

LOO 597/20

**RenaissanceRe Specialty Holdings (UK)
Limited**

Financial statements for the year ended 31 December
2020

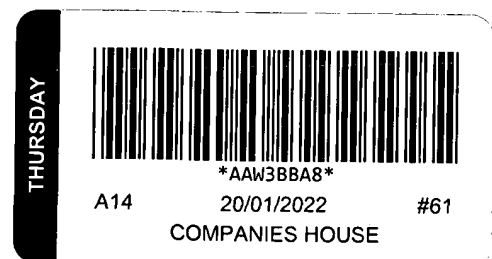


Table of Contents

	Page
Company information	3
Statement of Directors' responsibilities	4
Statement of comprehensive income	6
Statement of changes in equity	7
Statement of financial position	8
Notes to the financial statements	9

Company Information

DIRECTORS

H R T Brennan
I D Branagan
D D Upadhyaya

SECRETARY

L D L Barran

COMPANY NUMBER

FC032755

REGISTERED OFFICE

Renaissance House
12 Crow Lane
Pembroke
HM 19
Bermuda

BANKERS

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

Statement of Directors' Responsibilities

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

Bermudan company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Accounting Standards and applicable law). Under Bermudan 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 the affairs of the Company and of its profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 Bermuda Companies Act 1981 and the Overseas Companies Regulations 2009. 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.

Statement of Comprehensive Income
For the year ended 31 December 2020

	<i>Note</i>	<i>2020</i> \$	<i>2019</i> \$
Dividend income		432,565,704	226,130,258
Administrative expenses		(359,099)	(291,944)
Financing expense	4/9	(42,398,864)	(38,000,320)
Foreign exchange gain/(loss)		(297,790)	4
Profit on disposal of subsidiary	7	1,034,245	—
Profit before taxation		<u>390,544,196</u>	<u>187,837,998</u>
Taxation on profit	6	7,405,301	3,860,040
Profit for the year		<u>397,949,497</u>	<u>191,698,038</u>
Other comprehensive income		—	—
Total comprehensive income for the year		<u><u>397,949,497</u></u>	<u><u>191,698,038</u></u>

The notes on pages 13 to 20 form part of the financial statements.

Statement of Changes in Equity
For the year ended 31 December 2020

2020	Called Up Share Capital	Additional Paid In Capital	Capital Contribution from RenaissanceRe Holdings Ltd.	Profit & Loss Account	Total
	\$	\$	\$	\$	\$
At 31 December 2019	20,002	4,202,356,115	258,976,640	(109,730,395)	4,351,622,362
Ordinary shares issued	—	—	—	—	—
Dividends paid	—	—	—	(690,749,302)	(690,749,302)
Contributions during the year	—	—	171,756,552	—	171,756,552
Profit for the year	—	—	—	397,949,497	397,949,497
At 31 December 2020	20,002	4,202,356,115	430,733,192	(402,530,200)	4,230,579,109

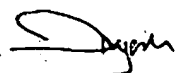
2019	Called Up Share Capital	Additional Paid In Capital	Capital Contribution from RenaissanceRe Holdings Ltd.	Profit & Loss Account	Total
	\$	\$	\$	\$	\$
At 31 December 2018	20,000	2,938,762,882	—	(87,398,175)	2,851,384,707
Ordinary shares issued	2	1,263,593,233	—	—	1,263,593,235
Dividends paid	—	—	—	(214,030,258)	(214,030,258)
Contributions during the year	—	—	258,976,640	—	258,976,640
Profit for the year	—	—	—	191,698,038	191,698,038
At 31 December 2019	20,002	4,202,356,115	258,976,640	(109,730,395)	4,351,622,362

