	-	-	-	-	8,834
2015	-	-	-	-	(8,762)	(4,181)	3,191	-	-	-	(9,752)
2016	-	-	-	-	-	(21,207)	(4,784)	(3,217)	-	-	(29,208)
2017	-	-	-	-	-	-	(43,574)	1,109	1,038	-	(41,427)
2018	-	-	-	-	-	-	-	(12,265)	(10,518)	(26,180)	(48,963)
2019	-	-	-	-	-	-	-	-	(5,484)	(3,041)	(8,525)
2020	-	-	-	-	-	-	-	-	-	(23,549)	(23,549)
Calendar year's result	(2,278)	(5,267)	(4,080)	5,223	(3,941)	(11,087)	(45,167)	(14,373)	(14,964)	(52,770)	(148,704)

Notes to the Financial statements for the year ended 31 December 2020 (continued)

16. Claims development

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. Balances have been translated at exchange rates prevailing at 31 December 2020 in all cases.

Pure underwriting year - gross	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	Total £000
Estimate of incurred gross claims											
At end of underwriting year	902	18,635	26,295	26,795	31,452	51,722	69,457	33,901	24,891	45,157	329,207
One year later	4,762	31,468	40,490	51,286	68,738	99,499	98,349	83,167	65,484	-	543,243
Two years later	4,084	25,477	36,930	44,546	72,463	108,178	104,592	133,771	-	-	530,041
Three years later	3,450	25,191	33,823	41,402	70,620	105,039	102,565	-	-	-	382,090
Four years later	3,206	24,966	33,076	41,610	71,498	115,276	-	-	-	-	289,632
Five years later	3,155	24,915	33,279	41,680	71,059	-	-	-	-	-	174,088
Six years later	2,984	24,915	33,079	41,641	-	-	-	-	-	-	102,619
Seven years later	2,982	24,904	33,143	-	-	-	-	-	-	-	61,029
Eight years later	2,963	24,914	-	-	-	-	-	-	-	-	27,877
Nine years later	2,977	-	-	-	-	-	-	-	-	-	2,977
Gross claims paid	2,977	24,895	32,381	41,479	69,574	102,917	92,879	79,478	17,697	2,744	467,021
Claims Outstanding per the Balance Sheet	-	19	762	162	1,485	12,359	9,686	54,293	47,787	42,413	168,966

Pure underwriting year - net	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	Total £000
Estimate of incurred net claims											
At end of underwriting year	902	18,635	25,808	25,711	30,113	48,361	59,976	32,362	22,875	43,141	307,884
One year later	4,762	31,468	39,994	48,127	63,126	88,932	90,141	81,341	64,086	-	511,977
Two years later	4,084	25,477	36,615	42,199	67,410	97,262	72,508	117,384	-	-	462,939
Three years later	3,450	25,191	33,457	39,464	65,117	94,214	85,658	-	-	-	346,551
Four years later	3,206	24,966	32,724	39,541	65,487	110,484	-	-	-	-	276,408
Five years later	3,155	24,915	32,927	39,608	65,079	-	-	-	-	-	165,684
Six years later	2,984	24,915	32,727	39,570	-	-	-	-	-	-	100,196
Seven years later	2,982	24,904	32,791	-	-	-	-	-	-	-	60,677
Eight years later	2,963	24,914	-	-	-	-	-	-	-	-	27,877
	2,977	-	-	-	-	-	-	-	-	-	2,977
Net claims paid	2,977	24,894	32,029	39,408	63,601	100,978	76,141	78,768	17,697	2,744	439,237
Claims Outstanding per the Balance Sheet	-	19	762	162	1,478	9,506	9,517	38,616	46,389	40,397	146,846

Notes to the Financial statements for the year ended 31 December 2020 (continued)

