POOL Re
REINSURING TERRORISM RISK

Pool Reinsurance Company Limited
Annual Report 2020

£285m

Gross premiums written for the year fell 10.1% to £285.0m (2019: £317.1m)

£2.3bn

Commercial retrocession consisting of three layers totalled £2,325m (2019: £2.3bn) – one of the largest terrorism reinsurance programmes in the world

£75m

Pool Re placed a three year Insurance Linked Security, the world's first terrorism catastrophe bond in 2019, providing an additional £75m of retrocession protection

£78m

In June 2020, a dividend of £77.6m was paid to Member Insurers in respect of the 2019 performance (June 2019: £15.9m in respect of 2018 performance)

£224m

Reinsurance premium paid to HM Treasury by Pool Re in 2020 totalled £223.7m (2019: £270.0m)

£62m

The Investment Fund returned 0.95% (£61.7m) for the year (2019: 4.25%, £272.5m)

£6.6bn

The investment fund remained little changed, falling from £6,722.1m at 31 December 2019 to a value at 31 December 2020 of £6,640.6m

The insurance industry's mutual for reinsuring terrorism risk in Great Britain.

We were established in 1993 by the insurance industry, in partnership with the UK Government, as a public-private solution to the economic losses and uncertainty caused by the Provisional IRA's devastating bombing campaign in mainland Britain during the conflict.

Since then, Pool Re has succeeded in re-establishing a market able to offer comprehensive and affordable terrorism insurance, and paying claims without resorting to the taxpayer.

Our purpose is in our name. We are the custodians of a pool of assets built over almost three decades; today, we continue to correct market failure, protect the UK economy, and safeguard society and livelihoods from the economic consequences of terrorism.

We use our unique position between the public and private sectors to invest in expertise, partnerships, and protective security initiatives with academia, risk specialists, and public agencies. Together, we enhance the UK's resilience to terrorism, and provide a platform for national security and prosperity.

Chairman's Statement

Presented by Andrew Skirton, Senior Independent Director

Dear Members, I am very sad to report that Geoff Riddell resigned as a Director and Chairman of Pool Reinsurance Company Limited (Pool Re or the Company) on 19 March 2021 on grounds of ill health. Geoff has served as Chairman since February 2016 and as a Director before that, consistently providing leadership and challenge to the business. He has been a valued colleague to all of us and will be sorely missed. Consequently, it falls to me, as Senior Independent Director, to present this Chairman's Statement.

In common with virtually every business and nation across the world, Pool Re was faced with acutely challenging operational and financial conditions for the majority of 2020. The year will long be remembered for the rise and spread of the Covid-19 pandemic, for the profound societal changes set in motion, and for the deep social and economic damage which continues to unfold. For Pool Re specifically, 2020 was also the year in which it received a public-sector classification by the Office for National Statistics (ONS), following 27 years of operation as a Member-owned mutual backed by HM Treasury.

In the context of the considerable uncertainty generated by these events, I am proud to report that Pool Re remains an operationally and financially resilient organisation, and to present this year's financial results.

Investment Fund and Scheme Financials

In contrast to 2019, where Pool Re recorded an impressive investment return of £272.5m, highly volatile conditions in 2020 led to more modest returns. Early in the year, national lockdowns and uncertainty surrounding the pandemic saw some markets suffer greater losses than those experienced during the global financial crisis. Despite this, the fund recovered well throughout the rest of the year, ending positively with an overall return of £61.7m.

Premiums were also impacted by the extraordinary events of 2020. At £285.0m premium was lower than in recent years, due in large part to the reduction in Business Interruption exposures during a year of Government-mandated lockdowns. There were no claim events to report in 2020, and altogether the Company made a profit after taxation for the year ended 31 December 2020 of £93.2m (2019: £232.8m).

Pool Re has operated at no cost to the taxpayer since its establishment in 1993, and in 2020 continued to build its net contribution to government revenues, posting a charge of £173.6m to HM Treasury for outward reinsurance premiums (2019: £236.2m) in accordance with the Retrocession Agreement. The agreement also makes provision for Pool Re to distribute dividends to Members. In June 2020, a dividend of £77.6m was paid in respect of the 2019 performance.

