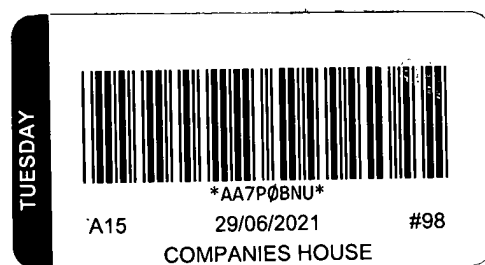


# **RSG Underwriting Managers Europe Limited**

Annual report and financial statements for the year  
ended 31 December 2020

Registered number 07164987



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## **Company information**

### **Directors**

#### *Executive directors*

M.T.A.G. Peeters

J.G.M. Verhagen

J.N. Montgomery

### **Registered office**

30 St Mary Axe

13<sup>th</sup> Floor

London

EC3A 8BF

### **Bankers**

Barclays

1 Churchill Palace

London

E14 5HP

### **Independent Auditor**

Deloitte LLP

Hill House

1 Little New Street

London

EC4A 3TR

### **Company Number**

07164987

Registered in England and Wales

## Strategic Report

The directors present their Strategic Report on RSG Underwriting Managers Europe Limited for the year ended 31 December 2020.

### Context

RSG Underwriting Managers Europe Limited (the “Company”, or “RSGUME”) is a private company limited by its shares. RSGUME and its subsidiary undertaking Hunter George and Partners Limited (“Hunter George”) are herein referred to as the “Group”. The Company is a direct subsidiary of Ryan Specialty Group Europe Limited (“RSGEL”). RSGEL and its subsidiary undertakings are herein referred to as the “European Group”. The Company’s ultimate parent company is Ryan Specialty Group, LLC, USA (“RSG”), which is a Delaware limited liability company.

The annual report and financial statements present the results of the Company.

### Review of the business

#### *Overview of strategy, objectives and future developments*

The principal activity of the Company is that of a Managing General Agent (“MGA”). The Company has binding authority agreements in place with certain syndicates at Lloyd’s of London.

During 2020 the Company had four specialised MGA divisions: EmergIn Risk, StartPoint Executive Risks, RSG Transactional Risks Europe and RSG Sweden non-EEA.

EmergIn Risk offers market leading global cyber coverage solutions for a broad spectrum of small and medium-sized enterprises (“SME”) and large enterprise businesses. StartPoint Executive Risks provides professional liability solutions for both commercial and financial entities. StartPoint Executive Risks offers significant capacity and solid protection in the Professional liability arena, providing solutions for directors and officers, employment practices liability, fiduciary liability, wage & hour insurance, crime and financial institutions errors and omissions insurance. RSG Transactional Risks Europe offers warranty & indemnity (“W&I”) insurance solutions. RSG Sweden non-EEA writes the non-EEA risks associated with EEA risks written by another European Group company in Sweden.

The Company became a Lloyd’s of London coverholder in February 2016 and is a FCA regulated entity from November 2016.

During 2020, the Company’s management continued to focus on recruiting underwriting talent and expanding product offerings, while dealing with the impact of the Covid-19 on its staff and clients. The Company is investing in various opportunities to expand its various specialised product lines and geographical footprint in Europe. As part of the expansion the Company has added coverage solutions for the core liability needs of life science companies through the specialised MGA division of RSG Life Science Risk and specialised products for the energy and power production facilities focused on renewable energy through the MGA division PERse.

#### *Financial performance and key performance indicators*

To measure performance of the operations, the directors monitor organic growth, operating EBITDA, margin and net assets.

The directors are satisfied with the Company’s performance as a result of its continued development within its chosen markets, products and services as outlined in this Strategic Report.

The Company delivered turnover of £20.5m for the year ended 31 December 2020 (2019: £10.9m) which translated into the Company making operating profits for the year of £4.6m (2019 loss: £8.8m). The Company’s profit for the financial year was £4.0m (2019: £7.4m).

The key financial and other performance indicators during the year were as follows:

	2020 £000	2019 £000
Turnover	20,515	10,921
Operating profit before interest, taxes, depreciation and amortisation	4,702	(8,755)
EBITDA Margin	21.8%	(80.6%)
Profit/(loss) on ordinary activities before taxation	5,218	7,296
Net assets	33,745	29,774

Turnover increased by 87.8% (2019: 149.9%) in 2020 compared to 2019 as a result of organic growth within the Company.