17. Technical Provisions

The table below shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

	2020			2019		
	Gross provisions £000	Reinsurance assets £000	Net £000	Gross provisions restated £000	Reinsurance assets £000	Net restated £000
Incurred claims outstanding:						
Claims notified	47,507	(3,477)	44,030	62,318	(6,008)	56,310
Claims incurred but not reported	49,070	(2,091)	46,979	39,679	(2,115)	37,564
Balance at 1 January	96,577	(5,568)	91,009	101,997	(8,123)	93,874
Change in prior year provisions	(36,123)	16,187	(19,936)	24,453	(3,171)	21,282
Expected cost of current year claims	188,272	(46,652)	141,620	58,036	(2,106)	55,930
Claims paid during the year	(72,062)	12,210	(59,852)	(84,509)	7,613	(76,896)
Effect of movements in exchange rates	(7,698)	1,703	(5,995)	(3,400)	219	(3,181)
Balance at 31 December	168,966	(22,120)	146,846	96,577	(5,568)	91,009
Claims notified	54,152	(9,497)	44,655	47,507	(3,477)	44,030
Claims incurred but not reported	114,814	(12,623)	102,191	49,070	(2,091)	46,979
Balance at 31 December	168,966	(22,120)	146,846	96,577	(5,568)	91,009
Unearned premiums						
Balance at 1 January	49,476	(1,937)	47,539	53,880	(1,965)	51,915
Premiums written during the year	108,832	(9,566)	99,266	96,591	(8,465)	88,126
Premiums earned during the year	(113,586)	10,766	(102,820)	(93,948)	8,508	(85,440)
Effect of movements in exchange rate	8,918	(2,301)	6,617	(7,047)	(15)	(7,026)
Balance at 31 December	53,640	(3,038)	50,602	49,476	(1,937)	47,539

The 2019 gross and net provisions columns have been restated to correct the presentation of the movement in gross unearned premiums between premiums earned during the year and the effects of movements in exchange rate. This restatement decreases the movement due to premiums earned during the year by £5,286k and increases the effects of movements in exchange rate by the same amount. There is no impact on the balance as at 31 December 2019 as a result of this restatement.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

18. Financial liabilities

Within one year	2020 £000	2019 £000
Creditors arising out of direct insurance	886	1,163
Creditors arising out of reinsurance operations	6,542	5,260
Other creditors	7,101	10,732
Total financial liabilities at amortised cost	14,529	17,155

After one year	2020 £000	2019 £000
Creditors arising out of direct insurance	54	-
Creditors arising out of reinsurance operations	-	
Other creditors		
Total financial liabilities at amortised cost	54	-

Other creditors include £4.4m (2019: £6.8m) due to Sirius International Insurance Corporation (publ).

19. Other assets

	2020 £000	2019 £000
Cash at bank and in hand	7,198	4,709
Deposits with credit institutions	64,912	15,722
Total Other assets	72,119	20,431

Only deposits with credit institutions with maturities of three months or less that are used in the management of its short-term commitments are included in cash and cash equivalents.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

20. Tax on loss for the financial year

a) Tax on loss

	2020 £000	2019 £000
UK corporation tax on loss		
UK corporation tax on loss for the year	-	-
UK corporation tax – prior year adjustment to current tax	121	-
Total Corporation tax on result	121	-
Deferred tax		
Origination and reversal of timing differences	10,187	-
Future deferred tax on losses not yet recognised	(11,455)	-
Write-off of deferred tax previously recognised	-	(6,176)
Effect of changes in tax rate – current year provision	-	-
Effect of changes in tax rates on brought forward provisions	1,289	-
Transfer from deferred tax – prior year adjustment	(21)	-
Transfer from deferred tax – current year provision	-	-
Total deferred tax credit for the year	-	(6,176)
Tax on loss on ordinary activities	121	(6,176)

b) Factors affecting the current tax charge

Differences between the tax assessed on the loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019: 19%) are reconciled in the table below:

