

Company Number: 03073140

CANOPIUS CORPORATE CAPITAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2021**

FRIDAY



AB7APWDS

A06

01/07/2022

#143

COMPANIES HOUSE

Directors and Professional Advisors

Directors	Michael Duffy Michael Watson Nigel Meyer (resigned 31 December 2021)
Registered Office	Floor 29 22 Bishopsgate London EC2N 4BQ
Company Number	03073140
Independent Auditors	Ernst & Young LLP ("EY") 25 Churchill Place Canary Wharf London E14 5EY

Contents	Page
Strategic report	3
Directors' report	6
Independent auditor's report	9
Income statement	13
Statement of financial position	15
Statement of changes in equity	17
Notes to the financial statements	18

Strategic Report

Strategic report for the year ended 31 December 2021

The directors present their Strategic Report on Canopus Corporate Capital Limited ("the Company") for the year ended 31 December 2021.

Review of the business

The Company is a corporate member at Lloyd's whose principal business is to underwrite through Syndicate 4444 and Syndicate 1861 ("the syndicates"). The Company's participations by year of account are as follows:

Managing Agent	Syndicate	Capacity provided per year of account (% of Syndicate Capacity)						
		2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000	2021 \$'000	2022 \$'000
Canopus Managing Agents Limited	4444	1,047,824	976,511	1,071,162	1,205,485	1,228,780	2,380,000	2,188,891
		81.45%	75.87%	77.42%	87.13%	88.82%	93.99%	95.38%
	1861	-	-	-	-	726,000	-	-
						100.00%	-	-

For the 2021 year of account the capacity of syndicates 1861 and 4444 was combined into Syndicate 4444. Syndicate 1861 therefore entered run-off from 1 January 2021. The 2019 year of account of Syndicate 1861 has closed into its 2020 year of account at 31 December 2021 and the 2020 year of account is expected to close into Syndicate 4444's 2021 year of account at 31 December 2022.

In 2021 the Company made a profit after tax of \$6,478k (2020: loss of \$60,106k) from its underwriting and investment activities.

More detail on the key loss drivers and other factors underlying the results are contained in the Syndicates' Annual Report and Accounts, which have been provided to the Company, and are available to the member of the Company on request to the registered office.

Syndicate 4444's 2019 year of account accepted the RITC from the 2018 year of account of Syndicate 4444 as at 1 January 2021. The Company's participation on the 2019 year of account of Syndicate 4444 increased versus the 2018 year of account by a net 3.55%. As a result of the 2019 year of account accepting the reinsurance to close of the 2018 year of account, the Company assumed an additional \$41,023k of reserves for equal consideration.

During 2021 the Group entered into a Loss Portfolio Transfer Reinsurance (LPT) agreement with RiverStone Managing Agency Limited ("RiverStone") covering the majority of classes of business no longer written by Syndicates 4444 and 1861. Under the terms of the agreement the syndicates purchased reinsurance from RiverStone's managed syndicate (Lloyd's Syndicate 3500) to provide loss portfolio reinsurance on the agreed policies. The results for the year include the premium ceded to Riverstone of \$580m under the contract, while the reinsurers' share of the change in provisions for claims includes the recoveries due on the business reinsured under the agreement. As at the year end the full premium due to Riverstone of \$580m is included in creditors arising out of reinsurance operations.

Strategic Report (continued)

Principal risks and uncertainties

The Company is exposed to similar risks to those faced by the syndicates on which it participates. The main risk to the Company is that syndicates which it participates on generate material financial losses.

Canopus Managing Agents Limited ("CMA") is the managing agent for the syndicates. Therefore a number of risks the Company faces are mitigated by governance and controls provided by CMA.

Details of the Company's core risks and its approach to managing them are provided in note 4 of these financial statements.

Key performance indicators

The CMA Board monitors the progress of the syndicates by reference to the following KPIs which have been apportioned for the Company's participation:

	2021	2020
	\$'000	\$'000
Gross premiums written	1,938,327	1,707,980
Earned premiums, net of reinsurance	881,968	298,653
Investment return	3,699	10,892
Profit/(Loss) after tax for the year	6,478	(60,106)

Stakeholder Engagement

Key stakeholders and how we engage are detailed below.

Shareholders

Our shareholders contribute to the long-term strategy of our parent, the Canopus Group. Their support enables our business to grow, to continue its focus on underwriting excellence and to continue to enhance our capabilities in support of brokers and clients.

Canopus Group meets with its shareholders on a quarterly basis, engaging openly and collaboratively.

Principal Decisions 2021

Introduction

The Company defines a principal decision as any decision of the Board that is material to the Company and or is significant to any of its stakeholders. Thus, a key decision may include, but is not limited to:

- New business strategy or significant changes to existing strategy.
- Capital allocation decisions, including payments of dividends.
- Material corporate activity including acquisitions and disposals.
- Large-scale restructuring.
- Appointments to the Board.
- Decisions relating to major regulatory and or legal matters.

The Company's governance framework, policies and procedures are designed to ensure that the Board takes into account the views of all the Company's stakeholders and the impact of its activities on the community, environment and the Company's reputation, to ensure that decision-making is collaborative and well informed. Discussed below are how the Directors considered the matters set out in section 172(1) (a)-(f) ("section 172") of the Companies Act 2006 when discharging their duties and the effect of that on principal decisions taken by the Board.

Principal Decisions

Discussed below are the principal decisions made by the Board during 2021.

Strategic Report (continued)

Change of Company Name

Following Shareholder approval, the Company name was changed from Flectat Limited to Canopus Corporate Capital Limited, effective 27 April 2021.

Amendment and Restating of Credit Facility Agreement

At their meeting held 7 May 2021, the Board agreed to renew a credit facility of \$365,000,000 under an existing credit facility and approved an additional letter of credit facility in an aggregate principal amount of up to £100,000,000.

Share Allotment

By written resolution dated 13 May 2021, the Board agreed to issue \$26.8m worth of shares to Canopus Holdings UK Limited, a fellow Canopus group company, which was settled through the payment of \$26.8m of cash.

Minority Buy-out

On 2 July 2021, the Company issued an offer circular to all third parties with a right to participate on the 2022 underwriting year of account of Syndicate 4444. The offer made by the Company was to acquire the prospective participations relating to the 2022 underwriting year of account of Syndicate 4444 at a price of £0.15 in cash per £1.00 of capacity or £0.10 in cash per £1.00 of capacity together with the retention of the right to participate on Syndicate 4444 for each of the 2022 and 2023 underwriting years of account.

The Company received acceptances from 11 third parties who together sold £663,054 of capacity at a cost of £99,458.10.

The Strategic Report was approved by the board on 27 June 2022 and signed on their behalf by:



Michael Watson
Director
27 June 2022

Directors' Report

Directors' Report for the year ended 31 December 2021

The directors present their Report and the audited financial statements of the Company for the year ended 31 December 2021.

Dividends

No dividends were declared in 2021 to the Company's immediate parent company (2020: \$Nil) and none are proposed.

Directors

The directors set out on page 1 held office during the whole of the period from 1 January 2021 to the date of this report, unless otherwise indicated.

None of the directors held a direct interest in the shares of the Company.

Qualifying third party indemnity provision

The Company has put in place D&O Insurance and an indemnity in the Articles of Association to indemnify directors and officers of the Company against losses or liabilities sustained in the execution of the duties of office. The indemnity is a qualifying third party indemnity provision under s.232 and s.234 of the Companies Act 2006.

Going concern

As a result of incurring underwriting losses in prior years, the Company has a net liability position as at 31 December 2021. However, Funds at Lloyds ("FAL") have been provided by another Group holding company, Canopius Group Limited (CGL) in order to support these losses.

The directors have considered the going concern basis of preparation in light of current and planned performance and financial strength together with realistic alternative scenarios. The directors believe that the conclusion on the use of the going concern basis of preparation remains unchanged under these reasonably foreseeable, but unlikely, scenarios. Additionally, the directors have also considered those circumstances which may cause the business to cease to function effectively as a going concern e.g. a deficit in its funds at Lloyd's capital requirement.

The directors have concluded that there are no material uncertainties that may cast significant doubt on the Company's financial ability to continue as a going concern and they have a reasonable expectation that the Company have adequate resources to continue in operational existence until at least 30 June 2023 and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements.

Future developments

Canopius Corporate Capital Limited will continue to operate as a corporate member of Lloyd's underwriting through Syndicate 4444 on the 2022 year of account.

On 24 February 2022 Russia launched an invasion into Ukraine, receiving international condemnation and widespread sanctions. The directors consider that the ultimate cost of these events is uncertain, however, the Company has mitigated its exposure to these events through its reinsurance programme. The directors continue to monitor the fast-developing situation closely and will take appropriate steps to manage the effect this has on the Company.

Directors' Report (continued)

Streamlined Energy and Carbon Reporting

Canopus Corporate Capital Limited comes under the streamlined energy and carbon reporting framework that was implemented on the 1st April 2019, however due to Canopus Corporate Capital Limited being a low energy user no additional reporting is required at this time.

Corporate Governance Statement

Pursuant to The Companies (Miscellaneous Reporting) Regulations 2018, the Company is required to incorporate a statement of corporate governance arrangements in its Directors' Report, stating how the principles of a corporate governance code have been applied to the Company during the year. The Company is required to disclose whether the code of corporate governance was departed from, the respects in which it did so and the reasons for departing.

The Wates Corporate Governance Principles for Large Private Companies ("Principles") provide a framework for directors to demonstrate how they have had regard for the matters set out in section 172 of the Companies Act 2006 in performing their duties to promote the success of the Company for the benefit of its shareholders. Their duties include having regard for the interests of other stakeholders and those in a principal business relationship with the company.

