

**Company No: 2861145**

**ATRIUM 5 LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2019**

MONDAY



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COMPANIES HOUSE

## **ATRIUM 5 LIMITED**

### **DIRECTORS**

JRF Lee  
RdWW Harries  
BRA Merriman  
KH Steward

### **SECRETARY**

M Bruce  
Bruce Wallace Associates Limited  
118 Pall Mall  
London SW1Y 5ED

### **AUDITOR**

KPMG LLP  
15 Canada Square  
Canary Wharf  
London E14 5GL

### **BANKER**

Barclays Bank PLC  
Level 11  
1 Churchill Place  
London E14 5HP

### **REGISTERED OFFICE**

Room 790, Lloyd's  
1 Lime Street  
London EC3M 7DQ

## ATRIUM 5 LIMITED

### STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2019.

#### Results

The profit for the year, after taxation, amounted to \$12,424k (2018: \$4,835k).

#### Principal activity and review of the business

The Company is a wholly owned subsidiary of Atrium Underwriting Group Limited (AUGL), which also owns Atrium Underwriters Limited (AUL), the Lloyd's Managing Agency that manages Syndicate 609 (the Syndicate). The Syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's. The Syndicate's combined ratio reduced to 91% (2018: 93%) primarily due to a lower level of catastrophe events during the year.

The principal activity of the Company is that of a lessor of underwriting capacity on Syndicate 609 at Lloyd's. The Company is itself a Corporate Underwriting Member at Lloyd's, but is only active on the 2016 and prior years of account. With effect from the 2017 year of account, the Company leased its underwriting capacity to SGL No.1 Limited (SGL1), a fellow subsidiary company within the Enstar Group (Enstar).

These financial statements show a significant reduction in premium income and in technical balances as the leased 2017, 2018 and 2019 years of account are reported in these financial statements as lease income within the non-technical account. The detailed technical entries are reported in the financial statements of SGL1.

SGL1 will pay the Company a lease premium equal to its share of the calendar year result of Syndicate 609 less the balance from a quota share reinsurance contract between SGL1 and Arden Reinsurance Company Limited (Arden Re). In addition to the quota share there is also a stop loss arrangement between SGL1 and Arden Re which would reduce the lease premium to nil in the event of a loss on the 2017 and post years of account. The lease premium for 2019 is \$12,408k (2018: expense \$83k). The 2017 year of account closed on 31 December 2019 with a small profit. As at the end of 2018, this year of account was in a cumulative deficit due to the impact of the hurricanes that were experienced in 2017. Underwriting performance during calendar year 2019 was strong primarily due to a growth in gross written premiums with an improved combined ratio compared to the prior year. Investment returns were also significantly above those generated in 2018 for the Syndicate. All of these items contributed to the significant lease premium in calendar year 2019.

The following table shows the participation on Syndicate 609 for each year of account.

Syndicate 609	2017 Allocated Capacity £'000	2018 Allocated Capacity £'000	2019 Allocated Capacity £'000	2020 Allocated Capacity £'000
Atrium 5 Limited (Atrium 5)	-	-	-	-
Leased to SGL1	107,106	114,721	114,721	133,497

The Company leased its capacity to SGL1, who entered into a quota share arrangement with Arden Re. The quota share contract is reviewed and renegotiated annually. The agreed terms are set out in the table below.

## ATRIUM 5 LIMITED

### STRATEGIC REPORT *(continued)*

	2017	2018	2019
Company	Atrium 5	SGL1	SGL1
Quota share	65.00%	65.00%	65.00%*
Ceding commission	2.50%	2.25%	2.25%
Reinsurer's expenses	5.00%	5.00%	5.00%
Profit commission	25.00%	25.00%	25.00%

\* For the 2019 year of account, US business classified as Illinois, Kentucky and Other Binders in the Lloyd's US SIS return, has been excluded from the quota share allocation.

The Company measures the following Key Performance Indicators:

	Year of account	2019 \$'000	2018 \$'000	Change \$'000
Gross written premium	2016 & prior	-	2,153	(2,153)
Net premiums earned	2016 & prior	-	3,758	(3,758)
Claims incurred, net of reinsurance	2016 & prior	-	4,489	(4,489)
Balance on technical account	2016 & prior	-	8,354	(8,354)
Lease premium/(expense)	2017 - 2019	12,408	(83)	12,491
Profit before tax		16,227	5,774	10,453

The Board has reviewed the results and KPIs of the Company and is satisfied with the development and continued profitability of the lease arrangement. All open years of account are currently forecast to be profitable. The Board of AUL have considered the implications of underwriting losses and volatility in the capital markets impacting investment returns arising from COVID-19 on the Syndicate. Based on the information produced by the Syndicate to date, there is no significant impact on the forecast returns that are to be achieved for each open year of account.

### Strategy

The Company's strategy is to remain as a corporate member at Lloyd's supporting Syndicate 609 by directly holding capacity or leasing it to another company within the Enstar Group.

### Principal risks & uncertainties

The Board of AUGL is responsible for the Group's systems and controls and for reviewing their effectiveness. The Board of AUL is responsible for the management of the systems and controls of the Syndicate, as detailed below. Reference to "the Board" in the section below relates to the Board of AUL.

### Governance

The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not eliminate them entirely. The Board has developed its Own Risk and Solvency Assessment (ORSA), comprising the entirety of the processes that it uses to identify, assess, monitor and report the risks faced by its managed Syndicate and to determine the capital necessary to mitigate retained risks. Critical to the efficacy of the ORSA is the effective operation of the Risk Management Framework (RMF), the Governance Structure and Atrium's Internal Model. The RMF incorporates the so-called "Three Lines of Defence" approach to risk management and reporting.

The RMF is the mechanism through which Atrium ensures it is implementing effective and enterprise wide risk management practices across its business. Key to Atrium's business is the management of risk, return

### STRATEGIC REPORT *(continued)*

and capital, against which all significant strategic and operational business decisions are evaluated. Over many years Atrium has established systems of governance and risk management that enable it to manage its business prudently. The RMF is the articulation of these systems of risk management and governance and how the various elements interact.

The RMF encompasses the broad range of activities undertaken across the organisational hierarchy to ensure that risks are managed appropriately, spanning from the high level strategy set by the Board to the day to day underwriting decisions being made by Syndicate staff and the controls in place to govern these. The RMF can be illustrated as follows:

**Strategy:** This describes Atrium's strategy setting process and explains how this filters down through the organisation; incorporating the Syndicate's Business Strategy, Risk Strategy, Business Plan, Risk Policy Statement and Risk Policies.

**Business Activities:** The individual Syndicate and agency business units are responsible for implementing the strategy and business plans in accordance with the framework set out in the risk policies. The people, controls, management information, processes and senior management oversight in place across the business units serve as the "First Line of Defence" in the RMF.

**Risk Governance Structure:** The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the RMF is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee (ERC), which fulfils the role of Atrium's Risk Management Function, and its three Risk Sub-Committees, discussed further, below.

**Independent Assurance:** Atrium has in place a Compliance function and an Actuarial function in addition to the Risk Management Function (fulfilled by the ERC and the Risk Management Team). These functions have specific responsibilities documented in their terms of reference and are staffed by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the Board with assurance as to the appropriateness and effectiveness of the various elements of the RMF, the internal control environment, and the calculation of capital. There are a number of risk management tools which support independent assessment and reporting of risk. Taken together this Independent Assurance comprises the "Second Line of Defence".

**Independent Oversight:** The RMF provides for independent oversight and challenge via the operation of the Internal Audit Function as well as the Audit Committee and Risk Committee, both of which are Committees of the Board with membership comprised of Non Executive Directors. Together these three groups provide the "Third Line of Defence". The Risk Committee is charged with providing independent oversight and review of Atrium's RMF and its constituent parts whilst the Audit Committee, along with its broader responsibilities for the financial statements and financial reporting process, has oversight of internal controls and the Internal Audit function.

## ATRIUM 5 LIMITED

### STRATEGIC REPORT *(continued)*

#### *Executive Risk Committee (ERC)*

Atrium's Risk governance structure is comprised of the ERC and its three Risk Sub-Committees.

The ERC fulfils the Risk Management function, in conjunction with the Risk Management Team, and coordinates the risk management activities conducted for the Agency's managed Syndicate. It is responsible for ensuring that the RMF, and Internal Model, operates effectively, and for maintaining an aggregated and holistic view of risks to the Syndicate in which the Company participates in and reporting on them to the Board, Committees and management as appropriate. It also ensures that there is robust and effective management, governance and oversight of Atrium's Internal Model which is used to set capital and is also widely used within the business.

To support delivery of the ERC's responsibilities, there are three Risk Sub-Committees, each being responsible for oversight, review and challenge of the activities of the Syndicate and in particular ensuring that activities are within risk policies, that risks are suitably identified, monitored and reported, and that appropriate contingency plans are in place.

The principal risks to which the Syndicate in which the company participates in is exposed are discussed below together with the mitigation techniques adopted. For clarity, the risks are analysed by reference to the Risk Sub-Committees that have responsibility for the relevant risk area.

#### *Insurance Risk Sub-Committee (IRSC)*

The IRSC is responsible for oversight of insurance risk which includes underwriting, claims, reserving, and reinsurance.

Underwriting risk is the risk that future losses are greater than allowed for within premiums. This could be due to natural fluctuations in claims frequencies and severities, changes in economic and judicial environments, anti-selection, inappropriate premium estimation or catastrophic loss activity.

Underwriting risk is mitigated through numerous controls including underwriter peer review, authority limits, independent review of risks written, and purchase of an appropriate reinsurance programme. The Business Forecast of the Syndicate in which the company participates in is completed annually and stipulates those classes of business and concentration by class that will be written during the forthcoming year. It is reviewed by the IRSC and approved by the Board prior to being submitted to the Lloyd's for approval. Actual performance during the year is monitored by reference to the Syndicate Business Forecast.