	2020 £000	2019 £000
Loss for the year before taxation	(56,797)	(16,746)
UK corporation tax on loss for the year	-	-
	(56,797)	(16,746)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019 – 19%)	10,791	3,182
Effects of:		
Deferred tax not recognised in respect of tax losses	(11,455)	(9,358)
Permanent differences	(605)	-
Effect of changes in tax rates on brought forward provisions	1,289	-
Adjustments in respect of prior years	101	-
Total tax credit for the year	121	(6,176)

Unrelieved tax losses and other deferred tax assets are generally recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. In the absence of such evidence, Management have considered prudent not to recognise a deferred tax asset.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

20. Tax on loss (continued)

In addition to the recognised deferred tax asset of £nil (2019: £nil) is an amount £22,429k (2019: £10,828k) that has not been recognised in respect of gross underwriting losses of £118,046k (2019: £64,082k). There is also an unrecognised tax asset in respect of excess double tax relief carried forward of £400k (2019: £978k).

c) Deferred tax

	2020 £000	2019 £000
Provision at the beginning of the period	0	6,818
Total deferred tax asset	-	-
Provision at the beginning of the year	0	6,818
Amounts utilised in respect of prior years	(21)	-
Functional currency adjustment – on opening balance	-	-
Functional currency adjustment – on movement	-	-
Effect of changes in tax rate – current year provision	-	-
Effect of changes in tax rates on brought forward provisions	1,289	-
Current year movement	10,187	-
Write-off of deferred tax previously recognised	-	(6,176)
Future deferred tax on losses not yet recognised	(11,455)	-
Deferred tax recognised on currency translation differences	-	(642)
Provision at the end of the year	0	0

Factors that may affect future tax charges

In the Spring budget 2020, the Government announced the cancellation of the future reduction in the corporation tax rate from 19% to 17%. This was enacted on 22 July 2020. In the March budget of 2021 the Government announced that the corporation tax rate will rise from 19% to 25% with effect from 2023. This change was substantively enacted on 24 May 2021. Had the rate change been substantively enacted at the balance sheet date the unrecognised deferred tax asset would increase by approximately £7,083k.

21. Other debtors

	2020 £000	2019 £000
Receivable from Sirius International Insurance Corporation	515	1,200
Claims Floats	4,520	5,441
Taxes	357	105
Premium Deposit	24	-
Total other debtors	5,416	6,747

Notes to the Financial statements for the year ended 31 December 2020 (continued)

22. Ultimate Parent Company and Controlling Party

The Company's immediate parent is Sirius International Corporation (publ), a company incorporated in Sweden, a wholly owned subsidiary of Sirius International Insurance Group Limited, Bermuda. At 31 December 2020, the Company's ultimate parent company was China Minsheng Investment Group Corp. Ltd ("CMIGC"), a company incorporated in the Peoples Republic of China with primary interests in equity investments, equity investment management and consulting.

The results of Sirius International Corporate Member Limited for the year to 31 December 2020 are consolidated within the financial statements of Sirius International Insurance Group Ltd, which is the smallest and largest entity that these financial statements are consolidated into. Copies of the audited financial statements of Sirius International Insurance Group Ltd can be obtained by application to the company's registered office listed on page 2.

On the 26 February 2021, following the merger of Sirius International Insurance Group, Ltd with Third Point Reinsurance Ltd, to form SiriusPoint, Third Point Reinsurance Ltd became the ultimate parent.

23. Amounts owed to parent company

A working capital facility of £20m (2019: £20m) is provided by the parent company, Sirius International Insurance Corporation (publ), to ensure that Syndicate 1945 has access to adequate working capital. At year end a balance of £3.7m was outstanding under this facility (2019: £6.0m).

Amounts may be drawn under the facility in any settlement currency of the syndicate, and drawn down amounts attract interest at 2.5% over the appropriate central bank rate. The facility has no fixed repayment terms. At 31 December 2020, £0.1m accrued interest on drawings was outstanding (2019: accrued interest payable nil). In addition to drawn down amounts under the working capital facility, the Company is indebted to its parent for operating expenses paid on its behalf.