The Stakeholder Engagement and Principal Decisions sections of the Strategic Report explain how the Directors of the Company have acted in accordance with their duties under section 172 and, therefore, demonstrate the Company's compliance with many of the Principles.

As a corporate member, the Company relies on the governance structures of the managing agent for the syndicates, CMA. CMA's Board is supported by the following Committees: an Audit Committee, a Risk Committee and a Remuneration and Nominations Committee. The role of the Committees is to make recommendations to the CMA Board to enable it to make decisions. This governance structure is underpinned by ten sub-committees, that are constituted by subject matter experts and executive representation. They are a key part of the governance framework and report to Management Committees. The sub-committees include the Operations, Underwriting, Conduct Oversight, Reinsurance Security, Reserving, Inclusion and Diversity, Finance, Model Oversight, Risk and Compliance, Change, Data and Run-Off sub-committees.

With respect to additional reporting required, the CMA Board undertakes internal evaluations of its effectiveness on an annual basis and monitors the key action points arising from that review.

Financial risk management

The policy for managing financial risk is discussed in the strategic report under principal risks and uncertainties and further in note 4 to the financial statements.

Disclosure of information to auditors

Each director of the Company has confirmed at the date of this report that:

- in fulfilling their duties as a director they have taken appropriate steps in order to make themselves aware of any information relevant to the audit and to establish that the auditors are aware of that information;
- so far as they are aware, there is no relevant audit information of which the auditors have not been made aware.

Independent Auditors

Ernst & Young LLP were the auditors for the year ended 31 December 2021.

Ernst & Young LLP have expressed their willingness to continue in office as auditor.

Directors' Report (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website.

Some information is not shown in the Directors' Report because it is shown in the Strategic Report instead under s414c (ii). This information is business review and principal activities.

The Directors' Report was approved by the board on 27 June 2022 and signed on their behalf by:



Michael Watson
Director
27 June 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CANOPIUS CORPORATE CAPITAL LIMITED

Opinion

We have audited the financial statements of Canopus Corporate Capital Limited ('the company') for the year ended 31 December 2021 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of management's going concern assessment process and obtaining management's assessment which covers the period to 30 June 2023 taking into account whether key factors were considered in their assessment;
- verifying the accuracy and reasonableness of management's analysis by testing the inputs and its completeness, assessing key assumptions and the clerical accuracy of the models used;
- performing enquiries of management and those charged with governance to identify risks or events that may impact the company's ability to continue as a going concern;
- understanding, through enquiry and review of recent share issues, the support provided to the company by its parent company and assessing the parent company's ability to provide further support if required; and
- assessing the appropriateness of the going concern disclosures by comparing the consistency with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period to 30 June 2023 which is 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are direct laws and regulations, related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP and the Companies Act 2006), and the relevant direct and indirect tax compliance regulation in the United Kingdom.
- We understood how the company is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the company. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the company and UK regulatory bodies, reviewed minutes of the Board and gained an understanding of the company's approach to governance.
- The company operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the company has established to address risks identified by the company, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. We tested manual journals, including segregation of duties, and tested specific transactions backing to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions. These procedures were designed to provide reasonable assurance that the financial statements were materially free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations impacting the company. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance with laws or regulations; inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees at a company level; inquiring about the company's methods of enforcing and monitoring compliance with such policies; and inspecting significant correspondence with regulatory bodies.

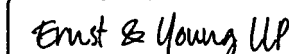
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Canopus Corporate Capital Limited – Year ended 31 December 2021
A Canopus Group Company

Use of our report

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.

DocuSigned by:

Ernst & Young LLP

.....4D442F3EDDFF48A.....

Michael Purrington (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 27 June 2022

Income statement

Technical Account – General Business

	Note	Year ended 31 December 2021 \$'000	Year ended 31 December 2020 \$'000
Earned premiums, net of reinsurance			
Gross premiums written	6	1,938,327	1,707,980
Outward reinsurance premiums		(981,255)	(702,039)
		<u>957,072</u>	<u>1,005,941</u>
Reinsurance to close premium receivable/(payable)			
- Arising from change in participation on Syndicates	6	41,023	17,925
- Inter Group reinsurance to close premium payable		(71,027)	(548,803)
		<u>(30,004)</u>	<u>(530,878)</u>
Change in the gross provision for unearned premiums		(106,138)	(210,097)
Change in the provision for unearned premiums, reinsurers' share		<u>61,038</u>	<u>33,687</u>
		<u>(45,100)</u>	<u>(176,410)</u>
Earned premiums, net of reinsurance		881,968	298,653
Allocated investment return transferred from the non-technical account	7	3,699	10,892
Claims incurred, net of reinsurance			
Claims paid			
- Gross amount		(809,609)	(716,852)
- Reinsurers' share		<u>481,147</u>	<u>469,431</u>
Claims paid		<u>(328,462)</u>	<u>(247,421)</u>
Change in the provision for claims			
- Gross amount		(299,163)	(414,601)
- Reinsurers' share		<u>280,867</u>	<u>223,803</u>
Reinsurance to close claims provision			
- Arising from change in participation on Syndicates		(41,023)	(17,925)
- Inter Group reinsurance to close claims provision		<u>71,027</u>	<u>548,803</u>
Change in the provision for claims		<u>11,708</u>	<u>340,080</u>
Claims incurred, net of reinsurance		(316,754)	92,659
Net operating expenses	8	(533,052)	(459,562)
Other technical charges		<u>(16,451)</u>	<u>(22,520)</u>
Balance on the technical account for general business		<u>19,410</u>	<u>(79,878)</u>

Income statement

Non-Technical Account

	Note	Year ended 31 December 2021 \$'000	Year ended 31 December 2020 \$'000
Balance on the general business technical account		19,410	(79,878)
Investment income	7	3,699	10,892
Allocated investment return transferred to the general business technical account		(3,699)	(10,892)
Profit/(loss) on exchange		(11,910)	11,038
Other interest receivable/(payable) and similar income		-	383
Other charges	11	<u>(14,695)</u>	<u>(6,131)</u>
Loss on ordinary activities before income tax		(7,195)	(74,588)
Income tax credit on loss on ordinary activities	12	13,673	14,482
Profit/(Loss) for the year		<u>6,478</u>	<u>(60,106)</u>

The income statement relates entirely to continuing activities.

There are no recognised gains or losses apart from those included in the income statement above. Accordingly no statement of comprehensive income is presented.

Statement of financial position

	Note	2021 \$'000	2020 \$'000
Fixed assets			
Intangible assets	13	12,128	11,993
Investments			
Financial investments	14	1,652,797	1,360,488
Deposits with ceding undertakings		707	-
Reinsurers' share of technical provisions			
Provision for unearned premiums	26	461,591	391,306
Reinsurance recoveries on outstanding claims	26	<u>1,943,130</u>	<u>1,498,350</u>
		2,404,721	1,889,656
Debtors			
Debtors arising out of direct insurance operations			
- intermediaries	15	677,475	547,433
Debtors arising out of reinsurance operations	16	309,987	289,042
Amounts owed by group undertakings		37,739	34,788
Other debtors	17	<u>105,532</u>	<u>147,198</u>
		1,130,733	1,018,461
Other assets			
Cash at bank and in hand		53,600	51,150
Overseas deposits	19	<u>129,933</u>	<u>66,154</u>
		183,533	117,304
Prepayments and accrued income			
Deferred acquisition costs	25	321,435	298,236
Other prepayments and accrued income		<u>2,384</u>	<u>3,092</u>
		323,819	301,328
Total assets		<u>5,708,438</u>	<u>4,699,230</u>

Statement of financial position

	Note	2021 \$'000	2020 \$'000
Capital, Reserves and Liabilities			
Capital and reserves			
Called up share capital	20	936	936
Share Premium	20	167,124	140,296
Other reserves	21	79,000	79,000
Retained earnings		(257,539)	(264,017)
Total shareholder's funds		(10,479)	(43,785)
Technical provisions			
Provision for unearned premiums	26	1,125,904	1,001,478
Claims outstanding	26	2,636,118	2,201,097
		3,762,022	3,202,575
Creditors			
Creditors arising out of direct insurance operations:			
- intermediaries	22	206,772	86,231
Creditors arising out of reinsurance operations	23	1,659,432	1,304,085
Amounts owed to group undertakings		41,366	19,091
Other creditors including taxation and social security	24	42,162	119,295
		1,949,732	1,528,702
Accruals and deferred income		7,163	11,738
Total liabilities and shareholder's funds		5,708,438	4,699,230

All capital and reserves represent equity shareholder's interests.

The notes on pages 18 to 46 are an integral part of these financial statements.

The financial statements on pages 13 to 46 were authorised for issue by the board of directors on 27 June 2022 and signed on its behalf.



Michael Watson
Director
Canopus Corporate Capital Limited
Registered no. 03073140
27 June 2022

Statement of changes in equity

	Called up share capital (note 20) \$'000	Share Premium (note 20) \$'000	Other Reserves (note 21) \$'000	Retained earnings \$'000	Total Share holders' funds \$'000
Balance as at 1 January 2020	936	-	79,000	(203,911)	(123,975)
Loss for the financial year	-	-	-	(60,106)	(60,106)
Issue of shares	-	140,296	-	-	140,296
Balance as at 31 December 2020	936	140,296	79,000	(264,017)	(43,785)
Profit for the financial year	-	-	-	6,478	6,478
Issue of shares	-	26,828	-	-	26,828
Balance as at 31 December 2021	936	167,124	79,000	(257,539)	(10,479)

Notes to the financial statements

1. General information

The Company is a corporate member at Lloyd's whose principal activity is to underwrite (re)insurance through Syndicate 4444 and Syndicate 1861. The Company is limited by shares.

The Company is an indirect subsidiary of Canopus Group Limited ("CGL") and is incorporated and domiciled in the UK. The address of its registered office is Floor 29, 22 Bishopsgate, London EC2N 4BQ.