The risk of catastrophic claims is mitigated by the Syndicate having a defined risk appetite which determines the net loss that it intends to retain for major catastrophe events and where deemed appropriate, reinsurance is purchased to limit the impact of losses. Although the likelihood of occurrence is considered to be remote, there may be circumstances where the loss from a particular catastrophe event exceeds the net risk appetite perhaps due to the occurrence of a loss that has not been considered or where the reinsurance purchased proves to be insufficient.

Reserving risk is the risk that we have insufficient provision for losses that have already occurred.

Reserving risk is mitigated by the robust reserve adequacy exercise that is performed on a quarterly basis by the Actuarial Function and approved by the Board. The quarterly exercise involves a review of the paid and outstanding claims and an assessment of the appropriate provision for incurred but not reported (IBNR) claims. The reserves are considered by the IRSC and approved by the Board. The reserving is carried out based on historical development data, the claims environment and information provided by lawyers and third party claims adjusters. Although a thorough review is carried out the reserves carried may be more or less than adequate to meet the final cost of claims.

## ATRIUM 5 LIMITED

### STRATEGIC REPORT *(continued)*

The IRSC also reviews the proposed reinsurance programme that is used to protect capital from frequency and severity of losses that may be sustained through underwriting the varied lines of business written. The review includes analysis of the reinsurance cover being purchased and assessment of the proposed counterparties.

#### *Financial Risk Sub-Committee (FRSC)*

The FRSC is responsible for oversight of financial risks and the steps taken to mitigate them as they arise from investments, asset/liability management, credit, liquidity and concentration risks. These risks are discussed further below.

Investment risk is the risk that the earnings of the Syndicate in which the Company participates are affected by changes in the value of the investment portfolio; such changes in value may be driven by changes in the economic and political environment and by movements in interest and foreign exchange rates. Atrium manages the Syndicate's investments in accordance with investment guidelines established by the Board that are reviewed on a regular basis. The FRSC monitors the performance of the external investment manager and the custodians responsible for the safekeeping of the investments, and reports regularly to the Board.

Asset/liability mis-match is the risk that the Syndicate in which the company participates in could incur a loss through inadequate matching of its investments with its insurance liabilities. Due to the short-tail nature of the majority of these liabilities, the Syndicate does not seek to achieve a precise matching with the investment portfolio, instead developing an investment duration guideline that is broadly in line with the average payment profile of the liabilities. However, the Syndicate substantially mitigates exposures to currency mis-match by investing premiums in the currency in which subsequent claims are most likely to be incurred and periodic rebalancing to ensure that these remain appropriate for the liabilities. The majority of the Syndicate's business is denominated in US dollars and accordingly the substantial part of the investment portfolio is in US dollar denominated investments.

The key aspect of credit risk is the risk of default by one or more of the reinsurers of the Syndicate in which the company participates in, their investment counterparties, or insurance intermediaries. Reinsurance is placed with those reinsurers that comply with the Atrium reinsurance policy. The exposure to credit risk in the investment portfolio is mitigated through adherence to the investment guidelines which require the Syndicate's core investment portfolios to be held in government and corporate debt with a high credit quality rating and with a relatively short duration, thus substantially mitigating the risk of sustaining losses from default. Exposure to intermediaries is mitigated by rigorous review of new intermediaries, contractual terms of business, regulated or segregated client accounts, monitoring of balances and credit control procedures.

Liquidity risk is the risk that the Syndicate in which the company participates in will not be able to meet its short term liabilities as they fall due, owing to a shortfall in cash. This risk is mitigated through holding invested funds in high credit quality and short duration investments, and cash-flow projections are also reviewed on a regular basis. The need for overdraft facilities in case of un-projected cash flow deficit is also reviewed regularly.

Concentration risk is the exposure to loss that could arise if the bulk of the amounts recoverable by the Syndicate were dependent on a limited number of reinsurers, or if investments were restricted to limited numbers of counterparties or sectors. The risk is mitigated by restricting the permitted cessions to individual reinsurers for any one underwriting year and through the investment guidelines which limit exposure to individual investment counterparties and sectors.

#### *Operational Risk Sub-Committee (ORSC)*

The ORSC is responsible for oversight of the exposures to operational, group, conduct and regulatory risks, of the Syndicate in which the company participates.

## ATRIUM 5 LIMITED

### STRATEGIC REPORT *(continued)*

Operational risk is the risk of loss due to inadequate or failed processes and procedures, people and systems, or external events. The Company seeks to manage these risks by operating a control based environment which consists of documented procedures, segregation of duties and appropriate levels of review.

Conduct Risk is the risk that as part of writing and servicing insurance policies the Syndicate in which the company participates fails to pay due regard to the interests of its customers. This is mitigated through the application of Atrium's conduct risk policy and procedures and through staff's adherence to Atrium's Code of Business Principles and Ethics. Atrium is committed to conducting its activities and stakeholder relationships in a fair and honest manner and the highest standard of conduct, professionalism and integrity is expected from all of its employees, with due regard paid at all levels of the organisation to ensuring fair outcomes for customers. Key controls include training of staff, embedding of the consideration of conduct risk as part of the business planning process and through the product life-cycle and Board and governance oversight and reporting. The ORSC fulfils the role of a "product oversight group" providing customer challenge and perspective to Atrium's products.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Company has a Compliance Officer and team who monitor regulatory developments and assess the impact on Company policy and maintain an ongoing open dialogue with both regulators and Lloyd's. They also carry out a compliance monitoring programme.

Regular reviews are performed by the Internal Audit department to ensure that deviations from the Company's policies and control weaknesses, are identified and reported to the appropriate level of management and the Audit Committee when considered necessary.

#### *Brexit*

The Company, through its underwriting participation on Syndicate 609, is exposed to risks arising out of Brexit.

On 31 January 2020, the UK formally left the EU (commonly known as Brexit) and has entered into a transition period lasting until 31 December 2020. During the transition period the UK and the EU will negotiate their future relationship and EU law will continue to apply in and to the UK. Whilst there is a legal mechanism to facilitate the extension of the transition period by a further two years, a request to do so would need to be made by the UK by 30 June 2020, and this has already been ruled out by the current Government.

Following the end of the transition period, it is anticipated that Lloyd's members, including the Syndicate, will no longer benefit from EU passporting provisions and will no longer have permission to underwrite European Economic Area (EEA) (re)insurance business. However, Lloyd's members will continue to be able to provide reinsurance to cedants in the EEA (with the exception of Germany) on a cross-border basis, provided relevant local requirements are complied with.

In order to provide this continued access to Lloyd's for policy holders within the EEA, Lloyd's established a subsidiary insurance and reinsurance company incorporated in Belgium, Lloyd's Insurance Company S.A. (Lloyd's Brussels). Atrium worked closely with Lloyd's on this contingency arrangement. Lloyd's Brussels is authorised in Belgium by the National Bank of Belgium (NBB) and regulated by the NBB and the Financial Services and Markets Authority of Belgium. It is capitalised according to the Solvency II standard formula and benefits from the same financial ratings as the Lloyd's market, which are provided by A.M. Best (A "excellent"); Standard & Poor's (A+ "strong"); and Fitch Ratings (AA- "very strong"). Lloyd's Brussels has 18 branches across the EEA and a branch in the UK.



## ATRIUM 5 LIMITED

### STRATEGIC REPORT *(continued)*

Lloyd's Brussels writes all classes of non-life insurance business and non-life reinsurance (facultative and non-proportional excess of loss treaty only) business from EEA countries. It does not underwrite proportional treaty reinsurance. The establishment of Lloyd's Brussels ensures that Lloyd's European intermediaries and policyholders still have access to the combined scale, expertise, capacity and claims service of the Lloyd's market through a single insurance company based at the heart of Europe.

Whilst it is only a small proportion of its overall business, the Syndicate has incorporated the essential changes required by Lloyd's throughout the organisation, enabling us to uphold our reputation by providing the best possible service to brokers, coverholders and ultimately policy holders.

From 1 January 2019 onwards, with a few minor exceptions, all new EEA non-life direct insurance policies have been written by Atrium on behalf of Lloyd's Brussels (under the terms of an outsourcing agreement) and 100% reinsured back to the Syndicate. All renewing EEA non-life direct insurance policies have transferred (and continue to transfer) to Lloyd's Brussels on their renewal under the same structure. It continues to be Lloyd's policy that all non-life EEA insurance risks are written by Lloyd's Brussels and not Lloyd's syndicates.

To achieve contract continuity, Lloyd's will transfer all remaining affected policies (comprising all relevant non-life direct EEA insurance and inwards German reinsurance business that has been written by the Lloyd's market between 1993 and 2020) to Lloyd's Brussels. This will be undertaken via an insurance business transfer under Part VII of the UK's Financial Services and Markets Act 2000 (the Part VII transfer) and is scheduled to take place in October 2020. Passporting rights will continue to apply during the transition period, allowing Lloyd's underwriters and UK intermediaries to continue to service existing EEA policies, including the payment of valid insurance claims.

Atrium's board remains confident that the future performance of the Syndicate should not be materially impacted by Brexit.

*Group Risk* is the risk that decisions taken by other members of the group or the performance of other group companies may impact the Company. Following the lease of the 2017 year of account to SGL1, the Company faces the risk that decisions taken by SGL1 may impact the Company. Group risk is mitigated by the Board of Enstar, which manages its subsidiaries on a unified basis.

#### COVID-19

The Company is reliant upon the existence of the Syndicate, which is managed by AUL, for its own long term existence.

