, with Regulation 32 of the Overseas Companies Regulations 2009.

DON'T STAPLE

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NOT for**
You cannot use this form to re[...] an alteration of manner of co[...] with accounting requirements[...]

For further information, please [...]

THURSDAY

JBD2BDCY
JNI 22/09/2022 #21
COMPANIES HOUSE

Part 1 Corporate company name

[...] bold black capitals.

All fields are mandatory unless specified or indicated by *

Corporate name of overseas company ❶	ALLIED WORLD ASSURANCE COMPANY (EUROPE) DESIGNATED ACTIVITY COMPANY
UK establishment number	B R 0 0 7 2 4 9

❶ This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and audited.

Legislation ❷ COMPANIES ACT 2014

❷ This means the relevant rules or legislation which regulates the preparation of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ No. Go to Section A3.

☑ Yes. Please enter the name of the organisation or other body which issued those principles below, and then go to Section A3.

Name of organisation or body ❸ PRICEWATERHOUSECOOPERS

❸ Please insert the name of the appropriate accounting organisation or body.

OS AA01
Statement of details of parent law and other information for an overseas company

A3 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ No. Go to Part 3 'Signature'. ☑ Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	INSTITUTE OF CHARTERED ACCOUNTANTS IRELANI	

Part 3 Signature

I am signing this form on behalf of the overseas company.

Signature	Signature X D Mooney X For and ~~on behalf~~ of Wilton Secretarial Limited Secretary

This form may be signed by:
Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	DONNA PARKER
Company name	TUGHANS
Address	MARLBOROUGH HOUSE
	30 VICTORIA STREET
Post town	BELFAST
County/Region	
Postcode	B T 1 3 G G
Country	NORTHERN IRELAND
DX	433 NR BELFAST 1
Telephone	02890 553300

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1

Northern Ireland:
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

COMPANIES HOUSE
FEE PAID
BELFAST

Allied World Assurance Company (Europe) dac

Reports and Financial Statements

For the Financial Year Ended 31 December 2020

ALLIED WORLD ASSURANCE COMPANY (EUROPE) DAC

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

DIRECTORS AND OTHER INFORMATION

Directors
Lee Dwyer
Sean Hehir (Independent Non-Executive)
Scott Hunter (Independent Non-Executive)
Neil Macmillan (Independent Non-Executive)
Jim O'Mahoney (Independent Non-Executive)

Secretary
Sean O'Riordan
3rd Floor,
Georges Quay Plaza,
Georges Quay,
Dublin 2,
Ireland.

Assistant Secretary
Wilton Secretarial Limited
6th Floor,
2 Grand Canal Square,
Dublin 2,
Ireland.

Investment Managers
Hamblin Watsa Investment Counsel
95 Wellington Street West,
Suite 802,
Toronto, Ontario M5J 2N7,
Canada.

Principal Bankers
Citi
1 North Wall Quay,
Dublin 1,
Ireland.

Custodian Bankers
Mellon Global Securities Services
P.O. Box 371791,
Pittsburgh,
PA 15251-7791,
U.S.A.

Solicitor
William Fry
6th Floor,
2 Grand Canal Square,
Dublin 2,
Ireland.

Independent Auditors
PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm,
One Spencer Dock,
North Wall Quay,
Dublin 1,
Ireland.

Registered Office
3rd Floor,
Georges Quay Plaza,
Georges Quay,
Dublin 2,
Ireland.

Companies Registered Office Number
361888

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the financial year ended December 31, 2020.

Principal activities

The principal activity of Allied World Assurance Company (Europe) dac (the "Company"), and its branches in the United Kingdom and Switzerland, is to underwrite first- and third-party insurance and reinsurance risks.

Business review

In March 2020, the coronavirus ("COVID-19") outbreak was declared a global pandemic and has since caused significant disruption globally to economies and financial markets. The pandemic has resulted in significant market volatility and, due to its ongoing nature, the Company continues to closely monitor the potential impacts on its business, operations, investments and capital and liquidity positions. The maturity and resiliency of our team and systems have enabled us to seamlessly address the challenges presented by the COVID-19 pandemic so far and as of December 31, 2020, the overall financial impact of COVID-19 on the Company has not been significant.

The Board of Directors monitors the progress of the Company by reference to the following key performance indicators (KPIs):

- Net premiums written
- Net claims incurred
- Net investment return
- Net profit

Net premiums written in the year amounted to $40.5 million compared to $23.1 million in 2019. Gross premiums written for the year were $378.1 million, an increase of $146.8 million from the prior year's gross premiums written of $231.3 million, primarily due to an increase in our liability and property writings during the year due to improved premium rates achieved offset by a decrease in our credit and surety portfolio. Ceded premiums in 2020 were $337.6 million compared to $208.2 million in 2019.

Net claims incurred in the year amounted to $18.9 million compared to $10.0 million for the prior year. The increase is due to higher net claims incurred on our liability and property portfolios. Net claims incurred on the liability portfolio were $10.2 million (2019: $6.2 million) and $7.0 million (2019: $2.4 million) on the property portfolio with the increase attributable to significant premium growth in the year.

Administrative expenses were $33.6 million for the year compared to $26.5 million in 2019 due to higher employment costs incurred during the year.

Foreign exchange losses in the year amounted to $2.6 million compared to losses of $2.1 million in 2019 primarily due to foreign exchange movements of the United States Dollar ("USD") against the British Pound ("GBP") and the Euro ("EUR") during the year.

Net investment return for 2020 was $8.0 million compared to $18.3 million for 2019. The decrease is largely attributable to unrealised losses from our investment portfolio, specifically an unrealised loss recognised on the promissory note held by the company and further unrealised losses suffered on our investments in collective investment undertakings and equities, due to negative market movements. Additionally, there was a decrease in net investment income to $7.7 million from $10.6 million in 2019 due to the reduced coupon received on the promissory note.

DIRECTORS' REPORT

Results and dividends

The Company recorded a net profit for the year of $16.2 million (2019: $18.5 million). Net assets at the end of the year were $415.3 million (2019: $399.1 million).

The Company did not pay a dividend during the year (2019: $ nil)

Future developments

The objective is to manage our core business, to maximise profitability and increase shareholder's funds through future market cycles. In addition, the Company seeks to develop a select number of initiatives to expand our geographic distribution and product mix, always with a focus on profitable growth.

Principal risks and uncertainties facing the Company

(i) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic and has since caused significant disruption globally to economies and financial markets. The pandemic has resulted in significant market volatility and, due to its ongoing nature, the Company is closely monitoring the potential impacts on its business, operations, investments and capital and liquidity positions. As of December 31, 2020, the overall financial impact of Covid-19 on the Company has not been significant.

From an operations standpoint, as the pandemic became apparent in early 2020, the Company followed its business continuity plans and enacted steps to ensure the safety of our employees and continuity of our business. The Company has remained fully operational even as most of our operations moved to a fully remote working environment. We have also worked very closely with our critical third-party vendors to ensure they continue to maintain their levels of service, even if working remotely.

The Company continues to closely monitor the developments and potential impact on the Company's business, operations and investments (e.g., asset prices, capital and liquidity positions, and insurance exposures). As legal and regulatory responses to COVID-19 are ongoing, there is a level of uncertainty in predicting the ultimate impact on the Company's financial position. However, at this point, COVID-19 has not had a material adverse impact on the Company's capital, solvency and liquidity positions.

(ii) Recent developments relating to the departure of the United Kingdom ("UK") from the European Union ("EU") could adversely affect the business:

The UK left the EU on January 31, 2020 and the withdrawal agreement between the UK and EU, which provided for an eleven month transitional period during which EU rules continued to apply in the UK, ended on 31 December 2020. Although the UK and EU signed the EU-UK Trade and Cooperation Agreement (the "Trade Agreement") on 31 December 2020, negotiations will continue to determine the future relationship between the UK and EU in relation to financial services, including (re)insurance. The Trade Agreement does not expressly cover financial services. A Memorandum of Understanding was issued by the EU and the UK stating that discussions around equivalence in relation to financial services regulatory regimes would commence by the end of the first quarter of 2021. The Company has established and implemented contingency plans to address the risks arising from Brexit, including registering its UK Branch under the UK Temporary Permissions Regime (the "TPR") in order that it will continue to underwrite UK and non-EU./E.E.A. (re)insurance business in/from its UK branch post-Brexit.

Principal risks and uncertainties facing the Company (continued)

The Company's UK Branch which will be regulated by the UK Prudential Regulation Authority (the "PRA"). The TPR commenced on 1 January 2021 and will end on 31 December 2023, and during this period, the Company will file applications with the PRA and Central Bank to obtain necessary post-TPR regulatory authorizations and permissions for its UK branch, which for regulatory purposes will become a UK branch of a third-country insurer. As part of our Brexit contingency plans, we have also continued to monitor developments in relation to Brexit, including guidance and consultation papers issued by the UK Prudential Regulation Authority (the "PRA") and guidance issued by EIOPA, and as part of this process we have mapped the regulatory requirements applicable to the Company under TPR. We have also provided updates to the Central Bank and the PRA on our post-Brexit plans during 2020.