2020 saw the investment fund (financial investments and accrued income) finish the year at £6,640.6m. The fund determines the extent to which Pool Re can meet reinsurance claims without recourse to the UK taxpayer and its growth is an important indicator of our success in meeting one of the Company's founding objectives, namely, to increase the resilience of the UK economy to acts of terrorism.

Pool Re's Public Sector Classification, and Review with HM Treasury

In February 2020, Pool Re was given a public-sector classification by the ONS. The classification was not sought by Pool Re, and though we strongly made the case for maintaining the status quo, it gradually became clear that having the Scheme underpinned by an HM Treasury loan facility made this statistical classification unavoidable.

Our ground-breaking Insurance Linked Security placement received further recognition at the Trading Risk Awards with 'Non-Life Transaction of the Year'.

The process for determining the precise consequences of this classification was carried into the scheduled Review of Pool Re by HM Treasury. The five year Review we have with Government is an opportunity to ensure that the Scheme is delivering the most efficient and effective solutions for both the terrorism insurance market and the wider economy. The latest Review was launched in September, with HM Treasury issuing a 'Call for Evidence' Consultation in October which was open until late in November.

We are now in the closing stages of the Review, which is due to conclude in the spring of 2021. We continue to work collaboratively with HM Treasury and will of course keep Members informed of the outcomes as it draws to a conclusion.

Chairman's Statement

Presented by Andrew Skirton, Senior Independent Director

Pool Re's Environmental, Social and Governance (ESG) Commitments

I am very pleased to report that in 2020, Pool Re took several important steps in its commitment to ESG principles, sustainable investment, and the UK Government's target of being carbon neutral by 2050.

Supported by its ESG working group, Pool Re joined the Carbon Disclosure Project, the global standard for environmental reporting. We also became a signatory of the UN-backed Principles for Responsible Investment (PRI) which works to promote a more sustainable global financial system. Related to this, Pool Re is working with a third-party data provider to enable the investment team to analyse physical and transition risks across investment mandates, as well as identifying where opportunities exist through the development of new technologies that support the move to a carbon neutral world.

From an environmental perspective, Pool Re has increased the amount of waste it recycles and reduced its use of paper and printing. From a social perspective, we support the London living wage and ensure this is met throughout our supply chain. Pool Re also made donations to charities that it has worked closely with, notably Survivors Against Terror and Age UK.

Industry Recognition in 2020

Following Pool Re's unprecedented sweep of six of the industry's most prestigious awards in 2019, I was proud to note a further two awards for the Company in 2020. Our ground-breaking Insurance Linked Security placement received further recognition at the Trading Risk Awards with 'Non-Life Transaction of the Year', whilst our ongoing work in analysing, modelling and mitigating terrorism risk was recognised with the 'Risk and Resilience Award' at the British Insurance Awards.

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I would also like to take this opportunity to congratulate the CEO on being elected Deputy President of the Insurance Institute of London for 2021, ahead of assuming the role of President of the Institute in 2022.

In Closing…

I should finish by confirming that the Board has again revisited the Company's position in relation to Chapter 1 of the Competition Act 1998, and has concluded that, based on the facts known to it and the legal advice obtained, the Scheme continues to meet the expectations set out in that Act.

I have grown accustomed, at this time of year, to looking forward to the AGM and to Pool Re's Board, Staff and Membership coming together in-person to renew acquaintances and their commitment to our work for the year ahead. The current circumstances make the timing and nature of our next meeting uncertain. For now, I would like to thank you for your continued support for Pool Re, and express my hope that the year ahead is brighter than the one behind us.

Andrew Skirton

Senior Independent Director

31 March 2021

Chief Executive's Statement

For many of us, the last 12 months have been characterised by remoteness: from our offices, our customers, our colleagues. These unfamiliar circumstances have at times been difficult to bear, and yet we have also found that the events of 2020 have brought us closer than ever to our partners in the industry and in the public sector.