The Directors of AUL have reviewed the impact of COVID-19 on the Syndicate and have concluded that the Syndicate will be able to operate as a going concern. The Syndicate continues to closely monitor the impact on its operations, customers and underwriting, investments and capital. An assessment of scenarios and potential range of outcomes has been undertaken across these areas, including exposure to the broader economic environment and increased volatility in financial markets. Risk appetite for the most impacted lines of business is being reviewed on a regular basis and updated, as required. The Syndicate's main area of exposure is in its travel and event cancellation lines of business.

Whilst preliminary reserves and the underlying estimated level of claims arising from COVID-19 are inherently uncertain and may materially change, the initial estimates would indicate that the Syndicate can continue to meet its liquidity requirements and that there will be no significant impacts on the capital providers arising from the COVID-19 losses. COVID-19 has also caused volatility in the financial markets and the Syndicate investment returns. The Syndicate's investment portfolio is a conservative portfolio primarily comprising cash and high credit quality fixed income investments. As the situation evolves, the Directors of AUL are regularly

## ATRIUM 5 LIMITED

### STRATEGIC REPORT *(continued)*

assessing the impact of solvency capital in line with established risk metrics and in compliance with risk appetite, including the recent volatility in financial markets.

The most recent year of account forecasts prepared by AUL, which include the impact of COVID-19 on the Syndicate, show that profit flows from the capacity lease arrangement would be sufficient for the Company to meet its liabilities as they fall due. Therefore, the Board does not consider that the COVID-19 pandemic impacts the conclusion of the Company's going concern assessment.

By order of the Board

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JRF Lee  
Director  
3 July 2020

## **ATRIUM 5 LIMITED**

### **DIRECTORS' REPORT**

The Directors present their report for the year ended 31 December 2019.

#### **Dividends**

The Directors do not recommend a final dividend, making the total dividends paid in the year \$nil (2018: \$nil).

#### **Directors and officers of the Company**

The current directors of the Company are disclosed on page 1.

The following Director was appointed during the year:

KH Steward (effective 16 December 2019)

#### **Events since the balance sheet date**

The World Health Organisation (WHO), on 11 March 2020, declared the coronavirus, COVID-19, outbreak as a global pandemic. See note 27 for further details.

#### **Going concern**

Following consideration, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least a twelve month period from the date of issue of these financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

In light of the COVID-19 outbreak globally during the first quarter of 2020 the Company has undertaken detailed analysis of the potential impacts upon its forecast revenue and general financial stability.

Taking into account the Company's current position, the output of additional analysis performed, the current COVID-19 situation does not change the directors' view that these financial statements should be prepared on the Going Concern basis as set out above.

In response to the COVID-19 outbreak, the Atrium Group implemented remote working in advance of any formal government guidance and restrictions. To date no significant issues have been experienced in the Company's ability to operate as a result of these measures.

#### **Political donations**

The Company made no political donations during the year (2018: \$nil).

#### **Financial risk management**

The risk management of the Company has been detailed within the Strategic Report on page 2.

#### **Disclosure of information to the auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director, in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

**ATRIUM 5 LIMITED**

**DIRECTORS' REPORT *(continued)***

**Re-appointment of auditor**

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

By order of the board

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JRF Lee  
Director  
3 July 2020

## **ATRIUM 5 LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of 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 state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## **ATRIUM 5 LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATRIUM 5 LIMITED**

#### **Opinion**

We have audited the financial statements of Atrium 5 Limited ("the company") for the year ended 31 December 2019 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 5.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Going concern**

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

#### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **ATRIUM 5 LIMITED**

### **Matters on which we are required to report by exception**

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

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

we have not received all the information and explanations we require for our audit. We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 12, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**David Maddams (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
3 July 2020

# **ATRIUM 5 LIMITED**

## **INCOME STATEMENT**

**For the year ended 31 December 2019**

### **TECHNICAL ACCOUNT – GENERAL BUSINESS**

	<b>Note</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Gross premiums written	7	-	2,153
Outward reinsurance premiums		(105,758)	(7,075)
<b>Net premiums written</b>		<b>(105,758)</b>	<b>(4,922)</b>
Change in the gross provision for unearned premiums		-	9,118
Change in the provision for unearned premiums, reinsurers' share		-	(438)
<b>Change in the net provision for unearned premiums</b>		<b>-</b>	<b>8,680</b>
<b>Earned premiums, net of reinsurance</b>		<b>(105,758)</b>	<b>3,758</b>
Allocated investment return transferred from the non-technical account	13	-	(386)
Claims paid			
Gross amount		-	(37,236)
Reinsurers' share		-	24,389
<b>Net claims paid</b>		<b>-</b>	<b>(12,847)</b>
Change in the provision for claims			
Gross amount		129,157	46,887
Reinsurers' share		(23,399)	(29,551)
<b>Change in the net change in provision for claims</b>		<b>105,758</b>	<b>17,336</b>
<b>Claims incurred, net of reinsurance</b>		<b>105,758</b>	<b>4,489</b>
Net operating income/(expense)	10	-	493
<b>Balance on the technical account for general business</b>	7	<b>-</b>	<b>8,354</b>

All operations relate to continuing activities.

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



**ATRIUM 5 LIMITED****INCOME STATEMENT****For the year ended 31 December 2019****NON-TECHNICAL ACCOUNT**

	<b>Note</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Balance on the general business technical account</b>	<b>7</b>	<b>-</b>	<b>8,354</b>
Lease premium / (expense)	<b>8</b>	<b>12,408</b>	<b>(83)</b>
Investment income	<b>13</b>	<b>175</b>	<b>2,836</b>
Net unrealised gains / (losses) on investments	<b>13</b>	<b>4,472</b>	<b>(2,903)</b>
Foreign exchange losses		<b>(117)</b>	<b>(907)</b>
Investment expenses and charges	<b>13</b>	<b>(3)</b>	<b>(319)</b>
Other charges, including amortisation	<b>14</b>	<b>(708)</b>	<b>(1,590)</b>
Allocated investment return transferred to the general business technical account		<b>-</b>	<b>386</b>
<b>Profit on ordinary activities before tax</b>		<b>16,227</b>	<b>5,774</b>
Tax on profit on ordinary activities	<b>15</b>	<b>(3,803)</b>	<b>(939)</b>
<b>Profit on ordinary activities after tax</b>		<b>12,424</b>	<b>4,835</b>

All operations relate to continuing activities.

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

**ATRIUM 5 LIMITED**
**BALANCE SHEET**
**At 31 December 2019**

	<b>Note</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Assets</b>			
<b>Intangible assets</b>			
Purchased syndicate capacity	17	<u>2,341</u>	<u>2,643</u>
<b>Investments</b>	18	<u>52,515</u>	<u>154,795</u>
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	23	-	-
Claims outstanding	23	<u>4,105</u>	<u>27,343</u>
		<u>4,105</u>	<u>27,343</u>
<b>Debtors</b>			
Arising out of direct insurance operations		-	10,213
Arising out of reinsurance operations		9,825	12,436
Amounts owed by group undertakings		8,614	-
Other debtors		-	1,465
	19	<u>18,439</u>	<u>24,114</u>
<b>Other assets</b>			
Cash at bank and in hand		217	8,168
Overseas deposits		-	15,174
		<u>217</u>	<u>23,342</u>
<b>Prepayments and accrued income</b>			
Accrued interest		-	1,913
Deferred acquisition costs	20	-	-
		-	1,913
<b>Total assets</b>		<u>77,617</u>	<u>234,150</u>

# **ATRIUM 5 LIMITED**

## **BALANCE SHEET**

**At 31 December 2019**

	<b>Note</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	21	-	-
Retained earnings		<b>36,446</b>	<b>24,022</b>
<b>Shareholders' equity</b>		<b>36,446</b>	<b>24,022</b>
<b>Technical provisions</b>			
Provision for unearned premiums	23	-	-
Claims outstanding	23	-	<b>129,157</b>
		<b>-</b>	<b>129,157</b>
<b>Deferred tax liability</b>	15(d)	<b>373</b>	<b>2,813</b>
<b>Deposits received from reinsurers</b>		<b>-</b>	<b>-</b>
<b>Creditors</b>			
Arising out of direct insurance operations		-	<b>10,313</b>
Arising out of reinsurance operations		<b>21,387</b>	<b>7,055</b>
Amounts owed to group undertakings		<b>13,979</b>	<b>18,464</b>
Other creditors		<b>1,145</b>	<b>31,957</b>
Amounts owed to SGL1 Limited		<b>4,287</b>	<b>8,082</b>
	24	<b>40,798</b>	<b>75,871</b>
<b>Accruals and deferred income</b>		<b>-</b>	<b>2,287</b>
<b>Total liabilities</b>		<b>77,617</b>	<b>234,150</b>

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

The financial statements were approved by the Board of Directors on 3 July 2020 and signed on its behalf by:



JRF Lee  
Director

Company No: 2861145

## ATRIUM 5 LIMITED

### STATEMENT OF CHANGES IN EQUITY As at 31 December 2019

	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 January 2018	-	19,187	19,187
Profit for the year	-	4,835	4,835
Dividends	-	-	-
<b>Balance as at 31 December 2018</b>	<b>-</b>	<b>24,022</b>	<b>24,022</b>
Profit for the year	-	12,424	12,424
Dividends	-	-	-
<b>Balance as at 31 December 2019</b>	<b>-</b>	<b>36,446</b>	<b>36,446</b>

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

## **ATRIUM 5 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2019**

#### **1. GENERAL INFORMATION**

The principal activity of the Company is that of a lessor of underwriting capacity on Syndicate 609 at Lloyd's. The Company is itself a Corporate Underwriting Member at Lloyd's, but is only active on the 2016 and prior years of account. With effect from the 2017 year of account, the Company leased its underwriting capacity to SGL No.1 Limited (SGL1), a fellow subsidiary company within the Enstar Group (Enstar).