(iii) The impact of climate change could have a negative impact on the Company's financial performance, liquidity, financial condition and ratings:

Climate change exposes the Company to a range of risks that can be grouped into three main categories:

- physical risks that may challenge our ability to effectively underwrite, model and price catastrophe risk particularly if the frequency and severity of catastrophic events such as hurricanes, tornadoes, floods, wildfires and windstorms and other natural disasters may be exacerbated global.
- transitional risks that may arise from the effort to transition towards a lower-carbon economy, such as changes in government policy, technology changes, reputational risks, changes in consumer demand and updating of global infrastructure which may lead to a reduction in the value of certain assets.
- liability risks are risks that arise from third parties seeking compensation from the effects of climate change, such as companies being litigated against due to the impact of their greenhouse emissions.

Climate change presents risk of financial loss to the Company, for example, losses resulting from actual policy experience may be adverse as compared to the assumptions made in product pricing and our ability to mitigate our exposure may be reduced. Climate change-related risks may also adversely impact the value of the securities that we hold or lead to increased credit risk of other counterparties we transact business with, including reinsurers. The Company continues to closely monitor the developments and potential impact of climate change on the it's business, however, it cannot predict the long-term impacts of climate change on our business and results of operations.

(iv) The Company may be unable to purchase external reinsurance for our own account on commercially acceptable terms or to collect under any reinsurance which the Company has purchased:

The Company purchases reinsurance to mitigate the effects of large or multiple losses on our financial condition. From time to time, market conditions beyond our control have limited, and in some cases prevented, insurers and reinsurers from obtaining the types and amounts of reinsurance they consider adequate for their business needs. The Company cannot assure that external reinsurance will remain continuously available to us in amounts that the Company considers sufficient and at rates that the Company considers acceptable or that the Company will be able to obtain coverage from entities with satisfactory financial resources.

Furthermore, a reinsurer's insolvency, inability or refusal to make payments under a reinsurance or retrocessional reinsurance agreement with the Company, could have a material adverse effect on our financial condition and results of operations because the ceding of risk to reinsurers does not relieve us of our liability to the entities the Company insures or reinsures.

Principal risks and uncertainties facing the Company (continued)

(v) The insurance and reinsurance business have been cyclical, characterised by periods with excess underwriting capacity and unfavorable premium rates and policy terms and conditions:

Historically, insurers and reinsurers have experienced significant fluctuations in operating results due to competition, frequency of occurrence or severity of catastrophic events, levels of underwriting capacity, general economic conditions and other factors. The supply of insurance and reinsurance is related to prevailing prices, the level of insured losses and the level of industry surplus which, in turn, may fluctuate in response to changes in rates of return on investments. The occurrence, or non-occurrence, of catastrophes events, the frequency and severity of which are unpredictable, affects both industry results and consequently prevailing market prices for certain products.

As a result of these factors, the insurance and reinsurance business historically has been a cyclical industry characterised by periods of intense competition on price and policy terms due to excessive underwriting capacity as well as periods when the shortages of capacity permit favorable premium rates and policy terms and conditions. Increases in the supply of insurance and reinsurance may have adverse consequences for the Company, including fewer policies and contracts written, lower premium rates, increased expenses for customer acquisition and retention and less favorable policy terms and conditions.

(vi) If the Company experiences difficulties with our information technology ("IT") infrastructure and telecommunications systems and/or data security, our ability to conduct our business might be adversely affected:

A failure of our IT infrastructure, technology and telecommunication systems or the termination of third-party software licenses the Company relies on in order to maintain such systems could materially impact our ability to write and process business, provide customer service, pay claims in a timely manner or perform other necessary actuarial, legal, financial and other business functions. The Company has implemented administrative and technical controls to reduce the risk of cyber incidents and protect our IT systems and data, including cybersecurity training and awareness campaigns for its employees and tailored IT risk assessments of third-party vendors with which the Company engages.

(vii) A failure by the Company to comply with the legal and regulatory requirements it is subject to could have a material adverse effect on our business:

Any failure to comply with applicable law could result in restrictions on either the ability of the Company to do business in one or more of the jurisdictions in which they operate or on brokers on which the Company relies to continue to produce business. The Company is obliged to maintain a minimum level of capital to meet solvency requirements of the Central Bank of Ireland. All solvency capital requirements have been complied with throughout the year. Annually the Company completes a compliance risk assessment, the results of which facilitate the preparation of an annual compliance plan that confirms compliance priorities reflective of the identified risks.

(viii) An extreme European natural catastrophe event resulting in a significant loss to the Company:

The Company underwrites natural catastrophe risk and could be exposed to a material loss from an extreme European windstorm event. Such an event is within our risk appetites and is adequately reinsured however an extreme market event could result in a material loss to the Company.

Principal risks and uncertainties facing the Company (continued)

(ix) **The Company depends on a small number of brokers for a large portion of our revenues. The loss of business provided by any one of them could adversely affect us:**

The Company markets our insurance products almost exclusively through insurance brokers. In the year ended December 31, 2020, our top five brokers represented approximately 60% of our gross premiums written.

Loss of all or a substantial portion of the business provided by any one of our top five brokers could have an adverse effect on our financial condition and results of operations. The Company has been monitoring the development and implementation of the broker's Brexit contingency plans in order to identify potential adverse impact on the continued support of such brokers by the Company.

(x) **Downgrades or revocation of our financial strength ratings may affect our standing among brokers and customers and may cause our premiums and earnings to decrease:**

Financial strength ratings are an important factor in establishing the competitive position of insurance and reinsurance companies. Our ratings are subject to periodic review and may be revised downward or revoked at the sole discretion of the rating agencies.

A ratings downgrade or revocation could adversely affect our competitive position in the insurance and reinsurance industry and may make it more difficult for us to market our products, possibly resulting in substantial loss of business as customers and brokers move to competitors with higher financial strength ratings.

We cannot provide any assurance regarding whether or to what extent third-party rating agencies may downgrade or revoke our financial strength ratings in the future.

Directors' and Secretary's interest in shares

The Directors and Secretary held no interests in the Company or any intermediate holding company during the financial year and their interests in its ultimate parent company represented less than 1% of the total share capital of Fairfax Financial Holdings Limited and therefore, per section 260 (f)(i) of the Companies Act 2014, no further disclosure is required.

Accounting records

The Directors ensured that they have secured compliance with the requirements of Section 281 to 285 of the Companies Act, 2014 with regard to the keeping of accounting records. The specific measures taken are the employment of suitably qualified accounting personnel and the maintenance of appropriate accounting systems. The accounting records are located at their registered office as stated on page 2, at the UK branch office located at 20 Fenchurch Street, 19th Floor, London EC3M 3BY, UK and at the Swiss branch office located at Park Tower, 15th Floor, Gubelstrasse 24, 6300 Zug, Switzerland.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have concluded that there are no material uncertainties which would cast significant doubt over the Company's ability to continue as a going concern. The Company will continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS' REPORT

Corporate governance code

The Company is subject to the Central Bank of Ireland's Corporate Governance Code for Insurance Undertakings, 2015 (the "Code"). It is not a major institution for the purposes of the Code. Throughout 2020 the Company applied the principles of the Code and complied with the provisions of the Code. During 2020, the Board of Directors established a risk committee to assist the Board in its oversight of risk management and related solvency and capital matters.

Statement of relevant audit information

In the case of each person who was a Director of the Company at the time of approval of this report:

- so far as the Director is aware, there is no relevant audit information of which the Company's statutory auditors are unaware,
- and the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

Independent Auditors

The auditors PricewaterhouseCoopers ("PwC"), Chartered Accountants and Statutory Audit Firm, have signified their willingness to continue in office in accordance with section 383(2) of the Companies Act 2014.

DIRECTORS' REPORT

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with the Companies Act 2014 and the European Union (Insurance and Reinsurance) Regulations 2015.

Irish company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and FRS 103 "Insurance Contracts" ("FRS 103") issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland. 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 assets, liabilities and financial position of the Company as at the financial year end and of the profit or loss of the Company for the financial year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards.

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records that correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' report comply with the Companies Act 2014, and enable the financial statements to be audited.

They are also responsible for ensuring the assets of the Company are safeguarded and ensuring that reasonable steps for the prevention and detection of fraud and other irregularities have been taken.

Directors' compliance statement

As required by Section 225 of the Companies Act 2014 (the "Act"), we, the Directors of the Company:

- Acknowledge our responsibility for securing the Company's compliance with its relevant obligations ("Relevant Obligations") under the Act.
- Confirm that the Company has:
  - Documented policies to ensure compliance with the Relevant Obligations.
  - Compliance arrangements that are, in our opinion, sufficient to secure material compliance with the Relevant Obligations.
  - Completed a review of the Company's compliance arrangements and there were no issues.

Approved by the Board of Directors on 7 April 2021, and signed on its behalf by:

Jim O'Mahoney
Director

Lee Dwyer
Director

pwc

Independent auditors' report to the members of Allied World Assurance Company (Europe) dac

Report on the audit of the financial statements

Opinion

In our opinion, Allied World Assurance Company (Europe) dac's financial statements:

- give a true and fair view of the company's assets, liabilities and financial position as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the reports and financial statements, which comprise:

- the balance sheet as at 31 December 2020;
- the profit and loss account for the year then ended;
- 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.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) 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

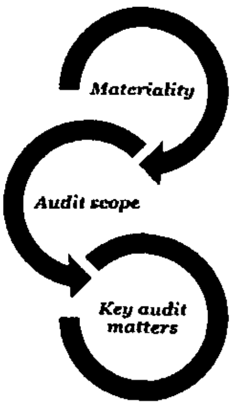
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the company.