## Strategic Report *(continued)*

EBITDA margin has improved to 22.9%. The improvement is both as a result of the 87.8% increase in turnover and a 19.2% reduction in operating expenses.

Net assets increased by £4.0m (2019: £7.4m) to £33.7m (2019: £29.7m) as a result of the profit after tax for the financial year.

As a regulated entity, the Company's financial risk management objective is to maintain regulatory capital in excess of the minimum regulatory requirement by at least 10%. In addition, RSG supports further growth and expansion through a direct commitment to the Company to provide capital as needed, to ensure RSGUME maintain a capital level that exceed the minimum regulatory requirements by at least 10%.

### Significant events during the year

Effective 1 October 2020, as a consequence of Brexit, the Company has ceased writing the EEA located risks underwritten by EmergIn and StartPoint. These EEA located risks are underwritten by another European Group company, Ryan Specialty Group Sweden AB.

Effective 1 December 2020 the Company's division RSG Transactional Risk Europe has ceased writing EEA located risks. Ryan Specialty Group Sweden AB Spanish branch started writing these EEA located transactional risks insurance from 1 December 2020.

### Principal risks and uncertainty

#### *Risk Factors*

Factors likely to affect the future development of the Company are:

- An economic decline due to COVID-19;
- The availability of insurance capacity;
- The number of M&A transactions in the UK might decrease because of a weakened economy and/or currency.

#### *Credit and Liquidity risk and Borrowing Facilities*

In August 2020 the Company was released as a party to the European Group's debt facility, as described in note 17. Other than intercompany debts, the Company is no longer party to a third-party credit facility.

Throughout the period the Company's policy has been to ensure continuity of funding by generating cash flow to finance its operations.

#### *Pandemic-related risks*

In March 2020, the World Health Organization declared a global pandemic related to the outbreak of a respiratory illness caused by the coronavirus, COVID-19. Related impacts and disruptions continue to be experienced in the geographical areas in which RSG operate, and the ultimate duration and intensity of this global health emergency is unclear. Although the UK economy has partially re-opened, there is significant uncertainty related to the economic outcomes from the ongoing COVID-19 pandemic, including the response of the local governments as well as regulators. During 2020 the Company has successfully continued operating, with the employees working remotely.

Given the dynamic nature of the emergency, its impact on the Company's operations, cash flows, and financial condition cannot be reasonably estimated at the time of this report.

#### *Regulatory risk*

This is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Company is required to comply with the requirements of the Financial Conduct Authority applicable to insurance mediation companies. The Directors monitor regulatory developments and assess the impact on the Company's policies.

## Strategic Report *(continued)*

### ***Operational risk***

The operational risk facing the Company is the inability to adequately underwrite on behalf of insurance companies that it represents.

The Company's ability to conduct business may be adversely affected by a disruption in the infrastructure of personnel, property and equipment, technology, and systems that support our business and those of our clients and trading partners. Natural disasters could result in disruptions to our or others' infrastructures, as a result of, among other things, restricted physical site access, terrorist activities, disease pandemics (such as COVID-19), and outages to electrical, communications, or other services used by us or our trading partners. The Company has certain disaster recovery procedures in place and insurance to protect against such contingencies. However, such procedures may not be effective, and any insurance or recovery procedures may not continue to be available at reasonable prices and may not address all such losses.

In addition, the Company monitors market developments that might impact the delegated authorities of the Group.

### ***Brexit-related risks***

The Company's international expansion plans have been impacted by Brexit, as the Company no longer benefits from free trading rights throughout the European Union at the end of the Brexit transition period.

The directors have considered the uncertainties about the near-term and longer-term effects of Brexit on the Company and during 2020 operational and regulatory changes were put in place to secure continuity of the business within the European Group.

Approved by the Board and signed on its behalf by:



**J.G.M. Verhagen**  
*Director*

30 St Mary Axe  
13<sup>th</sup> Floor  
London  
EC3A 8BF  
22 June 2021

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

The principal activities of the Company are set out in the Strategic Report on page 2.