24. Other Related parties

For the year to 31 December 2020 managing agent fees of £0.6m were paid to SIMA (2019: £0.6m). No service charges were paid to SIMA in the year.

Sirius International Insurance Corporation (SINT), the parent company of both SIMA and Sirius International Corporate Member Limited (SICM), provided management services to the Syndicate in 2020, the amount recharged was £6.8m (2019: £7.04m) of the amounts recharged to the Syndicate in 2020 and prior years, a balance of £40.21m was outstanding at the end of the year (2019: £33.39m). In addition, expenses of £0.09m were paid by SINT on behalf of the Syndicate and recovered (2019: £0.12m). Syndicate 1945 is also accounted for through the Sirius VAT group, and VAT of £0.12m was recovered on behalf of the Syndicate during the year (2019: £0.13m).

Copies of the audited financial statements of the Managing Agency, the Corporate Member and Sirius International Insurance Corporation (publ) can be obtained by application to the Corporate Member's registered office listed on page 2.

The drawdown facility provided to the Syndicate by SINT remains in place, and permits drawdowns in any settlement currency. The Syndicate repaid £2.39m during the year (2019: drawdowns of £3.71m and repayments of £6.09) so that at the end of the year the amount owed was £3.66m (2019: £6.05m). Interest on the drawn balance in 2020 amounted to £0.14m (2019: £0.28m). The sole capital provider for the Syndicate is Sirius International Corporate Member Limited, a wholly owned subsidiary of SINT.

Notes to the Financial statements for the year ended 31 December 2020 (continued)

24. Other Related parties (continued)

The sole capital provider for the Syndicate is Sirius International Corporate Member Limited, a wholly owned subsidiary of SINT.

Sirius America, a wholly-owned subsidiary of SINT, cedes business to Syndicate 1945. During 2020, premium ceded amounted to £0.8m with related brokerage and commissions of £0.4m and claims incurred of £4.4m (2019 premium £6.0m, brokerage and commissions £1.8m and claims £4.3m). The underwriting balance is a £nil receivable (2019: £0.11m payable).

Sirius International Insurance Corporation reinsures Syndicate 1945. During 2020, premiums ceded under these reinsurance contracts amounted to £1.74m with related ceding commission of £0.17m and claims recoverable were £nil (2019 premiums £2.36m and recoveries £0.05m). The outstanding underwriting balance is £1.7m payable. (2019: £nil).

The Syndicate ceded business to Alstead Reinsurance Limited, a fellow subsidiary of Sirius International Insurance Group Ltd. Ceded premiums amounted to £0.12m (2019: £0.74m) with related brokerage and commissions of £0.13m (2019: £0.41m) and claims of £0.30m (2019: £0.39m). The outstanding underwriting balance is £0.07m (2019: £0.72m).

During the year to 31 December 2020 the ultimate parent of the Company and SIMA was China Minsheng Investment Group Corp Ltd which is domiciled in the People's Republic of China. On the 26 February 2021, following the merger of Sirius International Insurance Group, Ltd with Third Point Reinsurance Ltd, to form SiriusPoint, Third Point Reinsurance Ltd became the ultimate parent of the Company.

25. Lloyd's Part VII transfer

On 30 December 2020, the Syndicate, as comprised for each of the relevant years of account between 2011 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them or those years of account to Lloyd's Insurance Company S.A. ('LIC'), in accordance with Part VII of the Financial Services and Markets Act 2000. All relevant policies are all EEA and Monegasque risks incepted at Lloyd's between 1993 and 12 April for direct business and 29 October 2020 for Inwards German reinsurance business not already written into LIC. On the same date, the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby LIC reinsured all risks on the same policies back to the relevant open years of account of the Syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account. The intent of the transfer is to leave the Syndicate in the same economic position as they were prior to the transfer and policy holders should not be impacted by the transfer.