Statement of Financial Position
For the year ended 31 December 2020

	Notes	2020 \$	2019 \$
Financial Assets			
Investment in subsidiaries	7	5,021,376,756	5,118,862,607
Total Financial Assets		<u>5,021,376,756</u>	<u>5,118,862,607</u>
Current Assets			
Cash at bank and in hand		5,837,161	6,238,463
Other assets		2,032,671	2,032,671
Corporation tax receivable		11,265,341	3,860,040
Total Current Assets		<u>19,135,173</u>	<u>12,131,174</u>
Creditors due within one year			
Other creditors	8	(5,482,614)	(5,320,077)
Total Creditors due within one year		<u>(5,482,614)</u>	<u>(5,320,077)</u>
Total assets less current liabilities		<u>5,035,029,315</u>	<u>5,125,673,704</u>
Creditors due after one year			
Loans and notes payable	9	(804,450,206)	(774,051,342)
Total Creditors due after one year		<u>(804,450,206)</u>	<u>(774,051,342)</u>
Total Net Assets		<u><u>4,230,579,109</u></u>	<u><u>4,351,622,362</u></u>
Capital and Reserves			
Called up share capital	10	20,002	20,002
Additional paid in capital		4,202,356,115	4,202,356,115
Capital contribution from RenaissanceRe Holdings Ltd.		430,733,192	258,976,640
Profit and loss account		(402,530,200)	(109,730,395)
Shareholder's funds		<u><u>4,230,579,109</u></u>	<u><u>4,351,622,362</u></u>

The notes on pages 13 to 20 form part of these financial statements.

Approved by the Board on 29 November 2021.



D D Upadhyaya

Director

29 November 2021

Company Number FC032755

Notes to the Financial Statements

For the year ended 31 December 2020

1. ACCOUNTING POLICIES

a) Statement of compliance

The individual financial statements of the Company have been prepared in compliance with FRS 102, being applicable UK GAAP accounting standards, as well as Bermuda Company Law and The Overseas Companies Regulations 2009. The Company is incorporated in Bermuda, and has a UK establishment. The financial statements of the Company are separate to those of its subsidiaries.

b) Basis of preparation

The financial statements for the year ended 31 December 2020 were approved for issue by the board of directors on 29 November 2021. The financial statements are prepared in US Dollars which is the presentational and functional currency of the Company.

The directors note the following:

- The Company meets the definition of a UK establishment and is subject to The Overseas Companies Regulations 2009;
- The financial statements have been prepared in accordance with UK GAAP;
- The financial statements have been audited in accordance with International Standards on Auditing (UK) (ISAs (UK)) as promulgated by the Financial Reporting Council (FRC).

The Company has taken advantage of the following exemptions:

- As a wholly owned subsidiary of RenaissanceRe Holdings Ltd. (RRH Ltd.), which prepares consolidated financial statements including the Company and its subsidiaries, which are publicly available, the Company has taken advantage of the exemption in FRS 102 from the requirement to prepare consolidated financial statements;
- As a wholly owned subsidiary of RRH Ltd. which prepares group accounts which are publicly available, the Company has taken the advantage of the exemption in FRS 102 from the requirement to prepare a cash flow statement;
- The Company has also taken advantage of the exemption in FRS 102 section 33 not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.

The directors have considered the Company's current financial position, its likely future developments and the resultant cash flow risks and have concluded that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the period to 31 December 2022.

Specific consideration has been given to the current COVID-19 global pandemic. The directors have made key assessments on credit risk, liquidity risk and operational risk as they pertain to the Company. The Company acts as a holding company for its subsidiaries and only incurs minimal administrative expenses. The Company receives ongoing support from its parent holding company and an impairment review has been performed on the value of its subsidiaries with no evidence to suggest the value of its subsidiaries has been impaired. With regards to Operational risk, the RenaissanceRe Group operated a 'working from home' model where staff and systems responded well and 'business as usual' was maintained as far as practicable and the impact on the Company was minimal. Accordingly they adopt the going concern basis in preparing the annual report and accounts.

Notes to the Financial Statements

For the year ended 31 December 2020

1. ACCOUNTING POLICIES (Continued)

c) **Judgments and key sources of estimation uncertainty**

The preparation of the financial statements conforms with UK GAAP and requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ materially from those estimates. The Company's key source of estimation uncertainty relates to the impairment of subsidiaries, which is detailed in notes 1f and 7, and unrecognised tax losses, detailed in note 6.

d) **Dividend income**

Dividend income represents amounts received, by way of dividend income, from the Company's subsidiary undertakings. Dividend income is recognised when the Company's right to receive payment is established.

e) **Financing expense**

Financing expense represents amounts expensed in relation to the unwinding of the deep discount note and interest payable in relation to the loan note payable. Financing expense is recognised as the liability unwinds in relation to the deep discount note and as interest is due in relation to the loan note.

f) **Investment in subsidiaries**

Investments in subsidiaries are recorded at cost less accumulated impairment losses. Where there are indicators of impairment, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow valuation. The Company recognises any impairment loss, and any reversal of previous impairment, through the Statement of Comprehensive Income.

g) **Deferred taxation**

Deferred taxation is recognised in respect of all timing differences arising as a result of transactions included within those financial statements which are treated in different accounting periods for taxation purposes, except that deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

h) **Foreign currencies**

The Company's functional currency and presentational currency is US Dollars. Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

i) **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity date of three months or less.