The Company is limited by shares and is incorporated in the United Kingdom. The address of its registered office is Room 790, Lloyd's, 1 Lime Street, London, EC3M 7DQ.

#### **2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the applicable Accounting Standards in the United Kingdom including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) as issued in August 2014 and Financial Reporting Standard 103, 'Insurance contracts' (FRS 103) as issued in March 2014.

The financial statements are also prepared in accordance with the special provisions relating to insurance companies in Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulation 2008 made under the Companies Act 2006, and include statements of the transactions, assets and liabilities of the Syndicate in which the Company participates as a corporate member at Lloyd's.

#### **3. BASIS OF PREPARATION**

The financial statements have been prepared on the historical cost basis with the exception of financial assets which are measured at fair value through profit or loss.

The financial statements have been prepared using the annual basis of accounting. Under the annual basis of accounting a result is determined at the end of each accounting period reflecting the profit or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

The Syndicate in which the Company participates is managed and controlled by its managing agent. The accounting information in respect of this participation has been provided by the managing agent and has been audited by the Syndicate's auditors. Information in respect of the Company's participations on the managed Syndicate is available directly from the Syndicate accounting records.

The result of the leased underwriting from SGL1 for the 2017, 2018 and 2019 years of account, net of the quota share contract with Arden, is presented on a single line in the income statement as a lease premium/(expense) and in the balance sheet under amounts due to group undertakings and is further explained in note 8.

FRS 102 allows a qualifying entity certain disclosure exemptions. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Atrium 5 Limited is a qualifying entity as its results are consolidated into the financial statements of Enstar Group Limited which are publicly available.

As a qualifying entity, the Company has taken exemption from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102.

## **ATRIUM 5 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2019**

#### *Going Concern*

Following consideration, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least a twelve month period from the date of issue of these financial statements. The Directors therefore continue to adopt the going concern basis in preparing the financial statements. In light of the COVID-19 outbreak globally during the first quarter of 2020 the Company has undertaken detailed analysis of the potential impacts upon its forecast revenue and general financial stability. The Company is reliant upon the existence of Syndicate 609, which is managed by Atrium Underwriters Limited (AUL), for its own long term existence.

The Directors of AUL have reviewed the impact of COVID-19 on the Syndicate and have concluded that the Syndicate will be able to operate as a going concern. The Syndicate continues to closely monitor the impact on its operations, customers and underwriting, investments and capital requirements. An assessment of scenarios and potential range of outcomes has been undertaken across these areas, including exposure to the broader economic environment and increased volatility in financial markets. Risk appetite for the most impacted lines of business is being reviewed on a regular basis and updated, as required. The Syndicate's main area of exposure is in its travel and event cancellation lines of business.

Whilst preliminary reserves and the underlying estimated level of claims arising from COVID-19 are inherently uncertain and may materially change, the initial estimates would indicate that the Syndicate can continue to meet its liquidity requirements and that there will be no significant impacts on the capital providers arising from the COVID-19 losses. COVID-19 has also caused volatility in the financial markets and the Syndicate investment returns. The Syndicate's investment portfolio is a conservative portfolio primarily comprising cash and high credit quality fixed income investments. As the situation evolves, the Directors of AUL are regularly assessing the impact of solvency capital in line with established risk metrics and in compliance with risk appetite, including the recent volatility in financial markets.

The most recent year of account forecasts prepared by AUL, which include the impact of COVID-19 on the Syndicate, show that profit flows from the capacity lease arrangement would be sufficient for the Company to meet its liabilities as they fall due. Therefore, the Board does not consider that the COVID-19 pandemic impacts the conclusion of the Company's going concern assessment.

#### **4. USE OF JUDGEMENTS AND ESTIMATES**

In preparing these financial statements, the Directors of the Company have made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses of the Syndicate in which the Company participates. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

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

## **ATRIUM 5 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2019**

#### **4. USE OF JUDGEMENTS AND ESTIMATES *(continued)***

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the in house actuaries, of the Syndicate in which the Company participates, and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged. Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 6.

#### **5. SIGNIFICANT ACCOUNTING POLICIES**

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

##### **(a) Insurance classification**

The Syndicate's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to make significant additional benefits in any scenario, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

##### **(b) Gross premiums written**

Gross written premiums comprise the total premiums receivable for the whole period of cover under contracts incepting during the financial year, together with adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years.

All gross premiums are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon.

##### **(c) Unearned premiums**

Written premiums are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of the risk. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2019**

**5. SIGNIFICANT ACCOUNTING POLICIES (*continued*)**

**(d) Reinsurance premiums ceded**

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

**(e) Claims provisions and related recoveries**

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

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

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result

**(e) Claims provisions and related recoveries (*continued*)**

of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

**(f) Deferred acquisition costs**

Acquisition costs, comprising commission and other costs related to the acquisition of insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.



## **ATRIUM 5 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2019**

#### **5. SIGNIFICANT ACCOUNTING POLICIES *(continued)***

##### **(g) Unexpired risks provision**

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated by reference to the classes of business which are managed together, after taking into account relevant investment returns.

##### **(h) Investment income and expenses**

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price.

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments support the underwriting business.

##### **(i) Foreign currencies**

###### **i) Functional and presentation currency**

The Company's functional and presentation currency is US dollars.

###### **ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the quarterly average rate in effect at the dates of the transactions.

## ATRIUM 5 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS 31 December 2019

#### 5. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

##### (i) Foreign currencies (*continued*)

At each period end foreign currency monetary items are translated using the closing rate.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

Foreign currency rates of exchange to the functional currency (US dollars) are shown in the table below.

	Balance sheet rate at 31 December 2019	Average rate Quarter 1 2019	Average rate Quarter 2 2019	Average rate Quarter 3 2019	Average rate Quarter 4 2019
Sterling	1.3266	1.3019	1.2854	1.2327	1.2877
Euro	1.1228	1.1357	1.1234	1.1117	1.1073
Canadian dollar	0.7705	0.7522	0.7472	0.7573	0.7577
Singapore dollar	0.7437	0.7381	0.7334	0.7272	0.7338

##### (j) Taxation

The tax expense represents the sum of the current tax and deferred tax.

*Current tax:* the current tax charge or credit is based on the taxable profit or loss for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's group relief receipt is calculated using tax rates enacted or substantively enacted at the balance sheet date.

*Deferred tax:* deferred tax is generally provided in full on timing differences arising between the tax bases of assets and liabilities and their carrying value in the financial statements. Deferred tax is measured on an undiscounted basis using tax rates enacted or substantively enacted at the balance sheet date and which are expected to apply when the related tax is payable or receivable.

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

##### (k) Financial Instruments

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

Basic financial assets, including deposits with credit institutions, debtors arising out of direct insurance operations (policyholders), cash and cash equivalents and other debtors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at fair value.

## ATRIUM 5 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS 31 December 2019

#### 5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### *(k) Financial Instruments (continued)*

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Any surplus or deficit on any revaluation is recognised in the non-technical account.

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

Basic financial liabilities, including creditors arising from insurance operations that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities are de-recognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled or expires.

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

##### *Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the Syndicate estimates the fair value by using a valuation technique. See note 18 for further information on the valuation techniques of the Syndicate in which the Company participates in.

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

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

##### *(l) Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## **ATRIUM 5 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2019**

#### **5. SIGNIFICANT ACCOUNTING POLICIES *(continued)***

##### **(m) Intangible assets**

###### *Syndicate participations*

Managed Syndicate capacity purchased at auction is capitalised at cost and amortised on a straight-line basis over its estimated useful life of 20 years less any accumulated impairment losses. Amortisation is charged to the non-technical account from the beginning of the first accounting period following acquisition, when the asset becomes available for use.

Managed Syndicate capacity is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The amount of any impairment is charged to the income statement in the year in which the impairment arises.

##### **(n) Underwriting lease**

The profit or loss from underwriting leases is recognised in the non-technical account as the net underwriting lease income or expense incurred in the calendar year. The result is prepared using accounting policies that are consistent with those applied in preparing the technical account. A corresponding receivable or payable is recognised on the balance sheet. Additional disclosures are made in order to allow the user of the accounts to analyse the key technical components.

The only lessee is SGL1, a fellow subsidiary company in the Enstar group.

#### **6. RISK AND CAPITAL MANAGEMENT**

This note presents information about the nature and extent of insurance and financial risks to which the Syndicate in which the company participates is exposed.

###### *Risk management framework*

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the Risk Management Framework is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee ('ERC'), which fulfils the role of Atrium's Risk Management Function, and its three Risk Sub-Committees. These are the Insurance Risk Sub-Committee ('IRSC'), the Financial Risk Sub-Committee ('FRSC') and the Operational Risk Sub-Committee ('ORSC'). The ERC reports regularly to the Board of Directors on its activities.

###### *Insurance risk management*

The Syndicate accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Syndicate is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The actual number and value of claims will vary from year to year and from the level estimated, possibly significantly.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2019**

**6. RISK AND CAPITAL MANAGEMENT (continued)**

The Syndicate manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Syndicate from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis. Where an individual exposure is deemed surplus to the Syndicate's risk appetite additional facultative reinsurance is also purchased.

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

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

The IRSC performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the IRSC makes recommendations to the Managing Agent's Board of Directors of the claims provisions to be established. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

**Concentration of insurance risk**

A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of insurance by the location of the underlying risk is summarised below by reference to liabilities.

	Gross Claims Outstanding		Reinsurer's Share of Claims Outstanding		Net	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
UK	-	4,025	263	852	(263)	3,173
Other EU Countries	-	19,391	275	4,105	(275)	15,286
US	-	81,480	2,262	17,249	(2,262)	64,231
Asia	-	711	123	151	(123)	560
Canada	-	6,538	328	1,384	(328)	5,154
Australia	-	7,013	123	1,485	(123)	5,528
Other	-	9,999	731	2,117	(731)	7,882
	-	129,157	4,105	27,343	(4,105)	101,814

# **ATRIUM 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **31 December 2019**

### **6. RISK AND CAPITAL MANAGEMENT (continued)**

#### **Concentration of insurance risk (continued)**

The concentration of insurance by type of contract is summarised below by reference to liabilities.