2. Summary of significant accounting policies

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

2.1 Authorisation of the financial statements and basis of preparation

The financial statements of the Company for the year ended 31 December 2021 were authorised for issue by the board of directors on 27 June 2022 and the balance sheet was signed on the board's behalf by Michael Watson.

The financial statements of Canopus Corporate Capital Limited have been prepared in accordance with the Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historic cost convention, as modified by financial assets and financial liabilities measured at fair value through profit and loss, and in accordance with the Companies Act 2006, and schedule 3 of the regulations (for individual accounts).

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. 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 3.

The Company meets the definition of a qualifying entity under FRS100 issued by the FRC.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - o 10(d), (statement of cash flows);
 - o 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - o 16 (statement of compliance with all IFRS);
 - o 38A (requirement for minimum of two primary statements, including cash flow statements);
 - o 38B-D (additional comparative information);
 - o 40A-D (requirements for a third statement of financial position);
 - o 79(a)(iv) (outstanding shares at the beginning and end of the current period);
 - o 111 (cash flow statement information)
- IAS 7, 'Statement of cash flows';
- Paragraphs 30 and 31 of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' (impact of IFRSs that have yet to be issued);
- Paragraph 17 and 18a of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group;
- Paragraph 118(e) of IAS 38, 'Intangible Assets' (carrying amount at the beginning and end of the current period); and
- Paragraphs 91 to 99 of IFRS 13, 'Fair Value Measurement' (disclosure);
- Paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from contracts with customers'.

2. Summary of significant accounting policies (continued)

2.1.1 Going concern

As a result of incurring underwriting losses in prior years, the Company has a net liability position as at 31 December 2021. However, Funds at Lloyds ("FAL") have been provided by another Group holding company, Canopus Group Limited (CGL) in order to support these losses.

The directors have considered the going concern basis of preparation in light of current and planned performance and financial strength together with realistic alternative scenarios. The directors believe that the conclusion on the use of the going concern basis of preparation remains unchanged under these reasonably foreseeable, but unlikely, scenarios. Additionally, the directors have also considered those circumstances which may cause the business to cease to function effectively as a going concern e.g. a deficit in its funds at Lloyd's capital requirement.

The directors have concluded that there are no material uncertainties that may cast significant doubt on the Company's financial ability to continue as a going concern and they have a reasonable expectation that the Company have adequate resources to continue in operational existence for at least 30 June 2023 and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements.

2.2 Foreign currency translation

Functional and presentational currency

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

Transactions and balances

Monetary assets and liabilities are translated into US Dollars at the exchange rates prevailing at the balance sheet date. Income and expense transactions are translated using the rates prevailing at the date of transaction or appropriate average rates. All foreign exchange gains and losses are presented in the non-technical account of the income statement. Non-monetary assets and liabilities (principally unearned premium reserves and deferred acquisition costs) carried at historical cost are translated in the balance sheet at the exchange rate prevailing on the original transaction date.

2.3 Basis of accounting for insurance business

Preparing financial statements in accordance with Schedule 3 of SI 2008 No. 410 has required the Company to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates during the calendar year. Similarly, its proportion of the syndicates' assets and liabilities has been reflected in its balance sheet. The proportion referred to above is calculated by reference to the Company's participation as a percentage of the syndicates' total capacity.

The Company has adopted an annual basis of accounting reflecting its proportion of the underlying syndicates' underwriting transactions, investment return, operating expenses, assets and liabilities. The Company has also entered into internal and external quota share contracts. Non-syndicate assets and liabilities are shown in note 27.

i. Premiums

Gross premiums written, stated gross of acquisition costs and exclusive of premium taxes, relates to business incepted during the year and adjustments to premiums booked in prior years and includes estimates, based on underwriting estimates or past experience, of premiums due but not yet receivable or notified to the Company by intermediaries.

Where the Company's syndicate participation varies between a year of account closing by a reinsurance to close arrangement and a year of account accepting the reinsurance to close an amount is included for reinsurance to close premium receivable or reinsurance to close premium payable. Income in this regard represents an increased participation on the year of account accepting the reinsurance to close from the closing year whilst as expense represents a reduction in participation.

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated by reference to the expected incidence of risk over the period of cover.

2. Summary of significant accounting policies (continued)

i. Premiums (continued)

Risks attaching' outwards reinsurance premiums (net of reinsurance commission costs) are accounted for with regard to the incidence of risk of the premiums for the direct or inwards reinsurance business to which they relate. Reinsurance contracts that operate on a 'losses occurring' basis are accounted for over the period of coverage.

ii. Incurred claims and reinsurance recoveries

Insurance claims and claims settlement expenses comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported ("IBNR") and related expenses, together with any other adjustments to claims from prior years.

Provision is made at the period-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. There is inherent uncertainty in establishing claims provisions and it is likely that the final outcome will prove to be different from the original estimate of the liability. Adjustments to the amounts of claims provisions established in prior years are included in the financial statements in the period in which the adjustments are made. The claims provisions are reviewed regularly.

Estimating claims IBNR is inherently more uncertain than the cost of claims notified, for which more information about the claim event is generally available.

Classes of business where the IBNR proportion of the total claims provisions is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility in the claims provisions.

Where possible the Company adopts multiple techniques to estimate the required level of claims provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each underwriting year of account.

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

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

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these, the Company takes into account the circumstances of the claim as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims and catastrophe events impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

2. Summary of significant accounting policies (continued)

ii. Incurred claims and reinsurance recoveries (continued)

Claims provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers. An assessment is also made of the recoverability of reinsurance recoveries having regard to available data on the financial strength of each of the reinsurance companies.

Claims reserved as non-life annuities are discounted for investment earnings that may be expected to arise in the future on funds retained to meet the future liabilities. All other claims provisions are undiscounted.

The Company's participation in Lloyd's syndicates includes reinsurance business. The characteristics of this business mirror those of the underlying business ceded to the syndicates. There are a number of different types of business written by the syndicates, including property, aviation, liability and marine business, broadly categorised as either "short tail" or "long tail" business.

Short tail business

Property, motor and accident and health business is generally "short tail", whereby there is not a significant delay between the occurrence of the claim and the claim being reported. The costs of claims notified at the balance sheet date are estimated on a case-by-case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims, including provisions for claims incurred but not reported ("IBNR"), is projected from this data by reference to statistics, which show how estimates of claims incurred in previous periods have developed over time.

Long tail business

Casualty liability (including motor liability) and marine claims are generally longer tail than for those of the other classes of business described above and so a larger element of the claims provision relates to IBNR claims. Claims estimates for business in this category are derived from a combination of loss ratio based estimates and estimates based upon actual claims experience, using a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimates of the claims provisions are based on the experience of previous years and benchmarks adjusted for factors such as premium rate changes and claims inflation. For liability claims, the assessment of claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. The liability classes of business are also subject to the emergence of new types of latent claims.

Reinsurance recoveries

Reinsurance recoveries in respect of claims IBNR are assumed to be consistent with the historical recoveries on paid and outstanding claims, adjusted to reflect changes in the nature and extent of the Company's reinsurance programmes. An assessment is also made of the recoverability of reinsurance having regard to available data on the financial strength of each of the reinsurance companies.

2.4 Unexpired risk provision

At each balance sheet date tests are performed to ensure the adequacy of the unearned premium reserve, net of associated deferred acquisition costs, to cover future claims liabilities. In performing these tests, estimates of future premiums and claims cash flows, claims handling expenses and investment income from the assets backing such liabilities are considered and compared to the balances in the unearned premium reserve and deferred acquisition costs. Provision is made for any deficiencies by establishing an unexpired risk reserve.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises. Unexpired risk reserves, where relevant, are included within "claims outstanding" in the balance sheet.

At 31 December 2021 and 31 December 2020 the Company did not have an unexpired risk provision.

2. Summary of significant accounting policies (continued)

2.5 Deferred acquisition costs

Acquisition costs comprise costs arising from the inception of insurance contracts. They include both direct costs, such as intermediary commissions and indirect costs, such as the administrative expenses associated with the issuing of policies

Deferred acquisition costs, representing a proportion of commission and other acquisition costs that relate to policies in force at the period-end, that cover subsequent reporting periods. These are amortised over the period in which the related premiums are earned.

2.6 Reinsurance to close (RITC)

Each syndicate's underwriting year of account is normally closed after the end of the third year by means of reinsurance into the following underwriting year of account, which reinsures all liabilities for the closed year in return for a premium determined by the syndicate's managing agent.

To the extent that the Company increases or decreases its participation on a managed syndicate from one Lloyd's year of account to the next, it either receives or pays premium to reinsure the earlier year of account into the latter, it is a net recipient of premium which is recognised as income in the financial year that the RITC contract is signed, together with related claims liabilities. RITCs are represented in the statement of financial position by the related share of assets and liabilities transferred from the ceding syndicates

The payment of an RITC premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The directors consider that the likelihood of such a failure of the RITC is extremely remote, and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account. The Company adjusts its loss reserve at thirty six months of development for a year of account to equal its share of the syndicate RITC.

2.7 Financial assets

Classification

The Company classifies its financial assets into the following categories: financial assets at fair value through profit and loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit and loss

Purchases and sales of investments are accounted for at their fair values (normally their cost of acquisition or proceeds of disposal) on the trade date, which is the date the syndicate commits to purchase or sell the assets.

The fair value of quoted investments is based on quoted bid prices. Realised and unrealised gains and losses arising from the changes in fair values are included in investment return in the income statement in the period in which they arise. Unquoted investments are initially carried at cost as the best estimate of fair value, which is adjusted using appropriate valuation techniques and having regard to subsequent events or changes in circumstances.

Realised gains and losses on investments carried at market value 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 relate to the technical account.