Notes to the Financial Statements

For the year ended 31 December 2020

1. ACCOUNTING POLICIES (Continued)

j) Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity in the period in which they are approved by the shareholders.

k) Financial instruments

The Company has chosen to account for its financial instruments in accordance with Sections 11 and 12 of FRS 102. The Company's financial instruments comprise of a loan note and deep discount note.

Basic financial instruments are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the liability represents the present value of the future payments discounted at a market rate of interest.

Basic financial liabilities, other than short term payables, are subsequently carried at amortised cost, using the effective interest rate method. The effective interest rate amortisation is included in finance expense in the income statement.

2. DIRECTORS' EMOLUMENTS

The directors of the Company are also directors of the Renaissance Group Companies. Only the directors of the Company are considered to be key management personnel. The directors received total remuneration paid in the year of £4,093,546 (2019: £4,559,028), all of which was paid by RenaissanceRe Services (UK) Limited. The directors do not believe that this is practical to apportion this amount between their services as directors of the Company and their services as directors or employees of other group companies.

3. STAFF COSTS

The Company employed no staff in 2020 (2019: nil).

4. FINANCING EXPENSE

The financing expense is broken down as follows. Note 9 provides further information on these loans.

	2020	2019
	\$	\$
Deep discount note	30,398,864	28,566,986
Loan note	12,000,000	9,433,334
	<u>42,398,864</u>	<u>38,000,320</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2020	2019
	\$	\$
The profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration - audit of financial statements	<u>54,680</u>	<u>39,765</u>

Notes to the Financial Statements

For the year ended 31 December 2020

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2020 \$	2019 \$
Current tax		
UK Corporation tax at 19% (2019: 19%)	(7,208,977)	(3,860,040)
Tax under/overprovided in previous years	(196,324)	—
Total current tax	<u>(7,405,301)</u>	<u>(3,860,040)</u>
Deferred tax		
Origination and reversal of timing differences	—	—
Effect of decreased tax rate on opening liability	—	—
Total deferred tax	<u>—</u>	<u>—</u>

Factors affecting the total tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

Profit on ordinary activities before taxation	<u>390,544,196</u>	<u>187,837,998</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	74,203,397	35,689,220
Dividend income exemption	(82,187,484)	(42,964,749)
Disallowed expenditure	(196,506)	—
Unrecognised finance expense carried forward	971,616	2,218,174
Unrecognised losses carried forward	—	1,197,315
Tax over provided in previous years	(196,324)	—
Group relief surrendered	—	—
Deferred tax	—	—
Current tax benefit	<u>(7,405,301)</u>	<u>(3,860,040)</u>

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would result in a \$6.5m increase to the unrecognised deferred tax asset, to \$27.3m.

The company has unused tax losses arising in the UK of \$55.3m (2019: \$55.7m) that are available indefinitely for offset against future taxable profits of the Company. A deferred tax asset has not been recognised in respect of these losses. Additionally, the company is not recognising a deferred tax asset of \$10.3m in respect of deferred finance expense of \$54.0m. There is insufficient evidence that the deferred tax assets will be recoverable based on the company's taxable losses in prior years.

Notes to the Financial Statements
For the year ended 31 December 2020

7. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The Company's subsidiary undertakings are:

	<i>Country of Incorporation</i>	<i>Principal activity</i>	<i>Share type</i>	<i>Proportion of voting rights and shares held</i>
RenRe Insurance Holdings Ltd. (RRIHL)	Bermuda	Holding Company	Ordinary Shares	100%
RenaissanceRe Finance Inc. (RRFIN)	US	Holding Company	Ordinary Shares	100%
RenaissanceRe Europe AG (RREAG)	Switzerland	Holding Company	Ordinary Shares	100%