	Gross Claims Outstanding		Reinsurer's Share of Claims Outstanding		Net	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Accident and health	-	3,788	71	472	(71)	3,316
Motor (third party liability)	-	35	-	-	-	35
Motor (other classes)	-	943	(3)	-	3	943
Marine, aviation and transport	-	25,547	2,001	13,310	(2,001)	12,237
Fire and other damage to property	-	10,648	89	595	(89)	10,053
Third party liability	-	73,167	1,696	11,295	(1,696)	61,872
Credit and suretyship	-	1,130	5	31	(5)	1,099
Legal expenses	-	417	-	2	-	415
	-	115,675	3,859	25,705	(3,859)	89,970
Reinsurance	-	13,482	246	1,638	(246)	11,844
Total	-	129,157	4,105	27,343	(4,105)	101,814

#### *Assumptions and sensitivities*

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Syndicate uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios.

The Syndicate considers that the liability for non-life insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

A 5% increase or decrease in the loss ratios would have the following impact on profit or loss and equity. There is no impact on the result for the year due to movements in loss ratios because the Company is no longer participating in underwriting activities. The net loss ratio calculation included in the comparative information is based on the pre-tax result and it includes the 2017 and 2018 years of account. For each sensitivity the impact of a change in a single factor is shown, with other assumptions unchanged.

	Total profit or loss impact	
	2019 \$'000	2018 \$'000
5% increase in net loss ratios	-	(1,297)
5% decrease in net loss ratios	-	1,297

#### **Financial risk management**

The Syndicate is exposed to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular the key financial risk is that proceeds from, or the valuation of, financial assets are not sufficient to fund the obligations arising from policies as they fall due. The Syndicate monitors and manages the financial risks relating to the operations of the Syndicate through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. In addition, the Company is exposed to group risk.

# **ATRIUM 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2019**

### **6. RISK AND CAPITAL MANAGEMENT *(continued)***

#### **Financial risk management *(continued)***

##### **Market risk**

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the Syndicate in managing its market risk is to ensure risk is managed in line with the Syndicate's risk appetite.

The Syndicate has established policies and procedures in order to manage market risk and methods to measure it.

There were no material changes in the Syndicate's market risk exposure in the financial year nor to the objectives, policies and processes for managing market risk.

##### **Foreign currency risk management**

The Syndicate undertakes certain transactions denominated in foreign currencies hence, exposures to exchange rate fluctuations arise.

The Syndicate has minimal exposure to currency risk as the Syndicate's financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises from other recognised assets and liabilities denominated in other currencies.

The table below summarises the carrying value of the Company's assets and liabilities at the reporting date.

	Sterling \$'000	Euro \$'000	US Dollar \$'000	Can Dollar \$'000	Other \$'000	Total \$'000
<b>As at 31 December 2019</b>						
Intangible assets	-	-	2,341	-	-	2,341
Investments	-	-	52,515	-	-	52,515
Reinsurers' share of technical provisions	4,105	-	-	-	-	4,105
Debtors	9,825	-	-	-	-	9,825
Amounts owed by group undertakings	-	-	8,614	-	-	8,614
Other assets	32	-	185	-	-	217
<b>Total assets</b>	<b>13,962</b>	<b>-</b>	<b>63,655</b>	<b>-</b>	<b>-</b>	<b>77,617</b>
Technical provisions	-	-	-	-	-	-
Provisions for liabilities	-	-	373	-	-	373
Creditors	21,420	-	1,112	-	-	22,532
Amounts owed to group undertakings	-	-	18,266	-	-	18,266
<b>Total liabilities</b>	<b>21,420</b>	<b>-</b>	<b>19,751</b>	<b>-</b>	<b>-</b>	<b>41,171</b>
<b>Net (liabilities)/assets</b>	<b>(7,458)</b>	<b>-</b>	<b>43,904</b>	<b>-</b>	<b>-</b>	<b>36,446</b>

# **ATRIUM 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **31 December 2019**

### **6. RISK AND CAPITAL MANAGEMENT (continued)**

#### **Financial risk management (continued)**

As at 31 December 2018	Sterling \$'000	Euro \$'000	US Dollar \$'000	Can Dollar \$'000	Other \$'000	Total \$'000
Intangible assets	-	-	2,643	-	-	2,643
Investments	7,931	9,699	127,407	9,758	-	154,795
Reinsurers' share of technical provisions	5,438	8,296	13,370	239	-	27,343
Debtors	(2,168)	2,199	23,374	709	-	24,114
Other assets	8,949	4,375	7,942	1,988	88	23,342
Prepayments and accrued income	111	(25)	1,830	(3)	-	1,913
<b>Total assets</b>	<b>20,261</b>	<b>24,544</b>	<b>176,566</b>	<b>12,691</b>	<b>88</b>	<b>234,150</b>
Technical provisions	13,462	18,413	91,210	6,072	-	129,157
Provisions for liabilities	-	-	2,813	-	-	2,813
Deposits received from reinsurers	-	-	-	-	-	-
Creditors	20,056	(8,296)	65,803	(1,677)	(15)	75,871
Accruals and deferred income	89	-	1,832	366	-	2,287
<b>Total liabilities</b>	<b>33,607</b>	<b>10,117</b>	<b>161,658</b>	<b>4,761</b>	<b>(15)</b>	<b>210,128</b>
<b>Net assets</b>	<b>(13,346)</b>	<b>14,427</b>	<b>14,908</b>	<b>7,930</b>	<b>103</b>	<b>24,022</b>

The following table details the Company's sensitivity to a 10% increase and decrease in Sterling against US Dollar, Euro against US Dollar and Canadian Dollar against the US Dollar. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Profit or loss for the year 2019 \$'000	Profit or loss for the year 2018 \$'000
10% increase in US Dollar/GBP exchange rate	(746)	55
10% decrease in US Dollar/GBP exchange rate	746	(55)
10% increase in US Dollar /Euro exchange rate	-	337
10% decrease in US Dollar /Euro exchange rate	-	(337)
10% increase in US Dollar /CAD exchange rate	-	171
10% decrease in US Dollar /CAD exchange rate	-	(171)

The method for performing sensitivity analysis for currency rate fluctuations has not changed significantly over the financial year.

#### **Interest rate risk management**

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises primarily from the financial investments, cash and overseas deposits of the Syndicate in which the Company participates. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The FRSC monitors the duration of these assets on a regular basis. Interest rate risk also exists in products sold by the Syndicate. The Syndicate has no significant concentration of interest rate risk. The Syndicate manages this risk by adopting close asset/liability matching criteria, to minimise the impact of mismatches between asset and liability values arising from interest rate movements.



## ATRIUM 5 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS 31 December 2019

#### 6. RISK AND CAPITAL MANAGEMENT (*continued*)

##### Financial risk management (*continued*)

The following table details the Syndicate's sensitivity to a 50 basis point increase and decrease in the yield curve. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Total Profit or Loss Impact	
	2019	2018
	\$'000	\$'000
50 basis point increase	-	(1,008)
50 basis point decrease	-	1,016

Due to the reinsurance to close transaction at 1 January 2019, the Company no longer holds any Syndicate investments. The Company is however exposed to fluctuations in the capital markets through its Funds at Lloyd's assets.

##### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Syndicate. The key areas of exposure to credit risk for the Syndicate are in relation to its investment portfolio, reinsurance programme and amounts due from policyholders and intermediaries.

The objective of the Syndicate in managing its credit risk is to ensure risk is managed in line with the syndicate's risk appetite. The syndicate has established policies and procedures in order to manage credit risk and methods to measure it.

There were no changes in the Syndicate's credit risk exposure in the financial year nor to the objectives, policies and processes for managing credit risk.

The Syndicate has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Syndicate only transacts with entities that are rated the equivalent to investment grade and above.

This information is supplied by independent rating agencies where available and if not available the Syndicate uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.

The exposure and the credit ratings of the counterparties of the Syndicate in which the Company participates in are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the FRSC annually. Furthermore, in certain instances, the Syndicate receives deposits from its reinsurers which it holds under the terms of the reinsurance agreements.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Syndicate in which the Company participates in does not have any significant credit risk exposure to any single counterparty or any group of counterparties. Concentration of credit did not exceed 5% of gross monetary assets at any time during the financial year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

# **ATRIUM 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **31 December 2019**

### **6. RISK AND CAPITAL MANAGEMENT (continued)**

#### **Financial risk management (continued)**

The carrying amount of financial assets and reinsurance assets recorded in the financial statements represents the Syndicate's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Syndicate in which the Company participates in monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investments and reinsurance assets held by the Syndicate on a quarterly basis.

Reinsurance assets are reinsurers' share of outstanding claims and IBNR and reinsurance receivables. They are allocated below on the basis of ratings for claims paying ability.

Receivables from policyholders, agents and intermediaries generally do not have a credit rating.

The following table shows aggregated credit risk exposure for assets with external credit ratings.

	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	BB \$'000	Not rated \$'000	Total \$'000
<b>As at 31 December 2019</b>							
Investments	-	-	-	-	-	52,515	52,515
Reinsurers' share of technical provisions	-	-	-	4,105	-	-	4,105
Debtors	-	-	-	18,439	-	-	18,439
Other assets	-	-	217	-	-	-	217
<b>Total</b>	-	-	217	22,544	-	52,515	75,276

The following table shows aggregated credit risk exposure for assets with external credit ratings.