2. Summary of significant accounting policies (continued)

2.7 Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, are not intended to be sold in the short term and do not fall into the other categories of financial assets as described above. Loans and receivables are initially measured at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the syndicate will not be able to collect all amounts due according to their original terms. These are reversed if the payment is received. Receivables arising from insurance contracts are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

Derivative financial instruments

The syndicates on which the Company participates enters into exchange traded derivatives and foreign currency forward contracts from time to time to manage its exposures to interest rate risk and foreign exchange rate volatility. These contracts are initially recorded at cost and revalued to their fair value at each period end by reference to the rates of exchange ruling at the balance sheet date. Any gains or losses on the contracts are included in the non-technical account.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Company has transferred substantially all the risks and rewards of the asset; or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2.8 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.9 Fair value measurement

The Company measures financial instruments such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

2. Summary of significant accounting policies (continued)

2.9 Fair value measurement (continued)

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets, liabilities and equity items for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described in Note 4.

2.10 Current and deferred income tax

The tax expense for the period represents current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholder's funds, respectively.

The current income tax charge is calculated on the basis of the UK tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.11 Employee benefits

Pension obligations

The costs of providing pensions for all staff are charged in the profit and loss account of the year to which they relate. Pension costs arising from staff remuneration, which is ultimately borne by group undertakings or the group's managed syndicates, are charged to those companies or syndicates as incurred.

Canopus Services Limited operates defined contribution pension schemes on behalf of the Company. The assets of the schemes are held separately from those of the Company in independently administered funds.

2.12 Outwards reinsurance contracts

Outwards reinsurance contracts are contracts entered into both by the syndicates and the Company with reinsurers whereby the syndicates and the Company may recover a proportion of losses on contracts written. Contracts that do not transfer significant insurance risk are accounted for as financial transactions.

2. Summary of significant accounting policies (continued)

2.12 Outwards reinsurance contracts (continued)

The benefits to which the syndicates and the Company are entitled under outwards reinsurance contracts are recognised as reinsurance assets. These assets consist of short term balances due from reinsurers as well as longer term receivables that are dependent on the expected claims and benefits arising under the related insurance contracts.

These balances are based on calculated amounts of outstanding claims and projections for IBNR, having regard to the reinsurance programme in place for the class of business and the claims experience for the period, net of estimated irrecoverable amounts after assessing the current security rating of the reinsurer involved. Reinsurance liabilities are primarily premiums payable for reinsurance contracts.

The syndicates and the Company assess their reinsurance assets for impairment. If there is evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the profit and loss account.

Reinsurance contracts that contain a retroactive element but continue to transfer significant insurance risk are recognised as reinsurance contracts in full and are not bifurcated.

2.13 Receivables and payables related to insurance contracts

Receivables and payables include amounts due to and from agents, brokers and insurance contract holders. If there is evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit and loss account.

2.14 Intangible assets

Intangible assets relate to syndicate participation rights.

Where rights to capacity on a syndicate are acquired from third parties, the cost of acquisition is adopted as the fair value of the associated syndicate participation rights. Where an intangible asset of syndicate participation rights is acquired on a business combination, it is fair valued at the date of acquisition. Syndicate participation rights intangible assets are not amortised but are tested annually for impairment and carried at cost less accumulated impairment losses.

The Company has used a true and fair view override in respect of the non-amortisation of intangible assets as permitted by paragraph 10(2) of schedule 1 of the regulations to overcome the prohibition in paragraph 22 of schedule 1 of the regulations.

2.15 Other charges

Other charges include finance costs relating to arrangement fees from third parties that secure or provide Funds at Lloyd's ("FAL") to support underwriting on Lloyd's syndicates. Arrangement fees in respect of financing arrangements are charged over the life of the related facilities.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The most critical accounting estimate made by the Company is the estimate of the ultimate claims liability from insurance contracts underwritten. The estimation of the claims liability is described in Note 2.3(ii).

Gross written premiums include an estimate of the total premiums expected to be received under each insurance and reinsurance contract. Revenue recognised on policies written through contracts with third parties, such as binding authorities and line slips, is estimated in full at the inception of such contracts and, therefore, this estimate is judgmental. Further adjustments to estimates from previous years are also included in the reported premiums for the relevant underwriting years.

Reinstatement premiums are estimated in accordance with the contract terms and recorded based upon paid losses, case reserves and IBNR estimates.

3. Critical accounting estimates and judgements (continued)

Premium estimation uses expert judgement, the quality of the estimate being influenced by the nature and maturity of the portfolio, availability of timely data, relevant underwriting input to the estimating process and management review. Gross written premiums are reviewed regularly using underwriter estimates and actuarial projections. The amount of estimated future premium that remains in debtors arising out of insurance and reinsurance operations is disclosed in Note 15 & 16.

The level of premium earned is made by reference to the exposure length of the type of business written and the pattern of insurance services provided by the contract.

A large proportion of the business written by the syndicates has a duration of one year, with business attaching to a specific year of account covering a 36 month duration. Where classes have a much longer exposure period, the earnings pattern reflects the exposure, in some cases up to 10 years. Judgement is required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

The Company uses prices provided by third party suppliers, investment managers and counterparty banks in determining the fair value of financial assets. Depending on the methods and assumptions used, for example, in the fair valuation of Level 2 and Level 3 financial assets, the fair valuation can be subject to estimation uncertainty. These methods and assumptions are described in Note 4.

4. Management of risk

The Company is a corporate member at Lloyd's whose principal business is to underwrite through Syndicate 4444 and Syndicate 1861. The main risk to the Company is that the syndicates on which it participates generate material financial losses.

Canopus Managing Agents Limited ("CMA") is the managing agent for the syndicates. Therefore a number of risks the Company faces are mitigated by governance and controls provided by CMA.

The principal risks relevant to the Company's operations are outlined below.

a. Insurance risk

Insurance risk is defined as the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations. The syndicates' exposure to insurance risk arises from underwriting/pricing, insurance concentrations, reserving and reinsurance. The Board of CMA seeks to mitigate insurance risk by analysing historical pricing and claims experience, setting a tolerance to concentration risk, monitoring performance, and conducting in-house actuarial reviews of claims provisions, independent of the underwriting teams.

The syndicates have formal controls in place to ensure that business is underwritten in a controlled environment by reference to both the annual business plan and in line with underwriting policy. Preventative controls include underwriting authority limits which are agreed and signed off by the Active Underwriter, divisional and Group underwriting guidelines and benchmark ratings for all underwriting divisions. Detection controls include exception reports where authority limits are exceeded, expert review procedures, peer reviews and internal audit reviews.

The syndicates are exposed to potentially significant losses arising from natural catastrophe events such as windstorm, earthquake or flood. CMA quantifies all catastrophe risk exposures using proprietary modelling software in conjunction with the principal underwriting systems to assess and model catastrophe exposures. The modelling tools are used in conjunction with CMA's knowledge of the business, historical loss information and geographic accumulations to monitor aggregation and to simulate catastrophe losses. The range of scenarios considered includes natural catastrophe, property, marine, liability and terrorism events.

CMA's capital setting methodology enables modelling to be performed in a sophisticated, but practical, manner particularly in determining the correlations between catastrophe exposed classes of business. Stochastic models use event tables which capture directly the different geographic distributions of risk in the various lines of business.

Effective risk management in non core areas and from non modelled perils is ensured using a suite of exposure accumulation and aggregation monitoring techniques and proprietary deterministic models.

4. Management of risk (continued)

a. Insurance risk (continued)

The managing agent manages insurance risks on behalf of the Company, including the following:

- inappropriate underwriting activities and cycle management;
- inadequate catastrophe exposure management;
- inadequate or insufficient reinsurance protection.

The underwriters, supported by the actuarial pricing team, use their expertise and experience to determine the likely claims cost and, therefore, the premium that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and to produce an acceptable profit in line with the agreed business plan.

Due to the nature of insurance risk, however, the premium charged may not be sufficient to cover the cost of claims. The shortfall may result from insufficient premium being calculated and charged or from an unexpected or unprecedented high level of claims.

A number of controls are employed to limit insurance exposures. Each year a business plan is prepared and agreed by the Board which sets the premium income targets and exposures to be written in total and for each class of business. Progress against this plan is monitored by the Board during the year.

Insurance liabilities are assumed through individual risk acceptances, reinsurance treaties or binding authorities. Binding authorities delegate underwriting authority to other underwriters, or agents acting as coverholders, who use their judgement to write risks on the syndicates' behalf under clear authority levels. In such situations, the coverholders' activities are closely monitored and reviewed, and periodic on-site audits are carried out to ensure that the terms of the delegated authorities are being adhered to.

The syndicates are also exposed to the risk of:

- inappropriate claims reserves;
- disputed payment of claims;
- Reinsurance default.

All claims arising are reserved upon notification. The entire portfolio of business is subject to a quarterly reserving process whereby levels of paid and outstanding claims are reviewed. Potential future claims are assessed with a provision for IBNR claims being made. The quarterly review process is overseen by the Reserving Committee. Whilst a detailed and disciplined reserving exercise is carried out, known claims can develop beyond the level of reserves held.

Furthermore, there is increased uncertainty around the provision for IBNR claims. Consequently, there is a possibility that claims may arise which in aggregate exceed the reserve provision established. In the event that claims do not develop in line with expectations, the Reserving Committee will seek to release any redundant reserves.

The syndicates purchases specific reinsurances to protect against single risk losses. The syndicates also purchases general excess of loss reinsurance to protect from severe losses. The structure of the programme and type of protection bought will vary from year to year depending on the availability and price of cover.

(i) Development of claims

The claims provisions established can be more or less than adequate to meet eventual claims. The level of uncertainty varies from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR. The impact on profit of a 1% improvement/deterioration in the total net claims reserves would be a \$6.9 m gain/loss (2020: \$7.0m gain/loss).