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the Syndicate transferred the impacted EEA policies and related liabilities to LIC, together with cash of $1,706,863.86. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of $1,706,863.86.

The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there is no impact on the Syndicate's income statement and no net impact on the balance sheet. No adjustment has been made in the segmental note for transactions that occurred in respect of the transferred business up to the date of the transfer, which is consistent with the income statement presentation. There were no outstanding debtor and creditor balances in respect of the transferred business. Consequently, no reclassification of debtor and creditor balances that were previously classified as arising out of direct reinsurance operations have been reclassified as arising out of reinsurance operations.

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

Notes to the Financial statements for the year ended 31 December 2020 (continued)

25. Lloyd's Part VII transfer (continued)

The effect of the transaction on the primary statements is shown on the next page for each stage of the transaction:

£'000s	*Stage 1- Part VII transfer to LIC*	*Stage 2-100% RI from LIC*	*Stage 4- transfer of rights to sundry assets*	*TOTAL*	*Stage 3- transfer of cash to float accounts at 04.01.21*
Income statement					
Gross written premium	(1,250)	1,250	-	-	-
Balance sheet					
Cash	(1,250)	1,250	-	-	(490)
Deposits with ceding undertakings	-	-	-	-	490
Other creditors	-	-	-	-	-

The table above shows the effect of Stage 1 (cash transfer in respect of liability transfer to LIC treated as negative written premium), Stage 2 (reinsurance premium paid to Syndicate for assumed reinsurance) and Stage 4 (transfer of rights relating to recovery of loss funds third party coverholders to LIC). Note, the Syndicate has no unearned premium or premium debtors on any transferring business and therefore there are no accounting entries relating to these.

As shown to the right of the table above (Stage 3), on 4th January 2021 funds in the following amounts were transferred from the Syndicate's bank accounts to settlement float accounts held with Lloyd's Insurance Company: EUR 496k, USD 48k, GBP 7k, CAD 3k. These funds will be used to pay claims falling due on transferred business and will be topped up periodically as required.

26. Post balance sheet events

On 6 August 2020, Sirius International Insurance Group, Ltd, ("The Group") announced that it had entered into an Agreement and Plan of Merger (the "2020 Merger Agreement") with Third Point Reinsurance Ltd., a Bermuda exempted company ("TPRE"), and Yoga Merger Sub Limited, a Bermuda exempted company and a wholly owned subsidiary of TPRE ("Merger Sub").

The 2020 Merger Agreement provided, among other things, that, upon the terms and subject to the conditions set forth in the 2020 Merger Agreement and a Statutory Merger Agreement to be executed by the Group, TPRE and Merger Sub (the "Statutory Merger Agreement"), Merger Sub would merge with and into the Group, with the Group surviving as a wholly owned subsidiary of TPRE (the "TPRE Merger").

The 2020 Merger Agreement, the Statutory Merger Agreement, and the consummation of the transactions contemplated by the 2020 Merger Agreement, the Statutory Merger Agreement, including the TPRE Merger have been unanimously approved by the board of directors of each of the Group and TPRE. The Group received all the required regulatory approvals and the TPRE Merger closed on 26 February 2021, and the ultimate parent changed from China Minsheng Investment Group Corp Ltd to Third Point Reinsurance Ltd.

On 4 March 2021, the Company issued one additional ordinary share with a nominal value of £1 to SINT in return for consideration of US dollars 11.9m which was advanced to the Syndicate as Funds in Syndicate.

27. Called up Share capital

There is a single class of Ordinary Shares of £1 each. There are 3 (2019: 1) ordinary share allotted and paid at 31 December 2020 amounting to nominal value of £3 (2019: £1). The share capital was further increased to £4 on 4 March 2021 – See note 26.