Other than those disclosed in note 6 to the financial statements, we have provided no non-audit services to the company in the period from 1 January 2020 to 31 December 2020.

Our audit approach

Overview



Materiality

- USD3.7 million (2019: USD2.3 million).
- Based on 1% of gross written premium.

Audit scope

- We performed a full scope audit of the company's financial statements, based on materiality levels.

Key audit matters

- Valuation of claims outstanding.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Valuation of claims outstanding *Refer to note 1, note 12 and note 16 to the financial statements* The provision for claims outstanding is the company's largest liability and its valuation involves considerable judgement. The provision is determined using complex actuarial calculations and requires the consideration of detailed methodologies, multiple assumptions and significant judgements, particularly for the longer tail classes of business. The key assumptions underlying the calculations are underwriters' expectations about loss experience, actuarial analysis, comparisons with industry benchmarks and loss experience to date. The valuation is also dependent on the completeness and accuracy of	We evaluated the actuarial methodologies and key assumptions with the assistance of our actuarial specialists. This involved: • assessing the assumptions and methodologies underpinning management's actuarial valuation; • carrying out our own independent valuations for the main classes of business and assessing the differences between our estimates and those of management; and • reconciliation of the actuarial valuation outputs to the financial statements. We also: • tested the operating effectiveness of the controls over claims processing and payment; and

Key audit matter	*How our audit addressed the key audit matter*
the data used in the actuarial modelling, in particular data relating to amounts of claims paid and incurred in prior years.	• reconciled the data used in the actuarial models to the underlying systems. We concluded that the methodologies and assumptions adopted were appropriate and that the claims outstanding figure was calculated in accordance with these.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We performed a full scope audit of the company's financial statements, based on materiality levels.

Materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	USD3.7 million (2019: USD2.3 million).
How we determined it	1% of gross written premium.
Rationale for benchmark applied	Gross written premium is considered an appropriate benchmark given the circumstances and size of the company.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above USD189,000 (2019: USD115,630) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's going concern assessment for the going concern period which covers a year from the date of approval of the financial statements;
- assessing the company's financial and solvency position and the surplus over its regulatory capital requirements;
- considering the company's assessment of the impact of COVID-19 on its underwriting, claims and investments;
- assessing the company's liquidity position; and
- assessing the going concern disclosures included in the financial statements in order to assess whether the disclosures were appropriate and in accordance with reporting standards.

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 the date on which 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 reports and financial statements 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 directors' report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 9, 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 (Ireland) 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

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 section 391 of the Companies Act 2014 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 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 9 November 2017 to audit the financial statements for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2017 to 31 December 2020.

Paraic Joyce

for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
8 April 2021

PROFIT AND LOSS ACCOUNT
TECHNICAL ACCOUNT

	Notes	31 Dec 2020	31 Dec 2019
		US$	US$
Earned premiums, net of reinsurance			
Gross premiums written	3	378,111,882	231,273,101
Outward reinsurance premiums		(337,569,944)	(208,197,030)
Net premiums written		40,541,938	23,076,071
Change in the gross provision for unearned premiums	12	(68,689,824)	(30,184,222)
Change in the provision for unearned premiums, reinsurers' share	12	59,888,210	28,096,427
Change in the net provision for unearned premiums		(8,801,614)	(2,087,795)
Earned premiums, net of reinsurance		**31,740,324**	**20,988,276**
Allocated investment return transferred from the non-technical account		**8,005,061**	**18,274,676**
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(144,040,219)	(111,114,120)
Reinsurers' share		132,389,287	99,309,019
Net claims paid		(11,650,932)	(11,805,101)
Change in the provision for claims			
Gross amount	12	(60,041,919)	19,426,235
Reinsurers' share	12	52,762,871	(17,576,674)
Change in the net provision for claims		(7,279,048)	1,849,561
Claims incurred, net of reinsurance		**(18,929,980)**	**(9,955,540)**
Net operating expenses	4	**(1,859,529)**	**(8,300,440)**
Balance on the technical account		**18,955,876**	**21,006,972**

PROFIT AND LOSS ACCOUNT
NON-TECHNICAL ACCOUNT

	Notes	31 Dec 2020	31 Dec 2019
		US$	US$
Balance on the technical account for non-life insurance business		18,955,876	21,006,972
Net Investment result			
Investment income		7,682,351	10,597,394
Investment expenses		(568,524)	(569,648)
Net realised losses		(644,392)	(1,746,228)
Net unrealised gains		1,535,626	9,993,158
Net Investment income	5	8,005,061	18,274,676
Allocated investment return transferred to the insurance technical account		(8,005,061)	(18,274,676)
Profit on ordinary activities before taxation		18,955,876	21,006,972
Tax charge on profit on ordinary activities	8	(2,744,662)	(2,550,170)
Profit on ordinary activities after taxation for the financial year		16,211,214	18,456,802

There were no recognised gains and losses other than those included in the profit and loss account.

Profit on ordinary activities arose solely out of continuing activities.

The accompanying notes form an integral part of these financial statements.

BALANCE SHEET

ASSETS	Notes	31 Dec 2020	31 Dec 2019
		US$	US$
Financial instruments			
Debt securities and other fixed income securities	9	402,109,842	381,970,006
Equity securities	9	17,810,349	20,212,358
Deposits with credit institutions	9	46,796,589	17,939,040
		466,716,780	**420,121,404**
Reinsurers' share of technical provisions			
Provision for unearned premiums	12	176,100,950	113,949,498
Claims outstanding	12	428,053,191	373,577,159
		604,154,141	**487,526,657**
Debtors			
Debtors arising from insurance and reinsurance operations	10	128,079,495	84,101,278
Other debtors	10	9,095,158	6,485,848
		137,174,653	**90,587,126**
Other assets			
Tangible fixed assets	17	2,576,511	3,051,996
Intangible fixed assets	18	755,946	-
Cash at bank and in hand	9	1,808,409	815,191
		5,140,866	**3,867,187**
Prepayments and accrued income			
Accrued interest	9	5,851,826	9,434,071
Deferred acquisition costs		26,018,255	19,026,584
		31,870,081	**28,460,655**
Total assets		**1,245,056,521**	**1,030,563,029**

BALANCE SHEET (CONTINUED)

LIABILITIES	Notes	31 Dec 2020	31 Dec 2019
		US$	US$
Capital and reserves			
Called up share capital presented as equity	11	10,000,000	10,000,000
Capital contribution		353,296,806	353,296,806
Profit and loss account		51,995,425	35,784,211
Shareholders' funds		**415,292,231**	**399,081,017**
Technical provisions			
Provision for unearned premiums	12	200,017,483	125,475,465
Claims outstanding	12	467,573,650	400,781,141
		667,591,133	**526,256,606**
Creditors			
Creditors arising out of insurance and reinsurance operations	13	85,181,832	45,090,371
Other creditors including tax and social security	13	10,529,355	13,324,721
		95,711,187	**58,415,092**
Accruals and deferred income	21	66,461,970	46,810,314
Total liabilities and shareholders' funds		**1,245,056,521**	**1,030,563,029**

The accompanying notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on April 7th, 2021.

Jim O'Mahoney
Director

Leo Dwyer
Director

STATEMENT OF CHANGES IN EQUITY

	Called up share capital presented as equity	Capital contribution	Profit and loss account	Total shareholders' funds
	US$	US$	US$	US$
Balance as at January 1, 2019	10,000,000	353,296,806	17,327,409	380,624,215
Profit for the financial year	-	-	18,456,802	18,456,802
Balance as at December 31, 2019	10,000,000	353,296,806	35,784,211	399,081,017
Profit for the financial year	-	-	16,211,214	16,211,214
Balance as at December 31, 2020	10,000,000	353,296,806	51,995,425	415,292,231

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

The significant accounting policies adopted by the Company are as follows:

Basis of presentation

The financial statements have been prepared in accordance with the provisions of the Companies Acts, 2014, the European Union (Insurance Undertakings: Financial Statements) Regulations 2015 and FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and FRS 103 "Insurance Contracts" ("FRS 103") issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland.

Going Concern

The Directors have a reasonable expectation that the company will continue in operational existence for twelve months from the date of approval of these financial statements and have prepared the financial statements on a going concern basis. In assessing the Company's going concern position as at 31 December 2020, the Directors have considered all available information about the future, the possible outcomes of events and changes in conditions. The assessment focused on the capital structure, liquidity stress test scenarios, investment risk, reinsurance structures, operational resilience, and COVID-19 related insurance liabilities along with the ongoing business considerations such as future premium flows, actual and planned profitability and catastrophe-based risk scenarios. The Directors have a reasonable expectation that the Company has adequate resources to continue its business operations for the foreseeable future and to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

The financial statements have been prepared in accordance with the historical cost convention, as modified to include investments at current market value, and in accordance with FRS 102 and FRS 103.

Recognition of underwriting income

Premiums are recorded as written on the inception date of the policy. For certain types of business written by the Company, notably reinsurance, premium income may not be known at the policy inception date. In the case of quota share reinsurance treaties assumed by the Company, the underwriter makes an estimate of premium income at inception. The underwriter's estimate is based on statistical data provided by reinsureds and the underwriter's judgment and experience. Such estimations are refined over the reporting period of each treaty as actual written premium information is reported by ceding companies and intermediaries. Premiums resulting from changes in the estimate of the premium income are recorded in the period the estimate is changed. Certain insurance and reinsurance contracts may require that the premium be adjusted at the expiry of the contract to reflect the change in exposure or loss experience of the insured or reinsured.