	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	BB \$'000	Not rated \$'000	Total \$'000
<b>As at 31 December 2018</b>							
Investments	24,586	23,672	54,442	12,638	8,900	30,557	154,795
Reinsurers' share of technical provisions	-	240	22,699	3,944	-	460	27,343
Debtors	-	6,332	17,042	4	280	456	24,114
Other assets	9,011	1,833	9,385	1,390	67	1,656	23,342
Accrued interest	-	-	1,913	-	-	-	1,913
<b>Total</b>	33,597	32,077	105,481	17,976	9,247	33,129	231,507

The following table shows the carrying value of debtors 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 that the value of the assets have been impaired were: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

# **ATRIUM 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **31 December 2019**

### **6. RISK AND CAPITAL MANAGEMENT (continued)**

#### **Financial risk management (continued)**

	Neither past due nor impaired \$'000	Past due less than 30 days \$'000	Past due 31 to 60 days \$'000	Past due 61 to 90 days \$'000	Past due more than 90 days \$'000	Past due and impaired \$'000	Carrying amount \$'000
<b>As at 31 December 2019</b>							
Debtors arising out of direct insurance operations	-	-	-	-	-	-	-
Debtors arising out of direct reinsurance operations	9,825	-	-	-	-	-	9,825
<b>Total</b>	<b>9,825</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,825</b>
<b>As at 31 December 2018</b>							
Debtors arising out of direct insurance operations	10,213	-	-	-	-	-	10,213
Debtors arising out of direct reinsurance operations	10,845	1,783	607	3	(802)	-	12,436
<b>Total</b>	<b>21,058</b>	<b>1,783</b>	<b>607</b>	<b>3</b>	<b>(802)</b>	<b>-</b>	<b>22,649</b>

#### **Liquidity risk management**

Liquidity risk is the risk that the Syndicate in which the Company participates in cannot meet its obligations associated with financial liabilities as they fall due. The Syndicate has adopted an appropriate liquidity risk management framework for the management of the Syndicate's liquidity requirements. The Syndicate manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Syndicate is exposed to liquidity risk arising from clients on its insurance and investment contracts. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers. Liquidity management ensures that the syndicate has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities. In practice, most of the Syndicate's assets are marketable securities which could be converted in to cash when required.

There were no material changes in the Syndicate's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk.

In relation to the financial assets, the tables below have been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the Syndicate anticipates that the cash flow will occur in a different period. The table also shows the expected maturity profile of the Syndicate's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. The table includes both interest and principal cash flows.

# **ATRIUM 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **31 December 2019**

### **6. RISK AND CAPITAL MANAGEMENT (continued)**

#### **Financial risk management (continued)**

	Less than 1 year \$'000	1 - 3 years \$'000	3 - 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>As at 31 December 2019</b>					
Investments	52,515	-	-	-	52,515
Reinsurers' share of technical provisions	4,105	-	-	-	4,105
Debtors	17,253	1,186	-	-	18,439
Other assets	217	-	-	-	217
<b>Total</b>	<b>74,090</b>	<b>1,186</b>	<b>-</b>	<b>-</b>	<b>75,276</b>
Technical provisions	-	-	-	-	-
Creditors	36,512	4,286	-	-	40,798
<b>Total</b>	<b>36,512</b>	<b>4,286</b>	<b>-</b>	<b>-</b>	<b>40,798</b>
	Less than 1 year \$'000	1 - 3 years \$'000	3 - 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>As at 31 December 2018</b>					
Investments	61,068	77,034	15,418	1,275	154,795
Reinsurers' share of technical provisions	25,697	1,646	-	-	27,343
Debtors	9,140	8,847	3,812	2,315	24,114
Other assets	12,229	9,867	1,246	-	23,342
Accrued income	1,913	-	-	-	1,913
<b>Total</b>	<b>110,047</b>	<b>97,394</b>	<b>20,476</b>	<b>3,590</b>	<b>231,507</b>
Technical provisions	48,959	47,386	20,419	12,393	129,157
Creditors	75,332	539	-	-	75,871
Accruals and deferred income	181	-	2,106	-	2,287
<b>Total</b>	<b>124,472</b>	<b>47,925</b>	<b>22,525</b>	<b>12,393</b>	<b>207,315</b>

#### **Group risk**

Group risk is the risk that decisions taken by other members of the group or the performance of other group companies may impact the Company. Following the lease of the 2017 and post years of account to SGL1, the Company faces the risk that decisions taken by SGL1 may impact the Company. Group risk is mitigated by the Board of Enstar, which manages its subsidiaries on a unified basis.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2019**

**6. RISK AND CAPITAL MANAGEMENT (*continued*)**

**Capital Management**

*Capital framework at Lloyd's*

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

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level.

*Lloyd's capital setting process*

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member's SCR is determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's, not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2019 was 35% of the member's SCR 'to ultimate' and was applied to the capital that SGL1 was required to put up to support its underwriting on the Syndicate.

*Provision of capital by members*

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

**ATRIUM 5 LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2019**
**7. ANALYSIS OF UNDERWRITING RESULT**

	Gross Premiums Written \$'000	Gross Premiums Earned \$'000	Gross Claims Incurred \$'000	Gross Operating Expenses \$'000	Reinsurance Balance \$'000	Total \$'000	Net Technical Provisions \$'000
<b>2019</b>							
<b>Direct business</b>							
Accident and health	-	-	10,803	-	(10,803)	-	-
Motor	-	-	6,332	-	(6,332)	-	-
Marine, aviation and transport	-	-	23,567	-	(23,567)	-	-
Fire and other damage to property	-	-	35,461	-	(35,461)	-	-
Third party liability	-	-	36,284	-	(36,284)	-	-
Other	-	-	3,047	-	(3,047)	-	-
<b>Total direct</b>	-	-	115,494	-	(115,494)	-	-
<b>Reinsurance business</b>							
Reinsurance acceptances	-	-	13,663	-	(13,663)	-	-
	-	-	129,157	-	(129,157)	-	-
Allocated investment return						-	
Balance on technical account						-	
<b>2018</b>							
<b>Direct business</b>							
Accident and health	684	2,070	(402)	(899)	131	900	3,245
Motor	141	741	(520)	(106)	(72)	43	955
Marine, aviation and transport	394	1,215	(701)	(1,496)	(3,626)	(4,608)	13,670
Fire and other damage to property	(863)	895	5,175	(1,385)	(497)	4,188	9,737
Third party liability	363	4,682	3,817	(2,166)	403	6,736	61,120
Other	(70)	68	300	20	26	414	1,461
<b>Total direct</b>	649	9,671	7,669	(6,032)	(3,635)	7,673	90,188
<b>Reinsurance Business</b>							
Reinsurance acceptances	1,504	1,600	1,982	(841)	(1,674)	1,067	11,626
	2,153	11,271	9,651	(6,873)	(5,309)	8,740	101,814
Allocated investment return						(386)	
Balance on technical account						8,354	

## ATRIUM 5 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

#### 7. ANALYSIS OF UNDERWRITING RESULT (*continued*)

Commission on direct insurance gross premiums earned during 2019 was nil (2018:\$971k).

All premiums were concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	2019	2018
	%	%
UK	-	(5.2)
Other EU countries	-	17.0
US	-	39.2
Asia	-	11.7
Canada	-	5.6
Australia	-	10.3
Other	-	21.4
Total	<u>-</u>	<u>100.0</u>

#### 8. UNDERWRITING LEASE PREMIUM/(EXPENSE)

The profit of \$12,408k (2018 – loss of £83k) on leased underwriting relates to the lease of Syndicate 609 capacity to SGL1, a fellow subsidiary company in the Enstar Group. SGL1 will pay the Company a lease premium equal to its share of the calendar year result of Syndicate 609 less the balance due through the reinsurance contract with Arden Reinsurance Company Limited (Arden Re), when settlement is received from Syndicate 609. However, should the lease ultimately result in a loss, the lease premium will be nil and Arden Re will reimburse SGL1 with the amount of the loss.

##### Analysis of the profit/(loss) on leased underwriting

	2019	2018
	\$'000	\$'000
Gross premiums written	192,373	169,353
Net earned premium	67,055	47,456
Net claims incurred	(36,470)	(30,429)
Net operating expenses	(20,774)	(17,225)
Net investment return	2,597	115
Lease income/(expense)	<u>12,408</u>	<u>(83)</u>

# **ATRIUM 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2019**

### **8. UNDERWRITING LEASE PREMIUM / (EXPENSE) *(continued)***

#### **Analysis of the balance sheet on leased underwriting**

	<b>2019</b>	<b>2018</b>
	<b>\$,000</b>	<b>\$,000</b>
Financial investments	<b>166,851</b>	39,037
RI Share: Provisions for unearned premium	<b>45,891</b>	46,038
RI Share: Claims outstanding	<b>87,521</b>	76,573
Debtors : arising out of direct insurance operations	<b>40,186</b>	40,790
Debtors : arising out of reinsurance operations	<b>4,116</b>	295
Other debtors	<b>8,862</b>	22,310
Cash at bank	<b>37,167</b>	11,266
Deferred acquisition costs	<b>26,133</b>	23,410
Other prepayments and accrued income	<b>2,324</b>	959
<b>Total assets</b>	<b><u>419,051</u></b>	<b><u>260,678</u></b>
Profit & loss account reserve	<b>4,327</b>	(8,082)
Provisions for unearned premiums	<b>80,863</b>	70,429
Claims outstanding	<b>232,200</b>	112,508
Creditors: arising out of direct insurance operations	<b>89,790</b>	76,130
Creditors: arising out of reinsurance operations	<b>5,943</b>	8,660
Other creditors including taxation and social security	<b>3,490</b>	765
Accruals and deferred income	<b>2,438</b>	268
<b>Total liabilities &amp; equity</b>	<b><u>419,051</u></b>	<b><u>260,678</u></b>

### **9. CLAIMS OUTSTANDING**

The 2016 and prior years of account have not been reassessed during the year due to reinsurance to close transaction, effective 1 January 2019 when the claims were reinsured in to SGL1 Limited. 2018 - Reassessment of claims outstanding on underwriting years 2015 & prior resulted in an improvement of \$15,236k.