Details of the principal risks and uncertainties are included in the Strategic Report.

### Directors

The directors who served throughout the year and to date of this report except as noted are as follows:

#### *Executive directors*

P.J. McKenna	(resigned 31 October 2020)
M.T.A.G. Peeters	
J.G.M. Verhagen	
J.N. Montgomery	(appointed 1 March 2021)
I.J. Theato	(resigned 1 March 2021)
T. Martin	(resigned 1 March 2021)

### Dividends

At the date of this report the Company did not propose any dividends to be paid (2019: *£nil*).

### Directors' indemnities

RSG has made qualifying third-party indemnity provisions for the benefit of its directors, including the European Group, which remain in force at the date of this report.

### Political and charitable contributions

The Company made no political contributions (2019: *£nil*) and charitable contributions of £1k during the year (2019: *£nil*).

### Going Concern

The directors have continued to closely monitor financial performance and cash flow throughout the year. The directors have reviewed additional information to assess whether COVID-19 could cast any significant doubt on RSGUME's ability to continue as a going concern. The additional information included financial performance to date and stress test scenarios on the Company's two-year forecast, primarily focused on revenue. Whilst COVID-19 is likely to have a substantial impact on various sectors of the economy, the directors still anticipate that the Company will continue to have positive cash flows for the foreseeable future.

The forecasts and analysis carried out to facilitate the review of financial performance and future expectations together with current business opportunities and the continued support from its ultimate parent RSG, LLC have enabled the directors to confirm (using the principles contained within the Financial Reporting Council Paper entitled "Going Concern and Liquidity Risk") that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 2 to the financial statements.

### Future Developments

The information that fulfils the Companies Act requirements of the business review is included in the Strategic Report on pages 2 to 4. This includes a review of the development of the business of the Company during the year and of likely future developments in its business.

### Events after the balance sheet date

There are no significant events to report since balance sheet date.

## **Directors' Report** *(continued)*

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

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### **Auditor**

Deloitte LLP, have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

  
**J.G.M. Verhagen**  
*Director*

30 St Mary Axe  
13<sup>th</sup> Floor  
London  
EC3A 8BF  
22 June 2021



## **Directors' responsibilities statement**

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 UK Accounting Standards 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditor's report to the members of RSG Underwriting Managers Europe Limited**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of RSG Underwriting Managers Europe Limited:

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

We have audited the financial statements which comprise:

- the profit and loss and statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### **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 Financial Reporting Council's (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.

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

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

#### **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 our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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.

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

### **Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We considered the opportunities and incentives that may exist within the organisation for fraud, and identified the risk of fraud is around revenue being recognised in an incorrect period.

To address the risk above, we have performed the following procedures:

- We gained understanding of revenue controls and management's process of recording revenue.
- Tested sample of pre and post year-end revenue by obtaining signed insurance contracts or other audit evidence and ensured that revenue is recognised in the correct period in line with the accounting policy.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with FCA.

### **Report on other legal and regulatory requirements**

#### **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 the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

**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.



Jamie Weisfeld (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

22 June 2021

## Profit and Loss and Statement of Comprehensive Income

for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
<b>Turnover</b>	4	20,515	10,921
Administrative expenses		(15,925)	(19,702)
<b>Operating profit/(loss)</b>	5	4,590	(8,781)
Interest receivable and similar income	9	1,613	2,573
Acquisition-related compensation		(985)	(496)
Dividend Income		-	14,000
<b>Profit on ordinary activities before taxation</b>		5,218	7,296
Tax on ordinary activities	11	(1,247)	140
<b>Profit for the financial year and total comprehensive income</b>		3,971	7,436

The Company has no other comprehensive income recognised during the years ended 31 December 2020 and 2019 other than those included in the profit and loss account.

The profit and loss account has been prepared on the basis that all operations are continuing activities.

The notes on pages 14 to 24 form an integral part of these financial statements.