Premiums are recognised as earned over the period of policy coverage in proportion to the risks to which they relate. Reinsurance premiums under a losses-occurring reinsurance contract are earned over the coverage period. Reinsurance premiums under a risks-attaching reinsurance contract are earned over the same period as the underlying policies, or risks, covered by the contract. As a result, the earning pattern of a risks-attaching reinsurance contract may extend up to 24 months, reflecting the inception dates of the underlying policies. Premiums relating to the unexpired periods of coverage are recorded on the balance sheets as "unearned premiums".

Acquisition costs, comprised of commissions, brokerage fees and insurance taxes, are costs that are directly related to the successful acquisition of new and renewal business. Acquisition costs that are deferred are expensed as the premiums to which they relate are earned. Acquisition costs relating to the reserve for unearned premiums are deferred and carried on the balance sheets as an asset and are amortised over the period of coverage. Expected losses and loss expenses, other costs and anticipated investment income related to these unearned premiums are

1. Significant accounting policies (continued)

considered in determining the recoverability or deficiency of deferred acquisition costs. If it is determined that deferred acquisition costs are not recoverable, they are expensed. Further analysis is performed to determine if a liability is required to provide for losses which may exceed the related unearned premiums.

Outstanding claims

Provisions for liabilities from insurance and reinsurance contracts are comprised of two main elements: outstanding loss reserves (also known as "case reserves") and reserves for losses incurred but not reported (also known as "IBNR"). Case reserves relate to known claims and represent management's best estimate of the likely loss settlement. Thus, there is a significant amount of estimation involved in determining the likely

loss payment. IBNR reserves require substantial judgement because they relate to unquantified events that, based on industry information, management's experience and actuarial evaluation, can reasonably be expected to have occurred and are reasonably likely to result in a loss to the Company.

IBNR reserves are estimated for each business segment based on various factors, including underwriters' expectations about loss experience, actuarial analysis, comparisons with industry benchmarks and loss experience to date. Our actuaries employ generally accepted actuarial methodologies to determine estimated ultimate expected losses and loss expenses. The adequacy of our reserves is tested quarterly by our actuaries.

Loss reserves do not represent an exact calculation of liability. Rather, loss reserves are estimates of what the Company expect the ultimate resolution and administration of claims will cost. These estimates are based on actuarial and statistical projections and on our assessment of currently available data, as well as estimates of future trends in claims severity and frequency, judicial theories of liability and other factors. Loss reserve estimates are refined as experience develops and as claims are reported and resolved.

While management believes that our case reserves and IBNR reserves are sufficient to cover losses assumed by us, ultimate losses and loss expenses may deviate from our reserves, possibly by material amounts. To the extent actual reported losses exceed estimated losses, the carried estimate of the ultimate losses will be increased, and to the extent actual reported losses are less than our expectations, the carried estimate of ultimate losses will be reduced. In addition, the methodology of estimating loss reserves is periodically reviewed to ensure that the assumptions made continue to be appropriate. The Company records any changes in our loss reserve estimates and the related reinsurance recoverables in the periods in which they are determined.

The Company determines what portion of the losses will be recoverable under our insurance and reinsurance policies by reference to the terms of the insurance protection purchased. This determination is necessarily based on the underlying loss estimates and, accordingly, is subject to the same uncertainties as the estimate of case reserves and IBNR reserves.

Liability adequacy

As part of the Company's actuarial review process, a liability adequacy test is performed on the insurance liabilities to ensure the carrying value is sufficient. If the assessment shows the carrying value to be inadequate, a deficiency is recognised as an expense to the profit and loss account by recognising an additional liability or a provision for unexpired risks.

1. Significant accounting policies (continued)

Financial instruments

Financial instruments are carried at their current market value. Income from financial instruments comprises of income received and receivable on debt securities, other fixed income securities, promissory note, interest earned and accrued on cash, realised gains and losses on disposal of investments and unrealised gains and losses on investments held. A transfer of investment return is made from the non-technical account to the technical account in order to reflect the actual investment return on the assets supporting the technical provisions and associated shareholder's funds. The Company's investment portfolio consists of debt securities, other fixed income securities, equities and a promissory note and is

managed and performance-assessed based on fair value. These investments have been designated as fair value through profit and loss, with all gains and losses recorded through the profit and loss account. Other financial instruments include deposits with credit institutions, cash, debtors, other receivables, creditors and other payables. These instruments meet the definition of basic financial instruments and are accounted for at amortised cost.

FRS 102 section 11.27 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

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

Cash and cash equivalents

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

Pension costs

Pension benefits are funded over the employee's period of service by way of contributions to a defined contribution scheme. The Company's annual contribution costs are charged to the profit and loss account in the period to which they relate.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates as at the balance sheet date, and revenue, costs and non-monetary assets at the exchange rates ruling at the date of the transactions. Profits and losses arising from foreign currency translation and on settlement of amounts receivable and payable in foreign currencies are dealt with through the profit and loss account.

Taxation

The charge for the Company is based on the result for the year. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax is not recognised on permanent differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies (continued)

regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Share-based payments

The Company recognises equity-settled share-based payments at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. The fair value of Restricted Stock Units ("RSU's") is based on the closing market value at the date of grant. The equity settled share-based payments expense has been included in the "Net operating expenses" line of the profit and loss account.

As a qualifying entity under FRS 102 section 1.9, the Company has elected to avail of the disclosure exemptions in section 1.12 (d) regarding share-based payments.

Functional and presentational currency

The functional currency of the Company is USD and the financial statements are also expressed in USD.

Fixed assets

Fixed Assets are capitalised with a view to holding them for their expected useful life. They are stated at cost or valuation less depreciation and impairment provision. Depreciation is provided on all fixed assets in the categories below at rates that will be expected to write-off the value of the asset over its expected useful life. All depreciation is carried out on a straight line basis.

Depreciation is provided on fixed assets over their estimated useful lives as follows:

- Information technology: 3 years
- Furniture and fittings: 5 years
- Leasehold improvements: useful economic life

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies (continued)

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Software development costs: 3 years

Operating leases

The Company holds no assets under operating leases. Rents are payable under operating leases and charged to income on a straight-line basis over the term of the relevant lease. All future commitments of the Company under rental agreements are stated in note 22 to the financial statements.

Critical accounting judgments and key sources of uncertainty

In the application of the Company's accounting policies, which are described above, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The key areas of uncertainty and which require the use of accounting judgments are the calculation of loss reserves and the valuation of financial instruments. Both areas are covered in detail earlier in this note and in notes 9 and 16. The estimates and underlying assumptions used are reviewed on an ongoing basis.

2. Principal activities

The Company is licensed to undertake the business of non-life insurance, facultative reinsurance and treaty reinsurance. The Company places outward reinsurance with internal and external reinsurers on its various lines of business.

3. Segmental analysis for the year

	31 Dec 2020	31 Dec 2019
	US$	US$
(a) Gross premiums written by territory		
Ireland	26,380,799	16,442,875
UK	211,890,657	132,881,802
Other EU countries	57,222,543	31,698,249
Other non-EU countries	82,617,883	50,250,175
	378,111,882	231,273,101
(b) Gross premiums written by line of business		
Marine, aviation and transport	3,811,192	1,631,065
Accident and health	15,888,489	11,032,622
Property	84,525,991	54,084,320
Liability	249,292,870	137,466,388
Credit and surety	3,117,833	7,722,972
Treaty reinsurance	21,475,507	19,335,734
	378,111,882	231,273,101
(c) Gross premiums earned by line of business		
Marine, aviation and transport	2,848,809	4,075,665
Accident and health	17,313,785	3,783,728
Property	70,094,472	45,214,700
Liability	191,034,969	119,627,886
Credit and surety	6,565,624	7,422,941
Treaty reinsurance	21,564,399	20,963,959
	309,422,058	201,088,879
(d) Gross operating expenses and acquisition costs		
Marine, aviation and transport	1,123,107	835,136
Accident and health	4,431,193	2,175,034
Property	21,707,263	15,355,658
Liability	51,251,646	36,265,588
Credit and surety	1,701,859	2,718,428
Treaty reinsurance	4,110,380	4,505,999
	84,325,448	61,855,843
(e) Gross movement in incurred claims		
Marine, aviation and transport	(2,947,797)	5,896,984
Accident and health	15,726,022	2,178,839
Property	52,362,548	18,742,713
Liability	133,988,751	56,010,280
Credit and surety	5,675,518	2,881,068
Treaty reinsurance	(722,904)	5,978,001
	204,082,138	91,687,885
(f) Outward reinsurance movements		
Marine, aviation and transport	4,426,286	(3,149,088)
Accident and health	(3,289,422)	463,228
Property	(1,987,317)	12,173,180
Liability	(2,284,148)	25,260,982
Credit and surety	(937,062)	2,144,912
Treaty reinsurance	14,135,321	7,919,642
	10,063,658	44,812,856

4. Net operating expenses

	31 Dec 2020	31 Dec 2019
	US$	US$
Acquisition costs	54,355,078	36,887,024
Change in deferred acquisition costs	(6,243,024)	(3,619,690)
Administrative expenses	33,569,038	26,457,394
Foreign exchange losses	2,644,356	2,131,115
Reinsurers' share of broker commission	(82,465,919)	(53,555,403)
	1,859,529	8,300,440

Included in the above administration expenses are employment costs comprising:

Wages and salaries	22,614,370	21,052,824
Stock compensation expenses	2,427,324	1,814,008
Social welfare costs	4,902,910	3,663,199
Retirement benefit costs	2,106,593	1,991,120
Housing	164,759	113,740
Recruitment expenses	117,784	127,751
Employee subsistence	79,454	173,423
Employee subscriptions, membership and training	181,190	173,117
	32,594,384	29,109,182

All employee costs are expensed in the financial year they are incurred. No employee costs are capitalised (2019: nil).