4. Management of risk (continued)

a. Insurance risk (continued)

(ii) Claims development tables

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. Development is expected in years 2 and 3 as claims are recognised in relation to the earning of premiums written in year 1.

The tables below are presented at the exchange rates prevailing at 31 December 2021.

At 31 December 2021

	2012 & prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Gross of reinsurance	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of cumulative claims											
At end of underwriting year	423,742	290,366	280,858	341,384	346,722	649,630	409,437	273,896	547,998	594,624	4,158,657
One year later	633,491	544,752	563,643	684,853	815,881	1,114,700	795,471	652,864	1,038,605		6,844,260
Two years later	659,897	552,667	614,016	805,042	901,951	1,151,945	998,135	736,553			6,420,206
Three years later	642,028	541,411	634,939	814,919	898,140	1,185,016	983,471				5,699,924
Four years later	635,274	564,012	640,793	813,189	928,532	1,171,770					4,753,570
Five years later	641,716	560,225	632,968	820,070	934,625						3,589,604
Six years later	639,059	545,689	628,933	806,418							2,620,099
Seven years later	643,477	540,542	622,186								1,806,205
Eight years later	640,782	532,964									1,173,746
Nine years later	4,367,329										4,367,329
	4,367,329	532,964	622,186	806,418	934,625	1,171,770	983,471	736,553	1,038,605	594,624	11,788,545
Cumulative payments	(4,154,476)	(507,606)	(561,876)	(686,404)	(763,611)	(994,015)	(662,599)	(393,086)	(360,543)	(68,211)	(9,152,427)
Estimated balance to pay	212,853	25,358	60,310	120,014	171,014	177,755	320,872	343,467	678,062	526,413	2,636,118
Net of reinsurance	2012 & prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Estimate of cumulative claims											
At end of underwriting year	338,409	232,384	234,524	276,595	300,715	444,119	332,067	250,320	423,470	302,505	3,135,108
One year later	524,302	466,622	469,509	560,617	669,658	829,856	677,617	566,023	589,934		5,354,138
Two years later	551,652	488,596	508,917	629,547	743,076	884,408	778,807	227,481			4,812,484
Three years later	528,003	496,604	535,807	633,966	740,776	900,038	708,222				4,543,416
Four years later	522,727	515,209	542,978	638,934	760,076	851,335					3,831,259
Five years later	521,094	511,477	537,933	648,369	699,287						2,918,160
Six years later	518,517	501,280	534,727	575,156							2,129,680
Seven years later	521,534	496,900	501,724								1,520,158
Eight years later	515,956	481,515									997,471
Nine years later	3,323,807										3,323,807
	3,323,807	481,515	501,723	575,156	699,287	851,335	708,222	227,481	589,934	302,505	8,260,966
Cumulative payments	(3,280,495)	(469,589)	(481,758)	(542,723)	(653,496)	(773,489)	(603,148)	(371,781)	(325,261)	(66,238)	(7,567,978)
Estimated balance to pay	43,312	11,926	19,966	32,433	45,791	77,846	105,074	(144,300)	264,673	236,267	692,988

4. Management of risk (continued)

b. Financial risk

The syndicates are exposed to a wide range of financial risks, the key financial risk being that the proceeds from its assets are not sufficient to fund the obligations arising from their insurance contracts. An analysis of the syndicates' exposure to the significant components of financial risk is given below split between:

- (i) Market risk (including interest rate risk and equity price risk);
- (ii) Credit risk (including Fair Value Hierarchy);
- (iii) Currency risk; and
- (iv) Liquidity risk.

(i) Market risk

Market risk arises from fluctuations in values of, or income from, assets or in interest or exchange rates and is derived primarily from the syndicates' investment of trust fund monies and from currency exposures. The Board has agreed an investment strategy commensurate with the syndicates' risk appetite.

Interest rate risk

CMA manages sensitivity to market conditions by reference to interest rate risk and equity price risk. Since the majority of the syndicates' investments comprise cash, overseas deposits and fixed income securities, the fair value of the portfolio is inversely correlated to movements in interest rates. If interest rates fall, the fair value of the syndicates' fixed income securities tends to rise and vice versa.

The fair value of fixed income investments in the Company's balance sheet at 31 December 2021 was \$986m (2020: \$750m) with an average duration of around 1.6 years (2020: 2.0 years). If interest rates were to rise/(fall) by 50 basis points at the balance sheet date, the fair value and therefore the profit for the financial year and shareholders' funds would decrease/(increase) by approximately \$8.6m (2020: \$7.7m).

The syndicates manage interest rate risk by investing in financial investments, cash and overseas deposits with an average duration of less than three years. The Investment Committee monitors the duration of these assets on a regular basis. The syndicates also use interest rate futures for the purposes of efficient portfolio management and market risk management.

With the exception of a small number of claims reserved as non-life annuities, outstanding claims provisions are not sensitive to the level of interest rates as they are undiscounted and contractually non-interest bearing.

Equity price risk

At the balance sheet date the Company's exposure to equity price risk was \$Nil m (2020: \$47.9m) following the disposal of the Syndicate's equity security holdings. If the FTSE 100/S&P 500 were to rise/(fall) by 5% at the balance sheet date, the profit for the financial year and shareholders' funds would increase/(decrease) by approximately \$Nil m (2020: \$2.5m).

Equity price risk is managed through a well-diversified portfolio which is complemented by non-correlated assets.

(ii) Credit risk

Credit risk is the risk that the syndicates become exposed to loss if a counterparty fails to perform its contractual obligations. Credit risk could, therefore, impact upon the syndicate's ability to meet its claims as they fall due. The syndicates have in place policies and procedures designed to manage its credit risk exposures.

The primary sources of credit risk for the syndicates are:

- amounts due from reinsurers;
- amounts due from insurance intermediaries; and
- counterparty risk with respect to investments including cash and cash equivalents.

4. Management of risk (continued)

(ii) Credit risk (continued)

The credit risk in respect of reinsurance debtors is primarily managed by review and approval of reinsurance security by CMA's Reinsurance Security Committee, prior to the purchase of reinsurance contracts. Guidelines are set and monitored, that limit the purchase of reinsurance based on Standard & Poor's or appropriate alternative ratings for each reinsurer. The credit risk in respect of reinsurers is primarily managed by CMA's reinsurance support team. Provisions are made against the amounts due from certain reinsurers, depending on the current rating assigned to the reinsurer.

Some reinsurers provide collateral, usually in the form of letters of credit, to protect the syndicates in the event of non-payment of debt. As this collateral effectively guarantees the debt, these reinsurers are zero-rated for bad debt provisions. The recovery of debt from reinsurers is administered by the credit management team.

The credit risk in respect of insurance intermediaries is managed by the credit management function with the aid of the underwriting support team and a dedicated binder management team.

To transact business with the syndicates the insurance intermediary must first comply with internal guidelines that include approval (where relevant) by both the PRA and Lloyd's, to have a satisfactory credit rating and to have in place a terms of business agreement or a binding authority agreement with the syndicates. The position is then monitored through ongoing review of the amount of debt outstanding to terms, and by regular cover-holder audits.

Debts from insurance intermediaries fall due according to the terms of trade; debts from reinsurers crystallise in line with the reinsurance contract terms.

An analysis of amounts past due from insurance intermediaries and reinsurers by age is presented below.

At 31 December 2021

	Neither past due nor impaired \$'000	Up to 3 months \$'000	3 – 6 months \$'000	6 – 12 months \$'000	More than 12 months \$'000	Impaired financial assets \$'000	Total \$'000
Debtors arising out of direct insurance operations	672,755	3,926	659	71	64	-	677,475
Debtors arising out of reinsurance operations	284,703	-	-	-	-	-	284,703
Reinsurance recoverables on paid claims	5,708	393	8,344	6,247	4,592	-	25,284
Total	963,166	4,319	9,003	6,318	4,656	-	987,462

At 31 December 2020

	Neither past due nor impaired \$'000	Up to 3 months \$'000	3 – 6 months \$'000	6 – 12 months \$'000	More than 12 months \$'000	Impaired financial assets \$'000	Total \$'000
Debtors arising out of direct insurance operations	542,809	3,002	883	484	255	-	547,433
Debtors arising out of reinsurance operations	247,137	-	-	-	-	-	247,137
Reinsurance recoverables on paid claims	104	22,327	11,507	3,583	4,384	-	41,905
Total	790,050	25,329	12,390	4,067	4,639	-	836,475

Debtors arising out of reinsurance operations are presented net of bad debt provision of \$2.4m (2020: \$1.2m).

Debtors arising out of insurance operations are presented net of bad debt provision of \$6.1m (2020: \$5.8m).

4. Management of risk (continued)

(ii) Credit risk (continued)

Credit risk within the investment funds is managed through the credit research carried out by the investment managers. The investment guidelines are designed to mitigate credit risk by setting minimum credit worthiness of investments and ensuring diversification of the holdings. Fixed income investments are invested in government and corporate bonds.

An analysis of the Company's major exposure to counterparty credit risk and credit risk with the investment funds and cash, based on Standard & Poor's or equivalent rating, is presented below. These assets are neither overdue nor impaired.

At 31 December 2021

	AAA \$'000	AA \$'000	A \$'000	BBB/BB \$'000	Other/ Not rated \$'000	Total \$'000
Reinsurers' share of claims outstanding	-	351,128	1,430,560	3,148	158,294	1,943,130
Debt and other fixed income securities	677,747	238,264	177,628	34,662	-	1,128,301
Holdings in collective investment schemes and participations in investment pools	107,772	148,921	205,930	-	61,838	524,461
Derivatives	-	-	-	-	35	35
Cash	12,751	-	40,848	-	-	53,599
Overseas deposits	56,180	6,678	26,114	34,701	6,260	129,933
Total	854,450	744,991	1,881,080	72,511	226,427	3,779,459

Reinsurers' share of claims outstanding includes amounts recognised in respect of the loss portfolio transfer to RiverStone syndicate 3500.