	2020	2019
Cost	\$	\$
At 1 January	5,118,862,607	3,297,000,000
Addition: RenaissanceRe Europe AG	150,000,000	1,293,643,564
Addition: RenRe Insurance Holdings Ltd.	21,756,552	258,976,640
Addition: RenaissanceRe (UK) Limited	—	269,242,403
Disposal: RenaissanceRe (UK) Limited	(269,242,403)	—
At 31 December	<u>5,021,376,756</u>	<u>5,118,862,607</u>

During 2020 capital contributions of \$22m (2019: \$259m) were received from RenaissanceRe Holdings Ltd. and subsequently paid to RenRe Insurance Holdings Ltd.. These contributions were treated as an addition to the Company's investment in its subsidiary, RenRe Insurance Holdings Ltd..

During 2020 capital contributions of \$150m (2019: \$nil) were received from RenaissanceRe Holdings Ltd. and subsequently paid to RenaissanceRe Europe AG. These contributions were treated as an addition to the Company's investment in its subsidiary, RenaissanceRe Europe AG.

On 4 February 2020, the Company entered into a Sale & Purchase Agreement with AXA XL's legacy management arm, "AXA LM", to sell the entire share capital of RenaissanceRe (UK) Limited. The completion of the sale took place on 18th August 2020, with a sale price of \$271m. A profit on disposal of \$1.03m was recognised in the income statement.

On 22 March 2019 ("Completion") the Company's parent, RenaissanceRe Holdings Ltd. ("RRH") completed the acquisition of Tokio Millennium Re AG and Tokio Millennium Re (UK) Limited (collectively "TMR") for a consideration of \$1.56bn, of which \$1.29bn related to Tokio Millennium Re AG and \$269m related to Tokio Millennium Re (UK) Limited. This was financed by a special dividend of \$500m from TMR to Tokio Marine & Nichido Fire Insurance Co. Ltd. ("TMNF"), \$250m worth of common shares in RRH, \$514m of cash from RRH and the issue of a \$300m debt instrument in favour of RRH. The Company was designated as the acquiring entity and on Completion became the immediate parent of TMR. RRH contributed the consideration for the transaction to the Company. To facilitate Completion the Company increased its authorised share capital from \$20,000 to \$30,000 by the creation of an additional 10,000 common shares of \$1.00 each. The additional paid in capital of \$1.26bn relates to the issue of two ordinary shares of \$1 each to RRH for a total consideration of \$1.26bn. The Company also issued a debt instrument in the sum of \$300m in favour of RRH. Post acquisition, Tokio Millennium Re AG and Tokio Millennium Re (UK) Limited were renamed RenaissanceRe Europe AG and RenaissanceRe (UK) Limited respectively.

Notes to the Financial Statements
For the year ended 31 December 2020

8. OTHER CREDITORS

	2020	2019
	\$	\$
Intercompany - RenaissanceRe Services Ltd.	31,120	126,521
Intercompany - RenaissanceRe Services (UK) Limited	59,788	210,506
Intercompany - RenaissanceRe Holdings Ltd.	1,405,004	1,012,747
Intercompany - RenRe Insurance Holdings Ltd.	392,257	392,257
Accruals	3,594,445	3,578,046
	<u>5,482,614</u>	<u>5,320,077</u>

9. LOANS AND NOTES PAYABLE

	2020	2019
	\$	\$
Deep discount note:		
At 1 January	474,051,342	445,484,356
Charge for the year	30,398,864	28,566,986
At 31 December	<u>504,450,206</u>	<u>474,051,342</u>

The deep discount note is a 15 year note with a principal at redemption of \$910,000,000 due to RenaissanceRe Holdings Ltd. on June 20th 2030. The charge for the year is calculated at a rate of 6.4126% per annum based on the amount of the deep discount note payable at the beginning of the applicable year.

	2020	2019
	\$	\$
Loan note:		
At 1 January	300,000,000	—
Issued during the year	—	300,000,000
At 31 December	<u>300,000,000</u>	<u>300,000,000</u>
Interest charged during the year	<u>12,000,000</u>	<u>9,433,334</u>

On 18 March 2019 the Company authorised the issue of a \$300,000,000 4% fixed rate US Dollar loan note for the purpose of acquiring RenaissanceRe Europe AG and RenaissanceRe (UK) Limited (previously Tokio Millennium Re AG and Tokio Millennium Re (UK) Limited), with a redemption date of 15 March 2029. Interest is charged at 4% per annum based on the amount of the loan note at issue.