## Statement of Financial Position

as at the year ended 31 December 2020

	Notes	2020 £000	2020 £000	2019 £000	2019 £000
<b>Fixed Assets</b>					
Tangible fixed assets	13	1,114		21	
Investment in subsidiary	12	<u>3,589</u>		<u>3,589</u>	
			4,703		3,610
<b>Current assets</b>					
Debtors	14	31,383		28,376	
Cash at bank and in hand		<u>9,468</u>		<u>4,342</u>	
			40,851		32,718
<b>Creditors:</b> amounts falling due within one year	15		<u>(12,207)</u>		<u>(6,875)</u>
<b>Net current assets</b>			28,644		25,843
<b>Debtors:</b> amounts falling due after more than one year	14		408		321
<b>Total assets less current liabilities</b>			33,755		29,774
<b>Creditors:</b> amounts falling due after more than one year	15		<u>(10)</u>		<u>-</u>
<b>Net assets</b>			<u>33,745</u>		<u>29,774</u>
<b>Capital and reserves</b>					
Called up share capital	16		0		0
Other Reserves	16		54,385		54,385
Profit and loss account	16		<u>(20,640)</u>		<u>(24,611)</u>
<b>Shareholder's funds</b>			<u>33,745</u>		<u>29,774</u>

The notes on pages 14 to 24 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 22 June 2021 and were signed on its behalf by:



**J.G.M. Verhagen**  
Director

Registered number 07164987

**Statement of Changes in Equity**  
*for the year ended 31 December 2020*

	<b>Called-up share capital £000</b>	<b>Other Reserves £000</b>	<b>Profit &amp; loss Account £000</b>	<b>Total £000</b>
<b>At 31 December 2018</b>	<b>0</b>	<b>54,385</b>	<b>(32,047)</b>	<b>22,338</b>
Profit and total comprehensive income	-	-	7,436	7,436
<b>At 31 December 2019</b>	<b>0</b>	<b>54,385</b>	<b>(24,611)</b>	<b>29,774</b>
Profit and total comprehensive income	-	-	3,971	3,971
<b>At 31 December 2020</b>	<b>0</b>	<b>54,385</b>	<b>(20,640)</b>	<b>33,745</b>

## Notes to the financial statements

for the year ended 31 December 2020

### 1 General information

RSG Underwriting Managers Europe Limited is a Managing General Agent. The Company is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office and principal place of business are shown on page 1.

### 2 Accounting policies

The following accounting policies have been applied consistently throughout the current and preceding period.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of Ryan Specialty Group Europe Limited, a company registered in England and Wales.

As all of the Company's voting rights are controlled within the European group headed by RSGEL, the Company meets the definition of a qualifying entity under IAS 24 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to presentation of a cash-flow statement, intra-group transactions, financial instruments and remuneration of key management personnel.

The consolidated financial statements of RSGEL, within which this Company is included, can be obtained from 30 St Mary Axe, 13<sup>th</sup> Floor, London, EC3A 8BF or Companies House.

#### *Going concern*

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also describes the liquidity position and borrowing facilities, its financial risk management objectives, and its exposure to credit risk, liquidity risk, the risks related to Brexit and risks related to pandemics.

RSGEL is the direct parent of the Company. RSG is the ultimate parent of the Company. RSG has a strong financial position with net income, positive cash flow, and positive total equity. RSG is a US-based privately held company whose financial statements are not publicly available. RSG maintains audited annual US GAAP financial statements.

RSG ensures that the Company has sufficient capital and liquidity either directly or through its intermediate holding company. The capital structure of the Company is reviewed periodically and adjusted to maximise the overall corporate efficiency while still exceeding regulatory capital requirements.

The Company is an active trading entity that RSG believes is strategically important to expand over the coming years both organically and through the acquisition of talent.

On October 31, 2016 RSG provided a direct commitment to the Company to provide capital as needed to ensure a capital level that exceed the minimum United Kingdom regulatory requirements by at least 10%. If such capital contributions are necessary they may be contributed by RSGEL or by RSG on RSGEL's behalf. Such capital contributions may occur through forgiveness of intercompany debt or through direct cash infusions by RSG on RSGEL's behalf.

This direct commitment from RSG is a two-year commitment that will automatically renew if RSG does not provide at least thirty days' notice of revocation. RSG intends to provide notice of revocation when the Company demonstrates its ability to maintain capital and liquidity that exceeds the regulatory/statutory minimum.