**ATRIUM 5 LIMITED****NOTES TO THE FINANCIAL STATEMENTS****31 December 2019****10. NET OPERATING EXPENSE**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Acquisition costs:		
Brokerage and commission	-	874
Other acquisition costs	-	614
Change in deferred acquisition costs	-	413
Syndicate administrative expenses	-	897
Direct administrative expenses	-	4,075
	<u>-</u>	<u>6,873</u>
Reinsurance commissions receivable	-	(7,366)
	<u>-</u>	<u>(493)</u>

**11. STAFF COSTS**

The Company does not directly employ any staff however it uses the services of employees of the Atrium Group. No amounts are charged to the Company (2018: \$nil) for the use of these services although the Company incurs its share of staff costs borne by the Syndicate in which it participates.

**12. DIRECTORS REMUNERATION**

The directors of the Company are either remunerated by Atrium Group Services Limited (AGSL), the employing company within the Atrium Group or by Enstar (EU) Limited. Their remuneration is disclosed in the financial statements of these companies. No amounts are charged to the Company for the use of these services (2018: \$nil), although the Company incurs its share of directors emoluments borne by the Syndicate in which it participates.

**13. INVESTMENT RETURN**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Investment income</b>		
Income from investments	175	2,562
Gains on the realisation of investments	-	83
Other Interest	-	191
	<u>175</u>	<u>2,836</u>
<b>Net unrealised gains/(losses) on investments</b>		
Unrealised gains on investments	4,472	540
Unrealised losses on investments	-	(3,443)
	<u>4,472</u>	<u>(2,903)</u>
<b>Investment expenses and charges</b>		
Investment management expenses, including interest	(3)	(84)
Net losses on the realisation of investments	-	(235)
	<u>(3)</u>	<u>(319)</u>
<b>Allocated investment return transferred to general business account</b>	<u>-</u>	<u>(386)</u>
<b>Non-technical investment return</b>	<u>4,644</u>	<u>-</u>

# **ATRIUM 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2019**

### **14. OTHER CHARGES, INCLUDING AMORTISATION**

Other charges include: amortisation of syndicate capacity of \$302,081 (2018: \$302,081), auditors' remuneration in respect of audit services of \$12,327 (2018: \$12,746) and letter of credit fees of \$366,375 (2018: \$405,750).

### **15. TAX**

#### **(a) Tax on profit on ordinary activities**

	2019 \$'000	2018 \$'000
The tax charge is made up as follows:		
<b>Current tax:</b>		
UK corporation tax on the profit for the year	-	-
Tax under / (over) provided in previous years	161	(53)
Group relief payment	5,404	1,368
	5,565	1,315
Foreign tax	678	16
Total current tax	6,243	1,331
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(2,321)	(271)
Effect of decreased tax rate	(119)	(121)
Total deferred tax (note 15 (d))	(2,440)	(392)
Tax charge on ordinary activities (note 15 (b))	3,803	939

#### **(b) Reconciliation of tax charge**

	2019 \$'000	2018 \$'000
Profit on ordinary activities before tax	16,227	5,774
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	3,083	1,097
Effects of:		
Amounts under / (over) provided in previous years	161	(53)
Foreign tax	678	16
Changes in tax rates	(119)	(121)
Total tax charge for the year (note 15 (a))	3,803	939

#### **(c) Factors that may affect future tax charges**

The UK corporation tax rate for 2019/2020 tax year was 19% (2018 – 19%). This rate has been reflected in the closing deferred taxation position in the balance sheet. A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. Consequently, this will impact the company's future tax charge.

# **ATRIUM 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2019**

### **15. TAX (continued)**

#### **(d) Deferred taxation**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
The deferred tax included in the balance sheet is as follows:		
Provision of underwriting results	(923)	(3,252)
Other	550	439
	<u>(373)</u>	<u>(2,813)</u>
At 1 January 2019	(2,813)	(3,205)
Deferred tax credit in profit and loss account (note 15(a))	2,440	392
At 31 December 2019	<u>(373)</u>	<u>(2,813)</u>

### **16. DIVIDENDS**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Declared and paid during the year on ordinary shares		
Equity dividends paid:		
Interim dividend	<u>-</u>	<u>-</u>

### **17. INTANGIBLE ASSETS**

<b>Purchased syndicate capacity</b>	<b>\$'000</b>
<b>Cost</b>	
At 1 January 2019	6,042
Additions	<u>-</u>
At 31 December 2019	<u>6,042</u>
<b>Amortisation</b>	
At 1 January 2019	3,399
Provided during the year	<u>302</u>
At 31 December 2019	<u>3,701</u>
<b>Net book value</b>	
At 31 December 2019	<u>2,341</u>
At 31 December 2018	<u>2,643</u>

# **ATRIUM 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **31 December 2019**

### **18. INVESTMENTS**

	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>Fair Value</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Cost</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Exchange Traded Fund	<b>17,486</b>	-	<b>17,421</b>	-
Shares and other variable yield securities and units in unit trust	-	9,148	-	9,148
Debt securities and other fixed income securities	-	115,069	-	117,390
Other Investments	<b>35,029</b>	30,557	<b>30,557</b>	30,018
Loans secured by mortgage	-	21	-	11
	<b>52,515</b>	<b>154,795</b>	<b>47,978</b>	<b>156,567</b>

Shares and other variable yield securities and units in unit trusts represents the Syndicate in which the Company participates holdings in collective investment schemes.

The Company's Funds at Lloyd's requirement is met through an exchange traded fund in addition to Other investments which comprise the Patcham balanced fund.

Using Standard & Poor's and Moody's as rating sources, the credit ratings of the debt and other fixed income securities are set out below:

	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>	<b>%</b>
Government/Government Agency	-	-	12,903	11.2
AAA/Aaa	-	-	11,682	10.2
AA/Aa	-	-	23,660	20.6
A	-	-	45,287	39.3
BBB	-	-	12,637	11.0
BB	-	-	8,900	7.7
	-	-	<b>115,069</b>	<b>100</b>

### **Fair Value methodology**

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 Syndicate 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.

To provide an indication about the reliability of the inputs used in determining fair value, the Syndicate in which the Company participates has classified its financial instruments into the three levels. An explanation of each level follows underneath the table.

Investments carried at fair value have been categorised using a fair value hierarchy as detailed below:

# **ATRIUM 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2019**

### **18. INVESTMENTS (continued)**

#### **Fair Value methodology (continued)**

Fair value hierarchy:

*Level 1* – Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis.

*Level 2* – The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

*Level 3* – Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3. The Syndicate in which the Company participates did not have any such instruments.

Having reviewed the investments using the above criteria for valuation and pricing the directors are satisfied that there are no Level 3 investments.

The table below shows financial instruments carried at a fair value through profit or loss grouped into the level in the fair value hierarchy into which each fair value measurement is categorised.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 31 December 2019</b>				
<b>Financial assets</b>				
Exchange Traded Fund	-	17,486	-	17,486
Shares and other variable yield securities and units in unit trusts	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-
Other Investments	-	35,029	-	35,029
Loans secured by mortgage	-	-	-	-
	-	52,515	-	52,515
<b>As at 31 December 2018</b>				
<b>Financial assets</b>				
Shares and other variable yield securities and units in unit trusts	7,581	1,567	-	9,148
Debt securities and other fixed income securities	6,140	108,929	-	115,069
Other Investments	-	30,557	-	30,557
Loans secured by mortgage	-	21	-	21
	13,721	141,074	-	154,795

# **ATRIUM 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **31 December 2019**

### **19. DEBTORS**

	2019 \$'000	2018 \$'000
<b>Amounts falling due within one year</b>		
Arising out of direct insurance operations	-	10,199
Arising out of reinsurance operations	9,825	12,436
Amounts due from SGL1 Limited	7,428	-
Other debtors	-	1,465
	<u>17,253</u>	<u>24,100</u>
<b>Amounts falling due after one year</b>		
Arising out of direct insurance operations	-	14
Amounts due from SGL1 Limited	1,186	-
	<u>1,186</u>	<u>14</u>
	<u>18,439</u>	<u>24,114</u>

Amounts due from SGL1 Limited represent the profit on the 2017 and 2018 years of account lease transactions which will be paid to the Company in line with the timelines of the Lloyd's annual distribution process.

### **20. DEFERRED ACQUISITION COSTS**

The table below shows changes in deferred acquisition costs from the beginning of the period to the end of the period.

	2019 \$'000	2018 \$'000
Balance at 1 January	-	3,426
Incurred costs deferred	-	902
Amortisation	-	(4,317)
Effect of movements in exchange rates	-	(11)
<b>Balance at 31 December</b>	<u>-</u>	<u>-</u>

### **21. AUTHORISED AND ISSUED SHARE CAPITAL**

	2019 £	2018 £
Authorised:		
75 (2018 – 75) ordinary shares of £1 each	75	75
100 (2018 – 100) 'A' of £1 each	100	100
	<u>175</u>	<u>175</u>
Allotted, issued and fully paid:		
1 (2018 – 1) ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

## ATRIUM 5 LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

Following the change of functional currency in 2009, the brought forward balances for the issued share capital have been translated into USD for the purposes of financial reporting at the exchange rate at the date of the change being £1:\$1.4479.

#### 21. AUTHORISED AND ISSUED SHARE CAPITAL (*continued*)

	2019 \$	2018 \$
Allotted, issued and fully paid:		
1 (2018 – 1) ordinary share	1	1

The rights of the shares can be summarised as follows:

Ordinary shares confer upon the holders the right to receive notice, attend and vote at General Meetings of the Company, and the right to receive a dividend. The holders of the 'A' ordinary shares do not have the right to receive notice, attend and vote at General Meetings of the Company.