At 31 December 2020

	AAA \$'000	AA \$'000	A \$'000	BBB/BB \$'000	Other/ Not rated \$'000	Total \$'000
Reinsurers' share of claims outstanding	-	450,236	818,688	2,737	226,689	1,498,350
Debt and other fixed income securities	509,306	97,248	125,016	18,371	-	749,941
Holdings in collective investment schemes and participations in investment pools	236,203	86,978	179,061	-	95,902	598,144
Derivatives	-	-	-	-	12,403	12,403
Cash	7,043	-	44,107	-	-	51,150
Overseas deposits	40,657	4,891	11,578	8,707	321	66,154
Total	793,209	639,353	1,178,450	29,815	335,315	2,976,142

The carrying values represent the maximum exposure to credit risk at the balance sheet date in respect of the above assets. The analysis above does not include insurance debtors from direct and reinsurance operations as the majority of these assets are in respect of premiums for which the information is not readily available.

The underlying investments in 'other/not rated' are shown below. These investments are comprised of unlisted equities and managed funds which form part of the Company's investment strategy and risk appetite.

4. Management of risk (continued)

(ii) Credit risk (continued)

<i>Underlying investments in 'other/not rated'</i>	2021	2020
	\$000	\$000
<i>Holdings in Collective investment schemes and participation in investment pools:</i>		
Equities	27,317	77,656
Hedge funds	27	8,758
Funds of hedge funds	12,097	9,488
Money Market Funds	1,344	-
Private Credit Funds	21,053	-
Total	61,838	95,902

Fair Value Hierarchy

The Company has classified its financial instruments in accordance with the requirements of paragraph 34.42 to the March 2018 amendment to FRS102 and has adopted an approach consistent with IFRS13, Fair Value Measurement. The fair value hierarchy classifies financial instruments into Level 1 to 3 based on the significance of the inputs used in measuring their fair value.

The levels within the fair value hierarchy are defined as follows:

- Level 1 - Based on unadjusted, quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2 - Based on quoted prices in active markets for similar assets or liabilities or quoted prices for identical assets or liabilities in markets which are not active. This price may be adjusted if the last transaction price is not a good estimate of fair value.
- Level 3 - Where the above two approaches are not possible because there is little or no market activity for the asset or liability at the measurement date, a valuation technique may be applied using the best information available to estimate what the transaction price would have been in an arm's length exchange motivated by normal business considerations

At 31 December 2021

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Holdings in collective investment schemes	368,741	106,904	48,816	524,461
Debt and other fixed income securities	339,732	788,569	-	1,128,301
Derivative assets	35	-	-	35
Other financial investments	708,508	895,473	48,816	1,652,797
Overseas deposits	31,671	98,262	-	129,933
Total	740,179	993,735	48,816	1,782,730

At 31 December 2020

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Holdings in collective investment schemes	447,699	122,961	27,484	598,144
Debt and other fixed income securities	331,470	418,471	-	749,941
Derivative assets	11	12,392	-	12,403
Other financial investments	779,180	553,824	27,484	1,360,488
Overseas deposits	20,517	45,637	-	66,154
Total	799,697	599,461	27,484	1,426,642

4. Management of risk (continued)

(ii) Credit risk (continued)

The level within the hierarchy that a financial instrument is placed is based on the lowest level of any input that is significant to its fair value measurement. Quoted prices for corporate bonds are based on a limited number of transactions for those securities and as such are considered to meet the definition of level 2 assets.

Level 3 assets include non-traded private credit funds, loans to credit institutions and the Syndicate's loans to the Lloyd's central fund. The fair value of the private credit fund is determined with reference to the net asset value. Loans to credit institutions which have no market price have been valued at cost as a proxy for fair value. The loans to the Lloyd's central fund are not tradeable and are fair valued based on a discounted cash flow model to which a fair value adjustment has been applied to appropriately reflect the credit and illiquidity risk of the instrument. These loans are deemed to be equity on the basis that the repayment of the loan and payment of interest thereon is at the discretion of the Corporation of Lloyd's. The Syndicate loans have been classified as level 3 because the valuation approach includes significant unobservable inputs and an element of subjectivity in determining appropriate credit and illiquidity spreads within the discount rates used in the discounted cash flow model. The fair value of the loan at year end is \$27.1m (2020: \$27.5m).

There were no transfers to and from level 3 assets for the period ended 31 December 2021 when compared with the comparative prior period end.

The table below shows a reconciliation of opening and closing balances for financial instruments classified as level 3 of the fair value hierarchy.

\$'000	2021	2020
At 1 January	27,484	4,134
Total net (loss)/gain through profit or loss	(476)	(1,842)
Purchases	21,808	25,192
At 31 December	<u>48,816</u>	<u>27,484</u>

In 2020, the \$1,842k net loss recognised in the profit or loss on level 3 investments included an unrealised loss of \$2,167k for a fair value adjustment applied to appropriately reflect the credit and illiquidity risk of level 3 assets. In 2021, the net loss of \$476k represents the impact of foreign exchange.

(iii) Currency risk

Assets are held in the four principal Lloyd's settlement currencies (Sterling, Euros, US Dollars and Canadian Dollars). The vast majority of the syndicates' liabilities are similarly held in these currencies. A significant proportion of the syndicates' business is transacted in US Dollars. The functional currency of the syndicates is the US Dollar which limits the underlying foreign exchange risk.

CMA has a policy to mitigate foreign exchange risk and this policy is managed by the Finance team and the Finance Committee.

The syndicates are exposed to foreign exchange risk primarily with respect to the Sterling, Euro and Canadian Dollar. The syndicates mitigate this risk by endeavouring to match assets and liabilities in foreign currency. Moreover, the syndicates enter into conventional foreign currency forward contracts from time to time to manage their exposures to foreign exchange rate volatility.

In certain circumstances, they are exposed to subsidiary foreign exchange risk where regulators demand that the syndicates hold currency assets to match liabilities measured on a regulatory basis, rather than best estimate.

For the avoidance of doubt, the syndicates are not positioned to take speculative currency positions to make gains; the purpose of their foreign exchange risk policy is to protect against the downside.

4. Management of risk (continued)

(iii) Currency risk (continued)

The carrying value of the Company's assets and liabilities, categorised by currency, was as follows:

At 31 December 2021

	Sterling & Other \$'000	US Dollar \$'000	Euro \$'000	CAD \$'000	Total \$'000
Intangible assets	4,521	7,607	-	-	12,128
Financial investments	254,596	1,065,046	255,092	78,770	1,653,504
Reinsurers' share of technical provisions	561,162	1,556,471	240,229	46,859	2,404,721
Insurance and reinsurance receivables	167,194	708,489	98,465	13,314	987,462
Cash and cash equivalents	115,812	45,620	3,250	18,851	183,533
Other assets	135,986	266,090	59,792	5,222	467,090
Total assets	1,233,105	3,649,323	656,828	163,016	5,708,438
Technical provisions	862,471	2,424,218	399,642	75,691	3,762,022
Insurance and reinsurance payables	316,179	1,255,154	241,210	53,661	1,866,204
Other creditors	55,390	31,570	3,478	253	90,691
Total liabilities	1,234,040	3,710,942	644,330	129,605	5,718,917

At 31 December 2020

	Sterling & Other \$'000	US Dollar \$'000	Euro \$'000	CAD \$'000	Total \$'000
Intangible assets	4,520	7,473	-	-	11,993
Financial investments	308,374	862,188	133,983	55,943	1,360,488
Reinsurers' share of technical provisions	436,996	1,246,755	173,367	32,538	1,889,656
Insurance and reinsurance receivables	136,406	607,129	87,109	5,831	836,475
Cash and cash equivalents	50,624	35,428	17,441	13,811	117,304
Other assets	191,987	213,760	73,723	3,844	483,314
Total assets	1,128,907	2,972,733	485,623	111,967	4,699,230
Technical provisions	824,697	1,962,511	348,205	67,162	3,202,575
Insurance and reinsurance payables	209,632	979,420	167,000	34,264	1,390,316
Other creditors	109,232	33,663	7,162	67	150,124
Total liabilities	1,143,561	2,975,594	522,367	101,493	4,743,015

(iv) Liquidity risk

Liquidity risk arises where insufficient financial resources are maintained to meet liabilities as they fall due.

All valid claims must be paid as they fall due and, therefore, it is essential that the syndicates maintain an appropriate level of liquidity at all times. As a consequence, cash is managed closely by the Treasury team. The syndicates are exposed to daily calls on its available cash resources, principally from claims arising from their insurance activities.

The Company's policy is to manage its liquidity position so that it can reasonably meet a significant individual or market loss event. This means that the syndicates maintain sufficient liquid assets, or assets that can be quickly converted into liquid assets, without any significant capital loss, to meet estimated cash flow requirements. The availability of liquidity in the event of a major disaster is regularly tested using internal cash flow forecasts and realistic disaster scenarios.

4. Management of risk (continued)

(iii) Liquidity risk (continued)

The majority of the syndicates' investments are in highly liquid assets which could be converted into cash in a prompt fashion and at minimal expense. The syndicates have some hedge fund assets which are not readily convertible, and some public equity holdings which tend to have low market liquidity. Cash and overseas deposits are generally bank deposits and money market funds.

In addition, the duration of assets is maintained at a level to manage liability durations and in recognition of the syndicates' catastrophe exposures. Greater levels of cash and/or liquid assets may be held when determined by market conditions and are considered appropriate by the Chief Investment Officer.

The tables below show the contractual maturities for financial liabilities.