The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.



## Notes to the financial statements

for the year ended 31 December 2020

### 2 Accounting policies (continued)

The directors have reviewed additional information to assess whether COVID-19 could cast any significant doubt on RSGUME's ability to continue as a going concern. The additional information included financial performance to date and stress test scenarios on the Company's two-year forecasts, primarily focused on revenue. Whilst COVID-19 is likely to have a substantial impact on various sectors of the economy, the directors still anticipate that the Company will continue to have positive cash flows for the foreseeable future.

The financial statements have been prepared on a going concern basis.

#### **Fixed asset investments**

Investments in subsidiary undertakings, are stated at cost less any provisions for impairment.

The carrying values of fixed asset investments are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. In considering this the investments are deemed to be impaired if there is an excess of the carrying value over the recoverable amount as calculated based on the fair values of the business derived from discounted cash flow projections. Any impairment is recognised in the profit and loss account in the year in which it occurs.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost on a straight-line basis over their expected useful economic lives, as follows:

Furniture and Fixtures	7 years
Leasehold improvements	11 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. In considering this, the tangible fixed assets are deemed to be impaired if there is an excess of the carrying value over the recoverable amount and are calculated based on the greater of the net selling price and the fair value in use, which is based on discounted cash flows. Impairment is recognised in the profit and loss account in the period in which it occurs. No impairments have been made to fixed assets held by the Company.

Tangible fixed assets are derecognised upon disposal or when no future economic value is expected to arise from the continued use of the asset. Any gain or loss arising on derecognised tangible fixed assets is recognised in the profit and loss account in the period in which it occurs.

#### **Insurance balances**

Managing General Agents act as agents for the insurance markets they represent in placing the insurable risks and are, as such, generally not liable as principals for amounts arising from such transactions. As the cash balances, debtors (net of commissions) and creditors arising from insurance intermediary transactions do not meet the definition of financial assets, they are not recognised as assets and liabilities.

#### **Provisions**

Provisions are recognised when the Company has a financial obligation as a result of a past event and it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue consists principally of commissions and fees associated with the placement of insurance contracts, net of commissions payable to other directly involved parties. Revenue from commissions and fees is recognised generally at the later of billing or effective date of the insurance policy. Any adjustments to commissions arising from premium additions or reductions are recognised as and when the Company is notified of such adjustments by third parties.

## Notes to the financial statements

for the year ended 31 December 2020

### 2 Accounting policies (continued)

Profit commissions arising from the profitability of underwritten insurance contracts or the exercise of an underwriting agency by the Company is recognised when the right to such profit commission is established through a contract, but only to the extent that a reliable estimate of the amount due can be made. Such estimates are made on a prudent basis that reflects the level of uncertainty involved.

#### *Dividend income*

Interim dividend income is recognised in the period in which the related dividends are actually received. Final dividends are recognised when they are approved by the Board of the dividend distributing company.

#### *Service fee income*

Service fee income comprises fees receivable from group companies for the provision of underwriting and administrative services. Revenue is recorded when the services are rendered.

#### *Interest receivable and payable*

Interest receivable and payable is recognised in the Profit and Loss and Statement of Comprehensive Income on an accruals basis. If the collection of interest is considered doubtful, it is suspended and excluded from interest income.

#### *Foreign currency*

Transactions in foreign currencies are remeasured to the functional currency using the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheet at the rates prevailing at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity.

#### *Pension schemes*

The Company maintains a contracted-out defined contribution pension scheme and contributions are charged to the profit and loss account in the period in which they are due. These schemes are funded and the payments of contributions are made to an independently administered fund and the assets of these schemes are held separately from the Company in an independently administered fund. Any unpaid contributions at the period end are accrued for in the financial statements of the Company.

#### *Taxation*

Current tax is provided at amounts expected to be paid (or recovered) using the tax rate and laws that have been enacted or substantively enacted by the balance sheet date.

#### *Deferred tax*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is considered recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated without discounting, at the tax rate expected to be effective at the time the timing differences are expected to reverse.