The Covid-19 crisis has meant that we have had to find new ways to provide the stability and confidence that Pool Re has always stood for. I have been inspired by the resolution of the Staff to continue to support our Members through such challenging conditions, and in turn by finding their resolution met halfway by the Member teams they work with on a daily basis.

> The events of 2020 have brought us closer than ever to our partners in the industry and in the public sector.

At the same time, the ONS Classification of Pool Re in February and the Review with HM Treasury which began in September has taken us into unchartered territory. These events, while challenging to navigate, have given us welcome cause to collaborate more closely and forge deeper relationships with Pool Re's full diversity of stakeholders. I am grateful to all those individuals and organisations who have played their part in the Consultation and Review processes over the last 12 months, as we continue to work together to secure a platform capable of rising to the challenges and uncertainties of the next five years.

Scheme Reform and Review with HM Treasury

For some years, Pool Re has been working towards the 2020 Review as an opportunity to deliver ambitious structural reforms to the Scheme by adopting a Catastrophe Treaty model, and introducing a bifurcated risk retention structure. Alone, these reforms would have represented the most significant change to the Scheme since the introduction of CBRN cover in 2002. However, with Pool Re's unexpected classification as a public body by the ONS, the Review with HM Treasury has become an even more wide-ranging and fundamental assessment of the Scheme and how it can operate most effectively in the future.

Throughout the Review, we have been guided by the vision for Pool Re which we published in September 2020. 'Guaranteeing Great Britain: Managing Terrorism Risk & Building Resilience' was the result of over 12 months of consultation with Members, and set out our collective strategy for navigating changes in the insurance, legislative, and terrorism risk environments over the next five years.

Included in the publication are the reforms we believe are necessary to ensure Pool Re is able to continue to build on the important progress we have made since the last Review in 2014. This period has seen Pool Re evolve rapidly from a core solvency mechanism into a sophisticated disaster-risk financing solution which is both profitable for the insurance industry and serves the national interest by building resilience.

As such, one of our key concerns throughout the Review has been to ensure that Pool Re's revised operating framework empowers us to continue to drive private market solutions and maximise commercial capacity in pursuit of greater national resilience. The proposed transition to a Catastrophe Treaty model, with a risk retention structure split between conventional and non-conventional (CBRN) terrorism is central to this vision. We are confident that this transition will empower Member insurers to drive product innovation and commercial return in the under- penetrated SME market, whilst balancing the need to preserve those elements of the model which for 28 years have provided solvency, certainty and confidence to carriers and their policyholders.

We continue to work closely with Members on the design of the reformed structure, to ensure that when implemented, it will provide more cost-effective reinsurance cover with less operational friction than the present structure permits. Combined with a more flexible retention structure to cater to individual carriers' terrorism risk appetites, these reforms will further accelerate the transfer of liabilities from the public to the private sector, over time reducing the market's reliance on the public sector guarantee and nuancing the nature of Government's intervention in our market.

Pool Re *Solutions*

Another, related concern throughout the Review has been to ensure that Pool Re will be able to continue to support the market with the requisite tools and expertise to understand and more accurately quantify terrorism risk in the years ahead. As an industry, we cannot effectively mitigate or finance terrorism risk without a deep knowledge of its drivers, of how it manifests now and may manifest in the future. At the end of 2019, we consolidated these market-enabling capabilities into an in-house centre of excellence, Pool Re *Solutions*.

Chief Executive's Statement

In its first full year of operation, *Solutions* has more than risen to the challenges presented by 2020. We have developed some of the most sophisticated terrorism models in the world, the outputs of which are driving not only our proposed reforms of the Scheme but our continued placement of the largest global terrorism retrocession placement, now in excess of £2.3bn. We have also grown our Risk Consultancy capabilities, providing bespoke and focussed threat reporting in support of wider risk management projects and services which link Government agencies, academia, the insurance industry and its policyholders.