Notes to the Financial Statements

For the year ended 31 December 2020

10. SHARE CAPITAL

	2020	2019
	\$	\$
Allotted		
Ordinary shares at \$1 each	<u>30,000</u>	<u>30,000</u>
Called up and fully paid		
Ordinary shares at \$1 each	<u>20,002</u>	<u>20,002</u>

11. RELATED PARTY DISCLOSURES

The Company has taken advantage of the exemption in FRS 102 section 1.12 as a qualifying entity, not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent. The Company is a qualifying entity as its ultimate parent RenaissanceRe Holdings Ltd. prepares publicly available consolidated financial statements which are intended to give a true and fair view and the Company is included in the consolidation of RRH.

The Company has the following outstanding balances with other group companies:

RenRe Insurance Holdings Ltd.

RenRe Insurance Holdings Ltd. ("RRIHL") is a wholly owned subsidiary of the Company.

The Company's investment in RRIHL is recorded at cost less accumulated impairment losses with a value of \$2,868,473,114 (2019: \$2,846,716,562).

The Company had an intercompany creditor balance with RRIHL of \$392,257 (2019: \$392,257).

RenaissanceRe Finance Inc.

RenaissanceRe Finance Inc. ("RRFIN") is a wholly owned subsidiary of the Company.

The Company's investment in RRFIN is recorded at cost less accumulated impairment losses with a value of \$709,260,078 (2019: \$709,260,078).

RenaissanceRe Europe AG

RenaissanceRe Europe AG ("RREAG") is a wholly owned subsidiary of the Company.

The Company's investment in RREAG is recorded at cost less accumulated impairment losses with a value of \$1,443,643,564 (2019: \$1,293,643,564).

Of the corporation tax receivable balance, \$8,857,337 (2019: \$1,452,000) is due from RREAG UK Branch, a branch office of RREAG, under a loss sharing agreement.

RenaissanceRe Holdings Ltd.

RenaissanceRe Holdings Ltd. ("RRH") is the Company's immediate and ultimate parent company.

The Company's deep discount note is payable to RRH at redemption, the current balance is \$504,450,206 (2019: \$474,051,342). The Company's loan note is payable to RRH at maturity, the current balance with accrued interest is \$303,500,000 (2019: \$303,500,000). The Company's share capital of \$20,002 (2019: \$20,002) and additional paid in capital of \$4,202,356,115 (2019: \$4,202,356,115) are also funded by RRH, as the ultimate parent company.

Notes to the Financial Statements

For the year ended 31 December 2020

11. RELATED PARTY DISCLOSURES (Continued)

The Company had an intercompany creditor balance with RRH of \$1,405,004 (2019: \$1,012,747).

RenaissanceRe Services Ltd.

RenaissanceRe Services Ltd. ("RRSL") is a wholly owned subsidiary of RRH, the ultimate parent company.

The Company had an intercompany creditor balance with RRSL of \$31,120 (2019: \$126,521).

RenaissanceRe Services (UK) Limited

RenaissanceRe Services (UK) Limited ("RRSUKL") is a wholly owned subsidiary of RRH, the ultimate parent company.

The Company had an intercompany creditor balance with RRSUKL of \$59,788 (2019: \$210,506).

12. ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent company of which the Company is a member is RenaissanceRe Holdings Ltd. which is incorporated in Bermuda, which is the only company in which these financial statements are consolidated. Copies of the holding company's accounts may be obtained from this Company's registered address, 125 Old Broad Street, London EC2N 1AR.

13. SUBSEQUENT EVENTS

The following dividends have been received and subsequently paid to RenaissanceRe Holdings Ltd. post year end:

	Received	Paid
Jan-21	123,658,619	111,158,619
Feb-21	78,800,000	78,800,000
Mar-21	43,400,000	43,400,000
Apr-21	14,000,000	14,000,000
May-21	22,800,000	22,800,000
Jul-21	195,316,876	195,316,876

The following capital contributions have been received from RenaissanceRe Holdings Ltd and subsequently paid to subsidiaries post year end:

	Received	Paid
Jan-21	1,800,000	1,800,000
Mar-21	200,000,000	200,000,000
Jun-21	292,245,754	292,245,754
Jul-21	250,000,000	250,000,000

14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 29 November 2021.