## Notes to the financial statements

for the year ended 31 December 2020

### 3 Critical accounting judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Critical judgements in applying the Company's accounting policies*

The directors have made no critical judgements, apart from those involving estimations (which are dealt with separately below), in applying the Company's accounting policies that have significant effect on the amounts recognised in the financial statements.

#### *Revenue recognition on profit commissions*

Profit-based contingent commissions are commissions paid by an insurance carrier based on the overall profitability of the business placed by the managing general agent with and serviced on behalf of that insurance carrier during a particular contractual period. These amounts are determined after the contractual period. Generally we cannot reasonably determine or recognise these contingent commission revenues until we have received either cash or explicit notice of the contingent commission from the carrier.

#### *Key source of estimation uncertainty:*

There are no key sources of estimation.

### 4 Turnover

The turnover of the Company is comprised of commissions earned on the writing of insurance contracts, fees to secure the underwriting services and profit commissions.

An analysis of the Company's turnover is set out below:

	2020 £000	2019 £000
Underwriting services related income	19,805	10,921
Profit Commissions	710	-
	<u>20,515</u>	<u>10,921</u>

All policies are concluded in the UK.

An analysis of the Company's turnover by class of business is set out below:

	2020 £000	2019 £000
Cyber Risks	2,945	2,035
D&O and Liabilities	3,698	3,766
Marine	(11)	91
Mergers & Acquisitions	13,883	5,029
	<u>20,515</u>	<u>10,921</u>

## Notes to the financial statements

for the year ended 31 December 2020

### 5 Notes to the profit and loss account

Profit on ordinary activity before tax is stated after charging:

	2020 £000	2019 £000
Amounts received by the auditors and associates in respect of:		
Audit of the Company's financial statements	38	38
Depreciation on tangible fixed assets	112	26
Bad debt provision	37	56
Office rent*	507	160
Foreign exchange loss/(gain)	940	321

\* Office rent represents direct expenses recharged from RSGEL who is party to the lease agreement.

### 6 Remuneration of directors

	2020 £000	2019 £000
<i>Directors' remuneration</i>		
Emoluments	2,158	1,900
Pension	86	64
Other benefits	278	520
Compensation for loss of office	313	-
	<u>2,835</u>	<u>2,484</u>

The number of directors who:	No.	No.
Are members of a money purchase pension scheme	4	4

	2020 £000	2019 £000
<b>Remuneration of the highest paid director:</b>		
Emoluments	1,116	1,347
Company contributions to money purchase schemes	-	-

Certain directors participate in an employee unit scheme of RSG.

## Notes to the financial statements

for the year ended 31 December 2020

### 7 Staff numbers and costs

The monthly average number of employees (including directors) employed by the Company was:

	2020 No.	2019 No.
Underwriters	31	15
Support	6	6
Management	7	6
	<u>44</u>	<u>27</u>

The monthly average number of employees represents the number of employees with cost remaining in the Company.

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	9,033	5,220
Social security costs	1,243	655
Pension contributions	302	204
Other benefits	198	550
Other long-term compensation	(23)	68
Share based payments granted	216	84
	<u>10,969</u>	<u>6,781</u>

Other long-term compensation consists of the periodic forgiveness of amounts lent to employees.

### 8 Shared-based payments

#### Equity classified awards

RSG has established equity-based long-term incentive plans to recruit and retain key talent. During 2020 0.4m (2019: 0.7m) RSG common units were granted to certain employees of the Company. The vesting of these awards is subject to service conditions. The employee units shall become gradually vested over 5 years if the employee is still employed by a member of the RSG Group.

	2020 No	2019 No
Outstanding at beginning of the period	2,950	2,250
Granted during period	375	700
Repurchased during period	(1,250)	-
<b>Outstanding at the end of the period</b>	<u><b>2,075</b></u>	<u><b>2,950</b></u>

The fair value of equity-settled transactions is measured at the grant date using the Black Scholes model, which is considered to be an appropriate generally accepted valuation method of measuring fair value. The expense is recognised over the vesting period of 5 years. The cost is pushed down to the employing subsidiaries.

RSG has no market for its units, however management has no intent of settling these awards in cash within a period of time that would remove the risks and rewards of equity ownership and therefore the awards are treated as equity-settled.