The holders of 'A' ordinary shares shall, on payment of a dividend, or other distribution, be entitled to receive 1p on each 'A' ordinary share for every £10,000 paid per ordinary share, either by dividend or other distribution.

Upon wind-up of the Company and a return of assets, the 'A' ordinary shareholders will be paid the amounts paid up on each 'A' ordinary share, after repayment of the amount paid up on the ordinary shares plus the payment of £1m per ordinary share.

#### 22. CLAIMS DEVELOPMENT

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than ten years. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet. The 2016 underwriting year was the final year of underwriting for the Company.

The cumulative claims estimates and payments for each underwriting year are translated into US Dollars at the exchange rates prevailing at 31 December 2018 in all cases, with the reinsurance to close transaction taking place on 1 January 2019.

**ATRIUM 5 LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2019**
**22. CLAIMS DEVELOPMENT (continued)**

	2011	2012	2013	2014	2015	2016	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Analysis of claims development - gross</b>							
Estimate of ultimate gross claims:							
at end of underwriting year	95,350	84,580	85,110	84,224	90,630	93,448	
one year later	86,235	70,953	83,180	74,788	86,657	86,073	
two years later	83,320	65,306	74,999	69,381	77,976	78,207	
three years later	82,828	58,576	70,946	61,342	73,686	-	
four years later	79,878	55,188	66,533	69,232	-	-	
five years later	77,796	52,893	65,467	-	-	-	
six years later	77,083	51,516	-	-	-	-	
seven years later	72,698	-	-	-	-	-	
Less gross claims paid	65,017	45,995	55,766	45,222	48,985	42,073	
Gross ultimate claims reserve	<b>7,681</b>	<b>5,521</b>	<b>9,701</b>	<b>24,010</b>	<b>24,701</b>	<b>36,134</b>	<b>107,748</b>
Gross ultimate claims reserve for 2010 & prior years							<b>21,409</b>
Effect of reinsurance to close to SGL1							<b>(129,157)</b>
<b>Gross claims reserve</b>							<b>-</b>
	2011	2012	2013	2014	2015	2016	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Analysis of claims development - net</b>							
Estimate of ultimate net claims:							
at end of underwriting year	78,861	72,459	73,335	72,336	77,159	77,695	
one year later	74,220	63,402	72,993	67,148	76,449	74,112	
two years later	68,952	58,958	66,430	63,532	69,406	68,828	
three years later	63,860	52,812	62,892	56,532	66,026	-	
four years later	61,071	49,951	59,083	56,391	-	-	
five years later	59,454	47,873	57,919	-	-	-	
six years later	58,882	46,453	-	-	-	-	
seven years later	56,536	-	-	-	-	-	
Less net claims paid	53,166	41,399	49,271	41,907	45,004	37,180	
Net ultimate claims reserve	<b>3,370</b>	<b>5,054</b>	<b>8,648</b>	<b>14,484</b>	<b>21,022</b>	<b>31,648</b>	<b>84,226</b>
Net ultimate claims reserve for 2010 & prior years							<b>17,588</b>
Effect of reinsurance to close to SGL1							<b>(105,758)</b>
Effect of movements in exchange rates							<b>(161)</b>
<b>Net claims reserve</b>							<b>(4,105)</b>

The remaining net claims reserve represents balances owed by Arden Re for the quota share reinsurance transaction.

The Company has taken advantage of the transitional provisions within FRS 103 not to disclose information about claims development that occurred earlier than five years before the end of the first financial year in which FRS 103 is applied.



# **ATRIUM 5 LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2019**

### **23. TECHNICAL PROVISIONS**

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

	<b>2019</b>			<b>2018</b>		
	<b>Gross provisions</b>	<b>Reinsurance assets</b>	<b>Net</b>	<b>Gross provisions</b>	<b>Reinsurance assets</b>	<b>Net</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Claims outstanding</b>						
Balance at 1 January	129,157	27,343	101,814	178,206	58,345	119,861
Claims and claims adjustment expenses for the year	-	-	-	(9,651)	(5,162)	(4,489)
Cash paid for claims settled in the year	-	-	-	(37,236)	(24,389)	(12,847)
Effect of reinsurance to close to SGL1	(129,157)	(23,399)	(105,758)	-	-	-
Effect of movements in exchange rates	-	161	(161)	(2,162)	(1,451)	(711)
<b>Balance at 31 December</b>	<b>-</b>	<b>4,105</b>	<b>(4,105)</b>	<b>129,157</b>	<b>27,343</b>	<b>101,814</b>
<b>Claims reported and claims adjustment expenses</b>	<b>-</b>	<b>3,524</b>	<b>(3,524)</b>	<b>63,279</b>	<b>17,101</b>	<b>46,178</b>
<b>Claims incurred but not reported</b>	<b>-</b>	<b>581</b>	<b>(581)</b>	<b>65,878</b>	<b>10,242</b>	<b>55,636</b>
<b>Balance at 31 December</b>	<b>-</b>	<b>4,105</b>	<b>(4,105)</b>	<b>129,157</b>	<b>27,343</b>	<b>101,814</b>
<b>Unearned Premiums</b>						
Balance at 1 January	-	-	-	9,156	437	8,719
Premiums written during the year	-	105,758	105,758	2,153	7,075	(4,922)
Premiums earned during the year	-	(105,758)	(105,758)	(11,271)	(7,513)	(3,758)
Effect of movements in exchange rates	-	-	-	(38)	1	(39)
<b>Balance at 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### **24. CREDITORS**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Amounts falling due within one year</b>		
Arising out of direct insurance operations	-	10,009
Arising out of reinsurance operations	21,387	7,055
Amounts owed to group undertakings	9,172	18,464
Other creditors	1,145	27,410
Loan owed to group undertaking	4,807	-
	<b>36,511</b>	<b>62,938</b>
<b>Amounts falling due after one year</b>		
Arising out of direct insurance operations	-	304
Amounts owed to group undertakings	-	8,082
Loan owed to group undertaking	-	4,547
Amounts owed to SGL1 Limited	4,287	-
	<b>40,798</b>	<b>75,871</b>

Amounts owed to SGL1 Limited falling due after one year represent the cumulative loss to date in respect of the leased 2019 year of account.

The loan owed to group undertaking represents debt repayable on 28 July 2020. Interest is payable on commercial terms at 2.75% above 3 month LIBOR.

## **ATRIUM 5 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2019**

#### **25. CONTINGENT LIABILITIES**

On 1 January 2017 the Company ceased to underwrite new business at Lloyd's, with the Syndicate 609 capacity being reallocated to a fellow Enstar group company, SGL No. 1 Limited (SGL1) under a capacity lease agreement.

On 15 November 2016 the Company entered into an interavailable Lloyd's Security and Trust Deed enabling some of the Company's funds at Lloyd's to be made interavailable to SGL1 to support its underwriting on the 2017 and subsequent years of account. Consequently Atrium 5 will be exposed to potential losses as a result of the risk that the funds at Lloyd's which are made interavailable as funds at Lloyd's of SGL1 may in future be applied in respect of obligations of SGL1 referable to business written after 31 December 2016, including on other syndicates.

#### **26. RELATED PARTIES**

The Company is a wholly owned subsidiary of Atrium Underwriting Group Limited (AUGL), the financial statements of which are publicly available. Accordingly, the Company has taken advantage of the exemption in Section 33.1A of FRS 102 'Related party disclosures' from disclosing transactions with wholly owned members of the AUGL.

See note 12 for disclosure of the Directors' remuneration. These Directors are deemed to be key management personnel of the entity.

Atrium 5 Limited has a 65% quota share agreement with Arden Reinsurance Company Ltd. Remaining balances owed under this agreement have been disclosed within Note 24. Details of the arrangement are included on page 2.

SGL1 is a related party. See note 8 for disclosure of amounts transacted and an analysis of the balance of \$4,327k (2018 - \$8,082k) due to (2018 – due from) SGL1.

#### **27. EVENTS SINCE THE BALANCE SHEET DATE**

The World Health Organisation (WHO), on 11 March 2020, declared the coronavirus, COVID-19, outbreak as a global pandemic. The Atrium Group is closely monitoring the outbreak and actively assessing the potential impact to all stakeholders. The Atrium Group has a formal business continuity plan which is being continually reviewed in light of current developments and being actively deployed as events require, which includes office closures. From an employee wellbeing and business continuity perspective the Atrium Group is proactively monitoring this outbreak by maintaining continuous dialogue regarding its status and issuing periodic updates and guidance to all staff on preventative measures to maintaining good health. As the situation evolves the Company and the wider Atrium Group is regularly assessing the impact on solvency capital in line with established risk metrics and in compliance with the Company's risk appetite, including the impact following the recent volatility in the financial markets. The asset portfolio of the Syndicate, for which the Company leases capacity to SGL1 in return for a lease premium, remains short duration and of high credit quality. The main areas of underwriting exposure in the Syndicate are event cancellation and travel cover. This is a relatively small part of the portfolio and is managed as part of the normal exposure management processes.

As the impact of the pandemic arose after the 31 December 2019 reporting date it is considered a non-adjusting event. Consequently, there is no impact on the recognition and measurement of assets and

## **ATRIUM 5 LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2019**

liabilities in these financial statements.

#### **28. ULTIMATE PARENT COMPANY**

The Company's immediate parent undertaking and controlling party is Atrium Underwriting Group Limited, incorporated in Great Britain.

The Company's ultimate parent undertaking, Enstar Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Enstar Group Limited are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), are available to the public and may be obtained from the US Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)). Refer to note 3 for exemptions claimed in relation to the preparation of the financial statements under FRS 102.