Included in administrative expenses are payments made to a defined contribution pension scheme on behalf of employees during the year amounting to $2,106,593 (2019: $1,991,120). Also included is an expense that recognises untaken holiday entitlements owed to employees as at the year ended December 31, 2020 of $538,029 (2019: $120,318).

Included in stock compensation expenses is $2,427,324 (2019: $1,814,008) in connection with an RSU equity scheme, a Long Term Incentive Cash scheme and an Employee Share Purchase Plan.

Recharges to affiliate companies of $11,006,542 (2019: $12,329,523) are included in administrative expenses.

The average number of persons (including Directors) employed by the Company was as follows:

	2020	2019
Underwriting and underwriting management	74	65
Claims	21	19
Actuarial and risk	12	12
Operations (admin, finance, marketing, legal etc.)	24	23
Directors	5	5
	136	124

5. Net Investment income

	31 Dec 2020				
	Investment income	Investment expense	Net realised gains / (losses)	Changes in fair market value	Net investment result
	US$	US$	US$	US$	US$
Debt securities and other fixed income securities	2,333,907	-	1,705,900	4,436,723	8,476,530
Equity securities	265,111	-	-	(2,402,009)	(2,136,898)
Promissory note	5,083,333	-	(2,715,719)	(1,230,647)	1,136,967
Cash and cash equivalents	-	(34,015)	365,427	731,559	1,062,971
Other investment expenses	-	(534,509)	-	-	(534,509)
	7,682,351	(568,524)	(644,392)	1,535,626	8,005,061

	31 Dec 2019				
	Investment income	Investment expense	Net realised (losses) / gains	Changes in fair market value	Net investment result
	US$	US$	US$	US$	US$
Debt securities and other fixed income securities	1,648,561	-	(1,817,712)	4,433,519	4,264,368
Equity Securities	198,833	-	71,484	2,843,920	3,114,237
Promissory note	8,750,000	-	-	2,715,719	11,465,719
Cash and cash equivalents	-	(3,392)	-	-	(3,392)
Other investment expenses	-	(566,256)	-	-	(566,256)
	10,597,394	(569,648)	(1,746,228)	9,993,158	18,274,676

6. Profit on ordinary activities before tax

	31 Dec 2020	31 Dec 2019
	US$	US$
Profit on ordinary activities before tax is stated after charging:		
Auditors' remuneration	226,600	224,600
Directors' fees	214,149	221,425

Please see note 7 for a full disclosure of Directors' remuneration.

In accordance with the Companies Act 2014 Section 322, the following is a description of the categories of audit fees and auditors' expenses for the Company for the years ended December 31, 2020 and 2019.

	31 Dec 2020	31 Dec 2019
	US$	US$
Audit of individual financial statements	165,600	165,600
Other assurance services	57,000	57,000
Other non-audit services	4,000	2,000
Total auditors' remuneration	226,600	224,600

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

7. Directors' remuneration

	31 Dec 2020	31 Dec 2019
	US$	US$
Total emoluments paid to or receivable by directors in respect of qualifying services	695,729	657,891

Directors' fees were payable to independent non-executive Directors only. Executive Directors' emoluments for the years ended December 31, 2020 were $481,580 and $436,466 in 2019.

Pension contributions for Directors; amounts payable to Directors in relation to long-term incentive schemes; amounts gained on the exercise of share options during the financial year by Directors in respect of qualifying services; compensation paid or payable, in respect of loss of office to Directors; and amounts paid or payable to past Directors for retirement benefits for the years ended December 31, 2020 were $78,403 and $81,405 in 2019.

Directors' fees for Directors resigning during the year for the years ended December 31, 2020 and 2019 were nil and nil respectively. This is included above as part of emoluments receivable by Directors in respect of qualifying services.

8. Tax charge on profit on ordinary activities

	31 Dec 2020	31 Dec 2019
	US$	US$
Profit on ordinary activities before taxation	18,955,878	21,006,972
Corporation tax charge at the standard rate of 12.5% (2019: 12.5%)	(2,369,485)	(2,625,872)
Effects of:		
Non-deductible expenses	(255,390)	(215,506)
Capital allowances	113,571	113,907
Double taxation relief	(82,717)	-
Statutory adjustments – FRS 102/103 etc.	(106,147)	(239,857)
Prior year (under)/over provision	(239,483)	236,514
Movement in deferred tax	194,987	180,644
Tax charge for the financial year	(2,744,664)	(2,550,170)
Ireland	(679,083)	(2,102,188)
Foreign tax	(2,065,579)	(447,982)
Tax charge	(2,744,662)	(2,550,170)

Deferred tax is due to timing differences arising on share-based payment expenses, fixed assets and the carry-over of tax adjustments related to the retranslation of the 2014 statements following the application of FRS 102 and FRS 103.

No deferred tax assets have been recognised in respect of losses carried forward of $8,914,080 (2019: $17,099,420) in the Company's UK branch due to uncertainty around the allowability of loss utilisation against future branch profits.

9. Financial instruments

The carrying value of the Company's financial assets and liabilities are summarised by category below:

	31 Dec 2020	31 Dec 2019
	US$	US$
Financial assets		
Measured at fair value through profit and loss		
- Debt securities and other fixed income securities	152,666,561	128,580,358
- Equity securities	17,810,349	20,212,358
- Promissory note	249,443,281	253,389,648
Measured at cost		
- Deposits with credit institutions	46,796,589	17,939,040
- Cash at bank and in hand	1,808,409	815,191
Measured at undiscounted amount receivable		
- Other debtors including tax	9,095,158	6,485,848
- Accrued interest	5,851,826	9,434,071
Total financial assets	483,472,173	436,856,514
Financial liabilities		
Measured at undiscounted amount payable		
- Other creditors including tax and social security	10,529,355	13,324,721
- Accruals and deferred income	66,461,970	46,810,314
Total financial liabilities	76,991,325	60,135,035

The Company holds a promissory note ("the note") of $250,000,000 issued by an affiliated company.

On May 1, 2020, the coupon rate of the note was reduced from 3.5% to 1.3%, which was also considered a significant modification. As a result of the change in the coupon rate, the existing note was deemed extinguished at that date, and the note was re-recognised as a new financial instrument.

The note generated interest of $5,083,333 (2019: $8,750,000) during the year, receivable in March of the following year. The cash flows from the note are solely from the payment of principal and interest on the principal. All interest is accrued on an annual basis with the principal balance carried as a financial instrument, measured at fair value, until maturity.

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

Fair values are subject to a control framework designed to ensure that input variables and output are assessed independent of the risk taker.

The table on the following page shows financial instruments as at December 31, 2020 and 2019 measured at fair value through profit or loss grouped into the level in the fair value hierarchy into which each fair value measurement is categorised.

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

9. Financial instruments (continued)

2020	**Level 1** **US$**	**Level 2** **US$**	**Level 3** **US$**	**Total** **US$**
Financial instruments				
Measured at fair value through the income statement				
- Debt securities and other fixed income securities	78,633,518	71,530,543	2,502,500	152,666,561
- Equity securities	5,742,304	12,068,045	-	17,810,349
- Promissory note	-	249,443,281	-	249,443,281
	84,375,822	333,041,8	2,502,500	419,920,191

2019	**Level 1** **US$**	**Level 2** **US$**	**Level 3** **US$**	**Total** **US$**
Financial instruments				
Measured at fair value through the income statement				
- Debt securities and other fixed income securities	78,740,128	49,840,230	-	128,580,358
- Equity Securities	7,529,153	12,683,205	-	20,212,358
- Promissory note	-	253,389,648	-	253,389,648
	86,269,281	315,913,083	-	402,182,364

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

10. Debtors

	31 Dec 2020 **US$**	**31 Dec 2019** **US$**
Debtors arising from insurance/reinsurance operations:		
Due from intermediaries	128,079,495	84,101,278
	128,079,495	84,101,278
Other debtors due within one year:		
Deferred tax asset	200,112	5,781
Prepayments and other debtors	4,510,765	2,351,712
Amounts due from affiliates	4,384,281	4,128,355
	9,095,158	6,485,848

11. Called up share capital presented as equity

	31 Dec 2020 **US$**	**31 Dec 2019** **US$**
Authorised		
100,000,000 (2019: 100,000,000) ordinary shares of US$1 each	100,000,000	100,000,000
Allotted, called up and fully paid		
10,000,000 (2019: 10,000,000) ordinary shares of US$1 each	10,000,000	10,000,000

Each ordinary share is issued with one voting right attached.