The Company recognised total expense of £0.2m (2019: £0.1m) relating to the equity awards. The amount included in amounts due to group undertakings is £0.2m (2019: £0.1m).

## Notes to the financial statements

for the year ended 31 December 2020

### 9 Interest receivable and similar income

	2020 £000	2019 £000
Interest income	2	-
Other Income	-	125
Service fee income	1,611	2,448
	<u>1,613</u>	<u>2,573</u>

### 10 Dividend income

The Company received a dividend in the year of £nil (2019: £14.0m) from its subsidiary Hunter George.

### 11 Taxation

Analysis of tax (credit)/charge for the year:

	2020 £000	2019 £000
<b>Current tax</b>		
UK corporation tax at 19.0% (2019: 19.0%)	1,080	472
Adjustments relating to prior years	-	(612)
	<u>1,080</u>	<u>(140)</u>
<b>Deferred tax</b>		
Original and reversal of timing differences	149	-
Adjustments in respect of prior periods	18	-
	<u>167</u>	<u>-</u>
<b>Tax charge/(credit) for the period</b>	<b>1,247</b>	<b>(140)</b>

The tax charge for the year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before tax	<u>5,218</u>	<u>7,296</u>
Tax charge at 19.0% (2019: 19.0%)	(991)	(1,386)
Effects of:		
Expenses not deductible for tax purposes	(238)	(1,802)
Income not taxable for tax purposes	-	2,660
Adjustments to tax charge in respect of prior periods	(37)	612
Effect of tax rate change on opening balance	19	-
Difference in rates on loss utilisation being recognised	-	56
<b>Tax (charge)/credit for the period</b>	<u><b>(1,247)</b></u>	<u><b>140</b></u>

## Notes to the financial statements

for the year ended 31 December 2020

### 11 Taxation (continued)

The movement in the provision of deferred tax consists of the following deferred tax asset/(liability):

	2020 £000	2019 £000
Accelerated capital allowances	<u>(10)</u>	<u>12</u>
<i>Movement in provision</i>		
Provision at start of period	157	17
Deferred tax charged in the profit and loss account	<u>(167)</u>	<u>140</u>
<b>Provision at the end of the period</b>	<b><u>(10)</u></b>	<b><u>157</u></b>

The amounts for deferred taxation not recognised are set out below:

	2020 £000	2019 £000
Tax losses	-	195

A proposal to increase the main rate of corporation tax to 25.0% from April 2023 was announced in the Budget on 3 March 2021 and is expected to be enacted later this year. Deferred taxes at balance sheet date have been calculated using the current enacted tax rates of 19%.

### 12 Investments

	2020 £000	2019 £000
<b>Subsidiary undertakings</b>		
Cost at 1 January	3,589	12,373
Impairment	-	(8,784)
<b>Cost at 31 December</b>	<b><u>3,589</u></b>	<b><u>3,589</u></b>

The Company's investments are carried at cost, less any impairments. Following the addition of RSGUME to the mergers and acquisition underwriting facility, the Directors determined that the future cash flows from Hunter George will support the carrying value of the investment in subsidiary. As a result, the investment was not impaired during 2020 (2019: £8.8m).

The Company acquired 100% of the ordinary share capital of Hunter George, incorporated in England and registered in England and Wales, during 2016.

The registered address of Hunter George is 30 St Mary Axe, 13<sup>th</sup> Floor, London, England, EC3A 8BF.

## Notes to the financial statements

for the year ended 31 December 2020

### 13 Tangible Fixed Assets

	<b>Furniture and fixtures £000</b>	<b>Leasehold Improvements £000</b>	<b>Total £000</b>
<i>Cost</i>			
At 31 December 2019	43	-	43
Additions	407	799	1,206
<b>At 31 December 2020</b>	<b>450</b>	<b>799</b>	<b>1,249</b>
<i>Depreciation</i>			
At 31 December 2019	22	-	22
Charge for the year	54	59	113
<b>At 31 December 2020</b>	<b>76</b>	<b>59</b>	<b>135</b>
<i>Net book value</i>			
At 31 December 2019	21	-	21
<b>At 31 December 2020</b>	<b>374</b>	<b>740</b>	<b>1,114</b>