At 31 December 2021

	No stated maturity \$'000	0-1 year \$'000	1-3 years \$'000	3-5 years \$'000	>5 years \$'000	Total \$'000
Other Creditors (excl. amounts due to group undertakings)	-	49,325	-	-	-	49,325
Creditors arising out of direct and reinsurance operations	-	1,866,204	-	-	-	1,866,204
Claims outstanding	-	939,323	988,693	384,188	330,136	2,642,340
Total	-	2,854,852	988,693	384,188	330,136	4,557,869

Claims outstanding is reported gross of discounting credit on non-life annuities liability business of \$6.2m (2020: \$4.5m).

Reinsurance liabilities includes amounts recognised in respect of the loss portfolio transfer to RiverStone syndicate 3500.

At 31 December 2020

	No stated maturity \$'000	0-1 year \$'000	1-3 years \$'000	3-5 years \$'000	>5 years \$'000	Total \$'000
Other Creditors (excl. amounts due to group undertakings)	-	131,032	-	-	-	131,032
Creditors arising out of direct and reinsurance operations	-	1,390,316	-	-	-	1,390,316
Claims outstanding	-	737,606	876,523	313,203	278,256	2,205,588
Total	-	2,258,954	876,523	313,203	278,256	3,726,936

b. Operational risk

Operational risk is the risk of inadequate or failed internal processes, people, system or external events that have an adverse impact on the business. Failure to manage operational risk can result in direct or indirect financial loss, reputational damage, regulatory censure or failure in the management of other risks.

The company's operational risk process flows directly from the risk management process and sets out the principles and practices used to manage operational risk. Operational risk is managed through the Company's infrastructure, controls, systems and people supported by Compliance, Risk and Internal Audit functions.

5. Capital Management

The Company's objectives in managing its capital are to:

- satisfy the requirements of its policyholders and regulators; and
- allocate capital efficiently to support strategic objectives.

The Society of Lloyd's applies capital requirements at member level and in aggregate to ensure that Lloyd's complies with all regulatory requirements such as Solvency II, whilst meeting its own financial strength, licence and ratings objectives.

5. Capital Management (continued)

Although 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.

The PRA and Lloyd's oversee the capital setting regime that requires syndicates to calculate their own capital requirements through a Solvency Capital Requirement ("SCR"). The SCR must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's capital and planning group.

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

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

Details of the assets held in trust as Funds at Lloyd's by the Company are detailed in note 29.

To improve the risk management capability, and the assessment of capital requirements, CMA has developed a stochastic model to analyse the potential performance of its main underwriting operations. Stress and scenario analysis is also performed for those risks that cannot be easily modelled quantitatively and where more subjective judgement is required (for example, operational risk) as well as to challenge the output of the stochastic model.

Using its detailed measurement of risk exposures, the syndicates allocate capital to support the business according to the risk appetite and expected returns. The syndicates have complied with all capital requirements during the year.

CMA regularly reviews and enhances its risk management processes and their enabling governance structures to ensure that CMA can demonstrate continuous compliance with regulatory and Lloyd's requirements.

6. Analysis of underwriting result before investment return

Year ended 31 December 2021

	Gross premiums written \$'000	Gross premiums earned \$'000	Gross claims incurred \$'000	Gross operating expenses \$'000	Reinsurance balance \$'000	Total \$'000
Marine, aviation and transport	264,286	236,851	(112,739)	(64,039)	(31,928)	28,145
Fire & other damage to property	576,220	498,278	(280,923)	(159,837)	(29,523)	27,995
Third party liability	385,099	374,566	(191,302)	(115,026)	(56,540)	11,698
Motor – other	15,132	45,655	(2,382)	(18,325)	(16,186)	8,762
Other	159,330	152,343	(69,448)	(61,265)	(10,674)	10,956
Reinsurance acceptances	538,260	524,496	(451,978)	(114,560)	(13,352)	(55,394)
Total excluding RITC	1,938,327	1,832,189	(1,108,772)	(533,052)	(158,203)	32,162
Reinsurance to close	41,023	41,023	(41,023)	-	-	-
Total	1,979,350	1,873,212	(1,149,795)	(533,052)	(158,203)	32,162

6. Analysis of underwriting result before investment return (continued)

Year ended 31 December 2020

	Gross premiums written \$'000	Gross premiums earned \$'000	Gross claims incurred \$'000	Gross operating expenses \$'000	Reinsurance balance \$'000	Total \$'000
Marine, aviation and transport	215,305	200,910	(152,463)	(52,903)	(4,884)	(9,340)
Fire & other damage to property	495,587	391,114	(375,067)	(125,305)	67,995	(41,263)
Third party liability	291,249	222,634	(157,050)	(80,644)	20,941	5,881
Motor – other	79,764	124,676	(55,828)	(48,220)	(5,869)	14,759
Other	112,992	82,190	(51,714)	(35,368)	(1,781)	(6,673)
Reinsurance acceptances	513,083	476,359	(339,331)	(117,122)	(51,520)	(31,614)
Total excluding RITC	1,707,980	1,497,883	(1,131,453)	(459,562)	24,882	(68,250)
Reinsurance to close	17,925	17,925	(17,925)	-	-	-
Total	1,725,905	1,515,808	(1,149,378)	(459,562)	24,882	(68,250)

The reinsurance balance represents the (charge)/ credit to the technical account from the aggregate of all items relating to outwards reinsurance contracts.

All gross premiums have been underwritten in the Lloyd's of London insurance market and/or in the United Kingdom, which has been treated as one geographical segment by origin and class of business.

The geographical analysis of premiums by destination, excluding reinsurance to close, is as follows:

	2021 \$'000	2020 \$'000
United Kingdom	513,302	401,011
Other EU countries	127,403	140,263
US	882,501	694,493
Other	415,121	472,213
Total	1,938,327	1,707,980

7. Investment income

	2021 \$'000	2020 \$'000
Income from other financial investments	12,468	7,653
Net (losses)/gains on the realisation of investments	(112)	21,751
Investment expenses and charges		
Investment management charges, including interest	(1,768)	(1,156)
Unrealised losses on investments	(7,377)	(16,730)
Net fair value gains/(losses) on derivative financial instruments	488	(626)
Total investment income	3,699	10,892

8. Net operating expenses - technical account

	2021	2020
	\$'000	\$'000
Commissions on direct business	322,886	272,638
Commissions on inwards reinsurance business	84,046	100,769
Other acquisition costs	96,058	82,088
Changes in deferred acquisition costs	(17,630)	(39,660)
Administrative expenses	47,692	43,727
Total	533,052	459,562

9. Employees and directors

Employees

All the executive directors and employees of the Company are employed by Canopius Services Limited ("CSL"). Staff costs are charged to the Syndicates on which the Company participates on the basis of the time spent by those relevant directors and employees on the affairs of the Company.

No recharges were made by CSL to the Company for the year ended 31 December 2021 (2020: \$Nil). Details of staff and directors' costs charged to the underlying syndicates can be found in the Syndicates' Annual Report and Accounts.

Directors

None of the directors received any emoluments from the Company for their qualifying services during the year ended 31 December 2021 (2020: \$Nil).

10. Auditors' remuneration

	2021	2020
	\$'000	\$'000
Audit of Company's financial statements	43	29

Details of auditors' remuneration charged to the underlying syndicates can be found in the Syndicates' Annual Report and Accounts.

11. Other charges

Other charges include fees payable to companies who have provided funds that are made inter-available to support the Company's Funds at Lloyd's in the form of either collateral for letters of credit deposited in Funds at Lloyd's or cash and investments deposited directly in Funds at Lloyd's.

12. Income tax

Tax expense included in profit and loss

	2021 \$'000	2020 \$'000
Current tax:		
UK Corporation Tax	-	33
Prior year adjustment	3,286	(112)
Foreign tax	(344)	429
Total current tax credit	2,942	350
Deferred tax:		
Origination and reversal of temporary differences	2,355	13,557
Double tax relief on overseas taxes	1,625	-
Rate change	6,751	575
Total deferred tax credit	10,731	14,132
Total tax credit on loss on ordinary activities	13,673	14,482

Total tax assessed for the year is different from the standard rate of corporation tax in the UK of 19 % (2020: 19%). The differences are explained below.

	2021 \$'000	2020 \$'000
Loss on ordinary activities before tax	(7,195)	(74,588)
Loss multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	1,367	14,172
Effects of:		
-Movement in unrecognised deferred tax	988	(582)
-Effect of prior year adjustment	3,286	(112)
-Effect of losses carried forward		-
-Double tax relief on overseas taxes	1,625	-
-Foreign tax	(344)	429
-Deferred tax rate change	6,751	575
Total tax credit	13,673	14,482

The UK Corporation tax rate applicable to the company in the period is 19%. On 3 March 2021, it was announced in the UK Government's Budget, and enacted on 10 June 2021, that the main UK corporation tax rate will increase to 25% from 1 April 2023.

13. Intangible assets

	Purchased Syndicate Capacity \$'000
Cost	
At 1 January 2021	11,993
Additions	135
As at 31 December 2021	12,128
Accumulated amortisation	
At 1 January 2021	-
Amortisation	-
As at 31 December 2021	-
Net book amount	-
Net book amount	
At 1 January 2021	11,993
Movement during the year	135
As at 31 December 2021	12,128

Intangible assets with an indefinite useful life

Syndicate participation rights are deemed to have indefinite useful life as they are expected to have value in use that does not erode or become obsolete over the course of time. Consequently, they are not amortised but annually tested for impairment (as required under IAS 38). The impairment review uses projected cash flows, expected profitability and an internal assessment of business retention based on 3 year financial projections and a longer term assumed growth rate of 2%. This has been discounted at a risk adjusted discount rate of 17.5% representing a risk-free rate and an additional prudence margin. There was no impairment indication of syndicate participation rights in 2021. The valuation of the syndicate participation rights intangible is sensitive to the key assumptions of business growth, profitability and risk adjusted discount rate, which are judgmental and based on management's best estimate at the balance sheet date. Reasonable alternative assumptions would not give rise to an impairment in the carrying value of this intangible.