12. Technical provisions

Claims outstanding	Gross amount	Reinsurance amount	Net amount
	US$	US$	US$
At January 1, 2019	420,247,950	(391,039,919)	29,208,031
Movement in provision	(19,426,235)	17,576,674	(1,849,561)
Foreign exchange	(40,574)	(113,914)	(154,488)
At December 31, 2019	400,781,141	(373,577,159)	27,203,982
At January 1, 2020	400,781,141	(373,577,159)	27,203,982
Movement in provision	60,041,919	(52,762,871)	7,279,048
Foreign exchange	6,750,590	(1,713,161)	5,037,429
At December 31, 2020	467,573,650	(428,053,191)	39,520,459

Unearned premium reserve	Gross amount	Reinsurance amount	Net amount
	US$	US$	US$
At January 1, 2019	92,100,884	(85,092,424)	7,008,460
Movement in provision	30,184,222	(28,096,427)	2,087,795
Foreign exchange	3,190,359	(760,647)	2,429,712
At December 31, 2019	125,475,465	(113,949,498)	11,525,967
At January 1, 2020	125,475,465	(113,949,498)	11,525,967
Movement in provision	68,689,824	(59,888,210)	8,801,614
Foreign exchange	5,852,194	(2,263,242)	3,588,952
At December 31, 2020	200,017,483	(176,100,950)	23,916,533

13. Creditors

	31 Dec 2020	31 Dec 2019
	US$	US$
Creditors arising out of insurance and reinsurance operations:		
Third party creditors	85,181,832	45,090,371
	85,181,832	45,090,371
Other creditors including taxation and social security:		
Amounts due to affiliates	2,226,828	7,964,099
Other creditors due within one year	6,669,334	4,469,392
Corporation tax payable	1,633,193	891,230
	10,529,355	13,324,721
Reconciliation of deferred tax asset / (liability):		
Opening balance	5,781	(174,863)
Movement in year	194,987	180,644
Closing balance	200,768	5,781

14. Capital management

The Company's capital management objective is to ensure that the Company maintains an appropriate level of capital, in terms of both quantity and quality, at all times in line with its risk appetite and regulatory capital requirements. The capital structure of the Company consists of issued capital, additional capital contributions and retained earnings as disclosed in the statement of changes in equity.

Since January 1, 2016, the Company has applied Solvency II regulatory reporting and capital requirements. The Company was in compliance with capital requirements imposed by the Central Bank of Ireland throughout the financial year. The capital requirement of the Company is determined by its exposure to risk and the solvency criteria established by management and statutory regulations.

The table below shows the Solvency II coverage ratios at the financial year end:

	31 Dec 2020	31 Dec 2019
Solvency capital requirement ("SCR") coverage ratio	327%	377%
Minimum capital requirement ("MCR") coverage ratio	1,308%	1,508%

The SCR is the level of capital (also known as "own funds") that ensures a company can meet its obligations over the following 12 months with a 99.5% confidence level.

Under Solvency II, eligible capital to cover the SCR is divided into three tiers (Tier 1 is the highest quality) with rules on the amount of each tier that can be held to cover capital requirements. 100% of the Company's Own Funds are classified as Tier 1.

A reconciliation of shareholders' equity to eligible own funds is as follows:

	31 Dec 2020	31 Dec 2019
	US$	US$
Shareholders' equity	415,292,231	399,081,017
Add: reconciliation reserve	10,669,797	856,961
Eligible own funds	425,962,028	399,937,978

The reconciliation reserve relates to valuation adjustments from Irish GAAP to the Solvency II economic valuation basis, driven by the differing rules for recognition and valuation between the aforementioned bases.

15. Financial risk management

The primary risk management objectives are to:

1. Optimise the risk-adjusted returns of the Company.
2. Guarantee the Company's sustainability as a going concern by actively measuring and monitoring the overall risk position.

The Company must hold capital in order to protect stakeholders from the inherent uncertainty that exists within an insurance enterprise. The return on that invested capital is maximised through selectively underwriting individual risks, diversification via business mix and through investment returns on an appropriately managed investment portfolio.

15. Financial risk management (continued)

The Company's financial instruments include investments in short-term and medium-term low-risk securities, receivables and cash and cash equivalents. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company also has insurance-related assets and liabilities which have similar financial risks.

The policies on how to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Currency risk, interest rate risk and price risk are all grouped under market risk which is defined as the risk arising from fluctuations in values of, or income from, invested assets including fluctuations due to movements in interest rates, foreign exchange rates, credit spreads, or credit defaults.

Currency risk

The Company's exposure to currency risk arises from deposits with credit institutions, cash at hand, debt securities, insurance debtors and insurance creditors denominated in currencies other than the functional currency. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

The following table details the Company's sensitivity to a 10% decrease and increase in its functional currency against the relevant foreign currencies. A 10% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. For each sensitivity, the impact of change in a single factor is shown, with other assumptions unchanged.

	GBP 2020	EUR 2020	GBP 2019	EUR 2019
	US$	US$	US$	US$
10% decrease				
Pre-tax profit	(3,449,262)	480,474	(1,953,872)	126,981
Shareholders' funds	(3,018,104)	420,415	(1,709,638)	111,108
10% increase				
Pre-tax profit	3,449,262	(480,474)	1,953,872	(126,981)
Shareholders' funds	3,018,104	(420,415)	1,709,638	(111,108)

The Company's method for assessing sensitivity to currency fluctuations has not changed over the financial year.

Interest rate risk

The debt securities, other fixed income securities and the promissory note in the Company's investment portfolio are sensitive to interest rate changes. Any changes in interest rates have a direct effect on the market values of such financial instruments. As interest rates rise, the market values fall, and vice versa.

15. Financial risk management (continued)

In the table below, 0.5% increase or decrease is used when reporting interest rate risk and represents management's assessment of the reasonably possible change in interest rates. The sensitivity analysis is based on estimates.

	2020	2019
	US$	US$
0.5% increase		
Pre-tax profit	(1,025,634)	(974,265)
Shareholders' equity	(897,430)	(852,483)
0.5% decrease		
Pre-tax profit	753,677	715,929
Shareholders' equity	659,468	626,438

The Company's method for assessing sensitivity to interest rate fluctuations has not changed over the financial year.

In an effort to minimise interest rate risk, our investment guidelines have been defined to ensure that assets held are well diversified and are primarily high-quality securities.

Price risk

The Company is exposed to price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments. The Company has no significant concentration of price risk. The risk is managed by the Company by maintaining an appropriate mix of equities, low-risk debt securities and other fixed income securities.

The Company's sensitivity to a 0.5% increase and decrease in market prices is as follows:

	2020	2019
	US$	US$
0.5% increase		
Movement in fair value of financial instruments	2,099,601	2,010,912
0.5% decrease		
Movement in fair value of financial instruments	(2,099,601)	(2,010,912)

The Company's method for assessing sensitivity to price risk has not changed over the financial year.

Credit risk

Credit risk arises out of the failure of a counterparty to meet its obligations. The Company's major areas of credit risk are in relation to its investment portfolio, its reinsurance program and the amounts due from policyholders and intermediaries.

The Company's investment portfolio is managed pursuant to guidelines that follow prudent standards of diversification. The guidelines limit the allowable holdings of a single external issuer. The Company believes that there are no significant external unrelated concentrations of credit risk associated with its investment portfolio.

15. Financial risk management (continued)

As of December 31, 2020 and 2019, substantially all of the Company's cash and investments were held with one custodian. The rating of this custodian is monitored to ensure their risk levels are appropriate.

The Company cedes insurance to external reinsurers in order to limit its maximum loss, to protect against concentration of risk within the portfolio and to manage exposure to catastrophic events. Because the ceding of insurance does not discharge the Company from its primary obligation to the insureds, the Company remains liable to the extent that its reinsurers do not meet their obligations under the reinsurance agreements. Therefore, the Company regularly evaluates the financial condition of its reinsurers and monitors concentration of credit risk. No provision has been made for unrecoverable reinsurance as of December 31, 2020 and 2019 as the Company believes that all reinsurance balances will be recovered.

Insurance balances receivable primarily consist of premiums due from brokers, insureds and reinsureds. The Company believes that the counterparties to these receivables are able to meet, and will meet, all of their obligations. The Company's credit risk is further reduced by the contractual right to offset loss obligations against premiums receivable. The Company has not included any material allowance for doubtful accounts against the receivable balance.

The following tables show aggregated credit risk exposure for assets by credit ratings:

2020	AAA	AA	A	B-BBB	Not rated	Carrying amount
	US$	US$	US$	US$	US$	US$
Debt securities and other fixed income securities	8,677,644	92,996,361	11,908,869	36,581,187	2,502,500	152,666,561
Promissory note	-	-	249,443,281	-	-	249,443,281
Deposits with credit institutions	-	-	46,796,589	-	-	46,796,589
Reinsurers' share of technical provisions						
Claims outstanding	-	9,029,750	417,709,105	-	1,314,336	428,053,191
Debtors arising from insurance/reinsurance operations	-	-	-	-	128,079,495	128,079,495

2019	AAA	AA	A	B-BBB	Not rated	Carrying amount
	US$	US$	US$	US$	US$	US$
Debt securities and other fixed income securities	11,686,339	96,308,670	12,425,881	5,610,980	2,548,488	128,580,358
Promissory note	-	-	253,389,648	-	-	253,389,648
Deposits with credit institutions	-	-	17,939,040	-	-	17,939,040
Reinsurers' share of technical provisions						
Claims outstanding	-	8,398,261	363,807,154	-	1,371,744	373,577,159
Debtors arising from insurance/reinsurance operations	-	-	-	-	84,101,278	84,101,278

15. Financial risk management (continued)

Included in the above 'A' rated reinsurers' share of technical provisions is $404,415,349 (2019: $352,969,377) of recoverable balances with an affiliated company in respect of reinsurance and risk mitigation transactions.