### 14 Debtors

	<b>2020 £'000</b>	<b>2019 £'000</b>
<i>Amounts falling due within one year:</i>		
Amounts due from parent	12,166	13,489
Amounts due from group undertakings	14,652	10,015
Insurance debtors	4,509	4,700
Other debtors	2	13
VAT	18	-
Prepayments and accrued income	36	2
Deferred tax (see note 11)	-	157
	<b>31,383</b>	<b>28,376</b>
<i>Amounts falling due after one year:</i>		
Employee debtors	408	71
Other debtors	-	250
	<b>408</b>	<b>321</b>
	<b>31,791</b>	<b>28,697</b>

In addition to the above trade debtor balance, which represents the commissions and fees receivable on insurance contracts, there are also net premiums due amounting to £13.2m (2019: £15.3m). As these premium debts, net of commission, do not meet the definition of financial assets, they were not recognised on the balance sheet.



## Notes to the financial statements

for the year ended 31 December 2020

### 15 Creditors

	2020 £'000	2019 £'000
<i>Creditors: amounts due within one year</i>		
Amounts owed to group undertakings	7,782	3,427
Trade Creditors	124	43
Other Creditors	259	327
Taxation and social security liability	165	241
VAT liability	-	53
Corporation tax liability	230	-
Accruals	3,647	2,784
	<u>12,207</u>	<u>6,875</u>
<i>Creditors: amounts due after one year</i>		
Deferred Tax (see note 11)	10	-
	<u>10</u>	<u>-</u>
	<u>12,217</u>	<u>6,875</u>

There are net premiums due on insurance contracts of £22.2m (2019: £20.1m). These premiums need not be remitted if the premiums are not remitted to the Company. As these premium debts, net of commission, do not meet the definition of financial liabilities, they were not recognised on the balance sheet.

### 16 Called up share capital

The Company has one class of ordinary shares which carry no right to fixed income.

	2020 £	2019 £
<i>Allotted, called up and fully paid</i>		
10 Ordinary shares of £1 each	10	10

The Company has one class of ordinary shares which carry full voting and economic rights.

The Company's other reserves are as follow:

- Other reserves represent the amount of capital contributions from the parent.
- The profit and loss reserve represents cumulative profits or losses, net of dividends and other adjustments.

### 17 Commitments and guarantees

On 1 September 2020 the Company's ultimate parent undertaking RSG modified the 2018 group wide banking facility entered into by RSGEL, resulting in the termination of the borrowing facility. This facility was provided by a syndicate of lenders with the borrowers being RSG and RSGEL. The guarantee of the Company was released on the same date.

The balance outstanding on this facility as at 31 December 2020 was £nil (2019: £29.3m).

## Notes to the financial statements

*for the year ended 31 December 2020*

### 18 Related parties

The Company has taken relevant exemptions under FRS 102 Section 33 from disclosing related party transactions with other companies that are wholly owned within the Group.

The only related parties that have transacted with the Company are companies with the RSG group of companies and are all trading intercompany transactions conducted in the normal course of business.

#### Directors' transactions

An unsecured 2.5% loan, repayable on the earliest to occur of termination of borrowers' employment or a monetisation event, made to three key management personnel, was outstanding during the year. The amount of the liability including interest due to the Company at the beginning of the year was £0.1m, the maximum during the year was £0.1m and at the end of the year was £nil. During the year £nil of the loans were repaid, £0.1m of the loans were written off and £nil of the loans were waived.

### 19 Ultimate parent company

The Company's immediate parent is RSGEL, a company incorporated in the United Kingdom and registered in England and Wales.

The smallest group in which the results of the Company are consolidated is that headed by RSGEL, incorporated in the United Kingdom and registered in England and Wales. The consolidated financial statements of this group are available to the public and may be obtained from the registered address 30 St Mary Axe, 13<sup>th</sup> Floor, London England, EC3A 8BF or Companies House.

The ultimate parent company and the ultimate controlling party is RSG, a company incorporated in Delaware in the United States of America with main office at 180 North Stetson Avenue Suite 4600, Chicago, Illinois, 60601.

The largest group in which the results of the Company are consolidated is the group headed by RSG. The consolidated financial statements of this group are not publicly available.