The above is a departure from The Companies Act 2006 which requires that intangibles be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and the economic measure of performance in any period is properly made by reference only to impairment that may have arisen. Had the Company amortised the syndicate participation rights, a period of 10 years would have been chosen as the useful life, and consequently the loss before tax for the year would have been \$1.2 m higher as a result.

14. Financial investments

	2021 \$'000	2020 \$'000
Debt securities and other fixed income securities	1,128,301	749,941
Holdings in collective investment schemes	524,461	598,144
Derivative financial instruments	35	12,403
Carrying value as at 31 December	1,652,797	1,360,488
Cost as at 31 December	1,658,598	1,222,130

The Company uses exchange traded derivatives and forward foreign exchange derivatives in order to hedge its exposure to foreign currencies and interest rate risk and to manage exposure to price fluctuations.

The Company did not hold any listed investments during the year, outside of its participation on the Syndicates. The value of its participation on listed investments held by the syndicates at 31 December 2021 was \$1,601,084 (2020: \$1,360,488).

15. Debtors arising out of direct insurance operations - intermediaries

	2021 \$'000	2020 \$'000
Due within one year	677,475	547,336
Due after more than one year	-	97
Total	677,475	547,433

Included in debtors arising out of direct insurance operations is \$406m (2020: \$372m) in respect of pipeline premium which is estimated using expert judgement, relevant underwriting input and management review.

16. Debtors arising out of reinsurance operations

	2021 \$'000	2020 \$'000
Due within one year:		
Ceding insurers and intermediaries under reinsurance business	284,651	246,747
Reinsurance recoverable on paid claims net of bad debt provision	25,284	41,905
Due after more than one year:		
Other debtors	52	390
Total	309,987	289,042

Included in debtors arising out of reinsurance operations is \$231m (2020: \$203m) in respect of pipeline premium which is estimated using expert judgement, relevant underwriting input and management review.

17. Other debtors

	2021 \$'000	2020 \$'000
Due within one year:		
Current tax assets	-	584
Other debtors	75,779	127,592
Due after more than one year:		
Deferred tax assets	29,753	19,022
Total	105,532	147,198

Debtors arising out of direct and reinsurance operations and other debtors include balances arising from the Company's percentage participation on each of the syndicates by underwriting year of account and debtors resulting from entity level transactions. More details on the syndicate debtor balances are contained in the Syndicates' Annual Reports and Accounts which have been provided to the Company.

18. Deferred taxation

Deferred tax assets and liabilities arise through (a) temporary differences in the recognition of underwriting profits/losses for accounting and tax purposes and (b) tax losses which are available to offset future taxable profits.

The recoverability of deferred tax assets in relation to underwriting losses will depend on the availability of future taxable profits. Based on current business forecasts it is probable that sufficient profits will accrue within the foreseeable future to support the current level of recognised deferred tax asset.

The company has gross temporary differences in respect of underwriting losses which total approximately \$189.8m (2020: \$218.8m) which have no expiry date and have not been recognised for deferred tax purposes. An amount of \$29.8m of deferred tax asset has been recognised in relation to the crystallised underwriting losses (2020: \$19.0m).

Deferred tax assets/(liabilities)

	2021 \$'000	2020 \$'000
As at 1 January	19,022	4,890
Temporary differences relating to recognition of underwriting results and depreciation:		
- arising during the year	2,355	13,557
- double tax relief on overseas taxes	1,625	-
Effect of deferred tax rate charge	6,751	575
As at 31 December	29,753	19,022

19. Overseas deposits

This represents the Company's share of overseas deposits which are lodged by the syndicate as a condition of conducting underwriting business in certain countries.

20. Called up Share capital

Authorised, Issued and fully paid:	At 1 January 2020 Number	Changes in Issued capital Number	At 31 December 2020 Number	Changes in Issued capital Number	At 31 December 2021 Number
Ordinary Shares					
Ordinary shares of £0.10 each	6,000,001	140	6,000,141	1	6,000,142
Ordinary shares total	6,000,001	140	6,000,141	1	6,000,142
Share Capital	\$936,000	\$17	\$936,017	\$0	\$936,017
Share Premium	-	\$140,295,645	\$140,295,645	\$26,828,611	\$167,124,256

On 13 May 2021 the Company issued 1 share with a nominal value of £0.10 (\$0.14 on date of issue) for a premium per share of £19,163,239.89 (\$26,828,611.35 on date of issue).

21. Other reserves

	2021 \$'000	2020 \$'000
At 1 January	79,000	79,000
Capital Contribution	-	-
At 31 December	79,000	79,000

22. Creditors arising out of direct insurance operations - intermediaries

	2021 \$'000	2020 \$'000
Due within one year	206,772	86,182
Due after more than one year	-	49
Total	206,772	86,231

Creditors arising out of direct insurance operations comprise principally of an inter year syndicate loan of \$117m. In 2020 this figure was a debtor balance of \$9m.

23. Creditors arising out of reinsurance operations

	2021 \$'000	2020 \$'000
Due within one year	1,659,372	1,303,865
Due after more than one year	60	220
Total	1,659,432	1,304,085

Creditors arising out of reinsurance operations comprise principally premiums payable for reinsurance, including reinstatement premiums in both the managed syndicates and other Group operations. In 2021 creditors arising out of reinsurance operations include \$580m of premium due to RiverStone in relation to the LPT agreement.

24. Other creditors including taxation and social security

	2021	2020
	\$'000	\$'000
Due within one year:		
Other creditors	42,162	119,295
Total	42,162	119,295

Creditors arising out of direct and reinsurance operations and other creditors include balances arising from the Company's percentage participation on each of the syndicates by underwriting year of account and creditors resulting from entity level transactions. More details on the syndicate creditor balances are contained in the Syndicates' Annual Reports and Accounts which have been provided to the Company.

25. Deferred acquisition costs

The reconciliation of the opening and closing deferred acquisition costs is as follows:

	Gross	
	2021	2020
	\$'000	\$'000
At 1 January	298,236	257,273
Increase in provision	17,630	39,660
Reinsurance to close	5,755	(481)
Foreign exchange and other	(186)	1,784
At 31 December	321,435	298,236

26. Reconciliation of insurance balances

The reconciliation of opening and closing unearned premium provision is as follows:

	Gross		Reinsurers' share	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
At 1 January	1,001,478	789,051	391,306	356,642
Increase in provision	106,138	210,097	61,038	33,687
Reinsurance to close	18,946	1,657	13,152	199
Foreign exchange and other	(658)	673	(3,905)	778
At 31 December	1,125,904	1,001,478	461,591	391,306

26. Reconciliation of insurance balances (continued)

The reconciliation of opening and closing provision for claims outstanding is as follows:

	Gross		Reinsurers' share	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
At 1 January	2,201,097	1,722,991	1,498,350	692,814
Increase/(decrease) in provision	299,163	414,601	351,894	772,606
Reinsurance to close	162,555	22,269	123,098	5,321
Foreign exchange and other	(26,697)	41,236	(30,212)	27,609
At 31 December	2,636,118	2,201,097	1,943,130	1,498,350

27. Non-syndicate assets and liabilities

The non-syndicate assets and liabilities shown below are included within the statement of financial position on pages 15 and 16:

	2021	2020
	\$'000	\$'000
Debtors – amounts due from other group undertakings	412	1,422
Cash at bank and in hand	105	94
Prepayments and accrued income	218	187
Accruals and deferred income	(3)	(1,577)
Creditors – amounts owed to parent company	(411)	(417)
Creditors – amounts owed to other group undertakings	-	(1,729)
Creditors arising out of Reinsurance operations	(791,779)	(1,045,440)
Reinsurers' recoveries on claims outstanding	590,285	874,926
Reinsurers share of unearned premiums	203,844	240,413
Tax asset	-	584
Deferred tax asset	29,753	19,022
Other creditors including tax and social security	-	-
Total	32,424	87,485

28. Capital and other commitments

There were no capital commitments contracted for but not provided at 31 December 2021 (2020: \$Nil).

29. Funds at Lloyd's

Funds at Lloyd's are held subject to the terms of the Lloyd's Trust Deeds to meet obligations to the Society of Lloyd's. The composition of the Funds at Lloyd's is shown below:

	2021 \$'000	2020 \$'000
Letters of credit	500,000	400,000
Cash & Investments	704,826	695,226
Total Funds at Lloyd's	1,204,826	1,095,226

At 31 December 2021, \$500.0m (2020: \$400.0m) of unsecured letters of credit had been procured by the Company and held in the Company's funds at Lloyd's.

In addition, at 31 December 2021, a further \$151.4 m (2020: \$303.7m) of cash and investments was made inter available to support the underwriting of the Company by Flectat 2 Limited, a fellow Canopus Group company.

30. Controlling parties

The Company's immediate UK parent is Canopus Holdings UK Limited ("CHUKL"), which is registered in England and Wales.

CHUKL is part of CGL which is registered in Jersey.

CGL is the largest and smallest group of undertakings for which group accounts are drawn up and that are publicly available and of which the Company is a member. The group accounts can be obtained from the Canopus website.

The ultimate controlling parties of CGL are CCP GP Investors Holdings (Cayman) LP, CCP III Cayman GP Limited and CCP III SBS Cayman GP Limited.

31. Events after the end of the reporting period

On 24 February 2022 Russia launched an invasion into Ukraine, receiving international condemnation and widespread sanctions. The directors consider that the ultimate cost of these events is uncertain, however, the Company has mitigated its exposure to these events through its reinsurance programme. The directors continue to monitor the fast-developing situation closely and will take appropriate steps to manage the effect this has on the Company.