The following table shows the carrying value of assets that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining the value of the impaired assets include analysis of ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

2020	Neither past due or impaired	Past due less than 30 days	Past due 31 to 60 days	Past due 61 to 90 days	Past due more than 90 days	Past due and impaired	Carrying amount
	US$	US$	US$	US$	US$	US$	US$
Debt securities and other fixed income securities	152,666,561	-	-	-	-	-	152,666,561
Promissory note	249,443,281	-	-	-	-	-	249,443,281
Deposits with credit institutions	46,796,589	-	-	-	-	-	46,796,589
Reinsurers' share of technical provisions							
Claims outstanding	428,053,191	-	-	-	-	-	428,053,191
Debtors arising from insurance/reinsurance operations	69,034,188	31,411,111	10,514,117	2,829,673	14,290,406	-	128,079,495

2019	Neither past due or impaired	Past due less than 30 days	Past due 31 to 60 days	Past due 61 to 90 days	Past due more than 90 days	Past due and impaired	Carrying amount
	US$	US$	US$	US$	US$	US$	US$
Debt securities and other fixed income securities	128,580,358	-	-	-	-	-	128,580,358
Promissory note	253,389,648	-	-	-	-	-	253,389,648
Deposits with credit institutions	17,939,040	-	-	-	-	-	17,939,040
Reinsurers' share of technical provisions							
Claims outstanding	373,577,159	-	-	-	-	-	373,577,159
Debtors arising from insurance/reinsurance operations	53,782,884	15,119,409	5,705,653	2,602,293	6,891,039	-	84,101,278

Liquidity risk

The Company's diversified investment strategy is designed to emphasise the preservation of invested assets, and provide adequate liquidity for the prompt payment of claims.

To help ensure adequate liquidity for the payment of claims, the Company takes into account the maturity and duration of our investment portfolio and our general liability profile. In setting investment guidelines, the Company considers the impact of various catastrophic events to which the Company may be exposed. The majority of our assets are invested in the fixed income markets. There are restrictions on the maximum amount of our investment portfolio that may be invested in alternative investments (such as hedge funds and private equity vehicles) as well as a minimum amount that must be maintained in investment grade fixed income securities and cash. There are also restrictions on the portfolio's composition, including limits on the type of issuer, sector limits, credit quality limits, portfolio duration, limits on the amount of investments in approved countries and permissible security types.

15. Financial risk management (continued)

For several asset classes the Company has engaged external investment managers to provide us with certain discretionary investment management services. The Company has agreed to pay investment management fees based on the market values of the investments in the portfolio. The fees, which vary depending on the amount of assets under management, are included as a deduction to net investment income.

The Company has also developed investment guidelines that include restrictions on the permissible security types the investment managers may include in the portfolios that they manage. The Company may direct our investment managers to invest some of the investment portfolio in currencies other than the U.S. dollar based on the business the Company has written, the currency in which our loss reserves are denominated on our books or regulatory requirements.

The following table details the Company's expected maturity for its assets and liabilities. The tables below have been drawn up based on the contractual maturities of the assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

Assets

2020	0 – 1 years	1 – 3 years	3-5 years	5+ years	Total
	US$	US$	US$	US$	US$
Debt securities and other fixed income securities	90,122,380	39,481,258	10,681,816	13,149,599	153,435,053
Promissory note	5,083,334	-	249,443,281	-	254,526,615
Deposits with credit institutions	46,796,589	-	-	-	46,796,589
Reinsurers' share of technical provisions					
Claims outstanding	48,490,460	105,568,723	80,675,890	193,318,118	428,053,191
Debtors arising from insurance/reinsurance	128,079,495	-	-	-	128,079,495

2019	0 – 1 years	1 – 3 years	3-5 years	5+ years	Total
	US$	US$	US$	US$	US$
Debt securities and other fixed income securities	78,836,925	35,994,258	1,178,210	13,255,035	129,264,428
Promissory note	8,750,001	-	253,389,648	-	262,139,649
Deposits with credit institutions	17,939,040	-	-	-	17,939,040
Reinsurers' share of technical provisions					
Claims outstanding	42,319,339	92,133,558	70,408,703	168,715,559	373,577,159
Debtors arising from insurance/reinsurance	84,101,278	-	-	-	84,101,278

Liabilities

2020	0 – 1 years	1 – 3 years	3-5 years	5+ years	Total
	US$	US$	US$	US$	US$
Claims outstanding	88,514,797	116,367,967	78,891,500	183,799,386	467,573,650
Creditors arising from insurance/reinsurance	85,181,832	-	-	-	85,181,832
Accruals	66,461,970	-	-	-	66,461,970

2019	0 – 1 years	1 – 3 years	3-5 years	5+ years	Total
	US$	US$	US$	US$	US$
Claims outstanding	75,870,531	99,744,899	67,621,915	157,543,796	400,781,141
Creditors arising from insurance/reinsurance	45,090,371	-	-	-	45,090,371
Accruals	46,810,314	-	-	-	46,810,314

15. Financial risk management (continued)

Operational risk

Operational risk is the loss resulting from inadequate or failed internal processes, people and systems. It also includes legal risks that arise from failure to comply with relevant laws or regulations. The Company has developed and implemented a risk register and risk governance system to ensure that effective risk management of operational risk is carried out.

Strategic risk

This relates to any inability to implement appropriate business plans and strategies, make decisions (especially in the context of risk mitigation), allocate capital or resources, or adapt to changes in the business environment. The Company manages this risk through the measuring and monitoring of strategic risk appetite metrics. Results are presented on a quarterly basis to the Board and management committees.

Policies and processes

The above risk categories are subject to the Company's risk policies, procedures and risk management strategy and framework.
In addressing each risk type, the Company aims to ensure that:

- All significant risks are identified, measured, assessed, managed and monitored in a consistent and effective manner across the Company.
- Appropriate and reliable risk management tools are deployed to support insurance risk management, particularly management reporting, decision making and capital assessment.
- All Directors, officers and employees are accountable for managing risk in line with the roles and responsibilities which are set out in detail in the policy.
- An effective governance framework is in place to ensure that risk management is embedded in business activity.

16. Insurance risk management

Insurance risk is defined as the risk of fluctuations in benefits payable to policyholders including underwriting risk (which covers catastrophe and non-cat risk), reserve risk and reinsurance risk.

The elements of insurance risk (underwriting, reserving and outwards reinsurance) are mutually dependent. They are described as follows:

- Underwriting risk (premium risk): This risk, which covers catastrophe and non-catastrophe risk, is defined as risk that actual losses and expenses on a future underwriting year are greater than the premium income or the risk that actual losses and expenses on unearned incepted business, which is associated with future premiums for policies previously written, will differ from the expected losses and expenses.
- Reserve risk: This is the risk that actual reserves and expenses, associated with policies previously written and earned, will differ from the best estimate expected reserves or prove to be inadequate as per the technical provisions.
- Reinsurance risk: Reinsurance risk is defined as the inability of the ceding company (in this case, the Company) to obtain reinsurance coverage at the appropriate time for a reasonable cost. It does not cover the associated credit risk which is addressed in the Company credit risk policy.

Dependencies between insurance risks and other risk types will be taken into account, in particular as regards capital requirements.

16. Insurance risk management (continued)

Insurance risks are monitored on a regular and timely basis based on suitable management information. Risks at all relevant levels and over appropriate geographical areas are measured regularly. This information can then be reported to appropriate parties, such as committees and Board at a suitable level of aggregation and on a regular basis, typically quarterly. Key risk indicators are used to measure exposure to insurance risk against risk appetite, based on tolerance criteria. The Company writes liability, property, marine, aviation and transport, credit and surety and treaty reinsurance. The most significant risks arise from high severity, low frequency events. The concentration of insurance by the location of the underlying risk is summarised in note 3 of the notes to the financial statements.

Risk mitigation

Transfer:

- Outwards reinsurance: There is cover in place to protect the Company from concentrations of risk (e.g. catastrophe loss), single large events and volatility in results. Strict controls are applied in terms of security ratings of all approved reinsurers.

Acceptance:

- The Company strategy is to employ a prudent approach to underwriting and risk selection.
- A business plan is set and adherence to this is monitored.
- Capital modeling processes are used to ensure that the Company has sufficient capital resources to support its insurance risks.
- The Company writes business only within its risk appetites.

Limitation:

- Catastrophe probable maximum losses ("PMLs") are limited by defined capital tolerance levels at the 1 in 250 year event.
- There are geographical/regional limits in place by line of business to limit concentration risk.
- Underwriters have set line size limitations.
- Maximum concentration limits for third parties are in place.

Concentrations of risk

Concentrations of risk can occur through a number of sources, including but not limited to:

- Natural catastrophe.
- Man-made catastrophe.
- Territorial exposures.
- Outwards reinsurance counterparties.
- Broker balances or over-reliance on one brokerage firm / source of business.
- Asset holdings by currency, class or counter-party.
- High dependence across risk categories.

The economic capital modelling processes as employed by the Company, including modelled capital requirements, addresses all elements of concentration risk, most notably the potential for a clash between categories of risk. The economic capital modelling process also takes account of diversification effects. Capital model outputs are reported on a quarterly basis to the Board and management committees.

16. Insurance risk management (continued)

Catastrophe exposure is the key area of concentration risk within the broader insurance risk definition. This exposure is captured via the exposure management process, which enables the calculation of PMLs and realistic disaster scenarios. As regards natural catastrophes, key region perils for the Company are identified and underlying risk data utilised to determine loss potential at associated return periods. External catastrophe models are used for pricing and exposure rating calculations. These latter calculations are performed gross and net of outwards reinsurance, by country and by peril within territory. Deterministic stress testing is also used to measure natural catastrophe risk and is the main tool for measuring man-made catastrophe risk. Results are presented on a quarterly basis to the Board and management committees.

Stress testing and sensitivity analysis

Stress testing is an important risk management tool utilised by the Company as part of its internal risk management procedures and is also a key part of the Own Risk and Solvency Assessment (ORSA). Stress testing provides management with information on adverse unexpected outcomes related to a variety of risks and provides an idea of relative importance and impetus for management action as necessary. Moreover, stress testing is a tool that supplements other risk management approaches and measures such as risk profile monitoring and exposure management.

Stress testing covers the following categories:

- Scenario tests - assessing the financial impact on the business of possible future scenarios, *e.g.*, a large catastrophic event or multiple events.
- Sensitivity tests - assessing the implication of possible alternative assumptions and in particular their impact on available capital.
- Reverse stress tests – assessing the impact and potential management actions in potential stress scenarios where the business would become insolvent or would have significant impact to the business model resulting in the Company not being able to perform normal business operations.

The results of sensitivity testing are set out below:

	Pre-tax profit for the financial year end		**Shareholders' equity at financial year end**	
	2020	**2019**	**2020**	**2019**
	US$	**US$**	**US$**	**US$**
5% increase in loss provisions				
Net loss	(1,976,023)	(1,360,199)	(1,729,020)	(1,190,174)
5% decrease in loss provisions				
Net gain	1,976,023	1,360,199	1,729,020	1,190,174
Weather event – industry loss				
Net gain/(loss)	(8,915,301)	(10,160,494)	(7,800,888)	(8,890,432)

The Company's method for sensitivity testing has not changed from the prior financial year.

16. Insurance risk management (continued)

Claims development tables:

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. The top half of the table shows how the estimates of total claims for each accident year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

Analysis of claims development - gross	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
	USD$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Estimate of ultimate										
End of accident year	83,819,842	82,447,770	107,055,650	122,914,093	108,878,234	105,277,492	91,497,334	104,231,418	174,761,094	174,761,094
One year later	81,167,595	78,643,265	103,120,473	116,071,892	116,205,661	107,148,274	92,578,825	128,319,595		128,319,595
Two years later	95,003,087	75,490,020	102,301,257	118,222,437	109,905,128	117,932,363	96,177,940			96,177,940
Three years later	101,633,344	74,969,447	88,453,670	116,748,269	111,646,768	120,256,242				120,256,242
Four years later	91,956,186	69,190,039	80,657,370	119,064,028	114,951,244					114,951,244
Five years later	87,278,595	55,293,735	73,824,913	153,459,497						153,459,497
Six years later	90,148,961	51,156,862	66,115,142							66,115,142
Seven years later	83,240,479	43,155,786								43,155,786
Eight years later	79,421,393									79,421,393
Current estimate of ultimate claims	79,421,393	43,155,786	66,115,142	153,459,497	114,951,244	120,256,242	96,177,940	128,319,595	174,761,094	976,617,933
Cumulative payments	73,171,089	38,213,363	53,694,690	126,866,475	83,524,164	71,849,337	43,588,844	34,066,124	13,235,489	538,209,575
In balance sheet	6,250,304	4,942,423	12,420,452	26,593,022	31,427,080	48,406,905	52,589,096	94,253,471	161,525,605	438,408,358
Provisions for prior financial years										29,165,292
Liability in balance sheet										467,573,650

16. Insurance risk management (continued)

Analysis of claims development - net	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$	US$
Estimate of ultimate										
End of accident year	7,840,602	7,830,192	9,464,793	11,564,281	10,102,830	10,155,562	9,210,490	10,756,906	18,762,610	18,762,610
One year later	7,424,637	7,172,642	8,844,625	10,943,307	10,660,334	9,986,193	9,213,968	13,345,602		13,345,602
Two years later	8,970,979	6,673,971	8,907,725	11,263,264	10,116,434	10,848,676	9,621,715			9,621,715
Three years later	9,676,783	6,584,932	7,861,905	10,910,445	10,918,180	11,026,820				11,026,820
Four years later	8,910,661	6,055,866	7,349,556	11,017,750	11,485,727					11,485,727
Five years later	8,406,349	5,034,983	6,712,829	11,465,200						11,465,200
Six years later	8,730,283	4,714,984	6,183,569							6,183,569
Seven years later	8,154,723	4,140,461								4,140,461
Eight years later	7,817,607									7,817,607
Current estimate of ultimate claims	7,817,607	4,140,461	6,183,569	11,465,200	11,485,727	11,026,820	9,621,715	13,345,602	18,762,610	93,849,311
Cumulative payments	7,765,515	3,716,130	5,515,756	10,294,806	8,569,131	6,924,300	4,709,982	3,895,889	1,631,758	53,023,267
In balance sheet	52,092	424,331	667,813	1,170,394	2,916,596	4,102,520	4,911,733	9,449,713	17,130,852	40,826,044
Provisions for prior financial years										(1,305,585)
Liability in balance sheet										39,520,459

17. Tangible fixed assets

	Furniture and fittings	Information technology	Leasehold improvements	Total
	US$	US$	US$	US$
Cost				
As at January 1, 2020	806,376	1,262,863	6,100,128	8,169,367
Additions	-	168,121	-	168,121
As at December 31, 2020	806,376	1,430,984	6,100,128	8,337,448
Accumulated Depreciation				
As at January 1, 2020	(806,082)	(1,250,460)	(3,060,829)	(5,117,371)
Charge for the year	(294)	(13,321)	(629,991)	(643,606)
As at December 31, 2020	(806,376)	(1,263,781)	(3,690,820)	(5,760,977)
Net book value at December 31, 2020	-	167,203	2,409,308	2,576,511
Net book value at December 31, 2019	294	12,403	3,039,299	3,051,996

	Furniture and fittings	Information technology	Leasehold improvements	Total
	US$	US$	US$	US$
Cost				
As at January 1, 2019	806,376	1,262,863	6,038,495	8,107,734
Disposals	-	-	61,633	61,633
As at December 31, 2019	806,376	1,262,863	6,100,128	8,169,367
Accumulated Depreciation				
As at January 1, 2019	(664,928)	(1,202,461)	(2,436,543)	(4,303,932)
Charge for the year	(141,154)	(47,999)	(624,286)	(813,439)
As at December 31, 2019	(806,082)	(1,250,460)	(3,060,829)	(5,117,371)
Net book value at December 31, 2019	294	12,403	3,039,299	3,051,996
Net book value at December 31, 2018	141,448	60,402	3,601,952	3,803,802

18. Intangible fixed assets

	Software development costs	Total
	US$	US$
Cost		
As at January 1, 2020	-	-
Additions	803,052	803,052
As at December 31, 2020	803,052	803,052
Depreciation and impairment		
As at January 1, 2020	-	-
Charge for the year	(47,106)	(47,106)
As at December 31, 2020	(47,106)	(47,106)
Net book value at December 31, 2020	755,946	755,946
Net book value at December 31, 2019	-	-

19. Parent company

The Company's parent company is Allied World Assurance Holdings (Ireland) Ltd, a company incorporated in Bermuda. The Company's ultimate parent and to which the results of the Company are consolidated into is Fairfax Financial Holdings Limited. Copies of the consolidated ultimate parent financial statements may be obtained from 95 Wellington Street West, Suite 800, Toronto, Canada.

20. Related party transactions and cash flow statement

Transactions with other companies within the group and cash flow statements are not disclosed as the Company has taken advantage of the exemptions available under FRS 102 section 33.1(a) and FRS 102 section 1.12(b) respectively, on the basis that the consolidated financial statements of Fairfax Financial Holdings Limited are publicly available as referred to in note 18.

21. Accruals and deferred income

	31 Dec 2020	31 Dec 2019
	US$	US$
Accruals	14,133,839	13,049,071
Unearned ceding commissions	52,328,131	33,761,243
	66,461,970	46,810,314

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

22. Lease commitments

The Company leases office space under operating leases in Dublin and London. The following are the future minimum rental payments as of December 31, 2020.

	31 Dec 2020	31 Dec 2019
	US$	US$
One year or less	2,600,282	2,462,702
Between one and three years	4,671,732	4,461,819
Between three and five years	3,634,692	3,928,043
After five years	11,055,522	12,312,201
	21,962,228	23,164,765

Total rent expenses for the years ended December 31, 2020 and December 31, 2019, were $1,842,316 and $1,861,489 respectively.

23. Approval of financial statements

The Directors approved the financial statements on April 7th, 2021.