In particular, we have refined our flagship risk management product, the Vulnerability Self-Assessment Tool (VSAT). VSAT allows businesses and large infrastructure projects to conduct a detailed security audit to UK Government and internationally recognised standards, and trigger a premium discount of 7.5%.

Throughout 2020, the *Solutions* team has worked to support the Office for Security and Counter-Terrorism (OSCT) as they develop the incoming Protect Duty legislation and their understanding of how the insurance industry can play a decisive role in mitigating the impact of future terrorist attacks. As part of this work, we are very proud to be collaborating with the OSCT, the Centre for the Protection of National Infrastructure (CPNI), and the British Standards Institute (BSI) to develop a UK Protective Security Standard.

Moreover, much of the information required to make the Protect Duty legislation a success will be contained within the Pool Re-funded Information Sharing Platform (ISP) that is currently being designed in collaboration with UK Counter-Terrorism Policing, and will be showcased at the Security & Policing conference in March 2021. The ISP is a project to develop a portal through which businesses can easily access the training, tools and information they need to make themselves more protected from terrorism, and we were extremely pleased to see the project referenced in the UK's latest National Risk Register as a 'collaboration between business, industry and the public sector [which] will make the country safer and enable businesses to thrive and stay secure.'

Thought Leadership and International Collaboration

Another of the legacies we will carry proudly into the year ahead is the significantly increased level of engagement and interest in Pool Re's thought leadership events and activities. One of the year's highlights was our first virtual Annual Market Event, hosted in November and attended by over 300 delegates from across the market.

The morning opened with John Glen, Economic Secretary to the Treasury, discussing the Government's aims for the 2020 Review, and the pride we should take in our Scheme representing an international standard for excellence in public-private collaboration. Other speakers throughout the morning included Sir Nicholas Soames, Sir John Scarlett KCMG OBE, Lord Browne of Ladyton, and Alex Kirykowicz from Frontier Economics.

The conference once again constituted the largest gathering of international terrorism reinsurance pools, insurers, reinsurers, security specialists, academics and thought leaders in the industry.

Another of the year's highlights was our fifth annual conference to foster international collaboration between the world's terrorism pools. Pool Re established, and continues to convene, the International Forum of Terrorism Risk (Re) Insurance Pools (IFTRIP). Last October, we hosted IFTRIP Livestream 2020, the Forum's first completely virtual conference. With more than 900 delegates from at least 40 countries, the conference once again constituted the largest gathering of international terrorism reinsurance pools, insurers, reinsurers, security specialists, academics and thought leaders in the industry.

The 2020 conference told us three things in particular. First, that the deep social and economic damage caused by Covid-19 is likely to provide a catalyst for further attacks, and the emergence of new terrorist groups and methodologies over the next decade. Second, that our shared global experience of the pandemic and challenges it has posed to our industry may present the need to deploy our pool structures for other systemic risks. And finally, that the breadth of subject matter expertise and quality of interdisciplinary debate at this year's conference is something we must preserve and build upon for IFTRIP to most effectively support governments, the private sector and civil society in their common resistance to terrorism. I am pleased to report that work is already underway on the next conference later in 2021.

In Closing…

I would like to add my best wishes to Geoff Riddell and his family. We all owe Geoff a great debt of gratitude for his wise counsel and leadership over many years as Director and more recently Chairman at Pool Re and he will be sorely missed at our Board table.

Chief Executive's Statement

Finally, at our Annual Event last November, I spoke about what 'Guaranteeing Great Britain' means to us at Pool Re. Of course, this refers to our guarantee by Government, without which Pool Re could not exist. But to me it also means guaranteeing confidence through partnership, and partnerships are only ever as strong as the commitment of their partners.

At the end of one of the Company's most challenging years and at the start of perhaps another, I would like to finish by reiterating my thanks for the commitment of Pool Re's partners: its Staff, Board, Members, and colleagues in Government.

Julian Enoizi
Chief Executive
31 March 2021

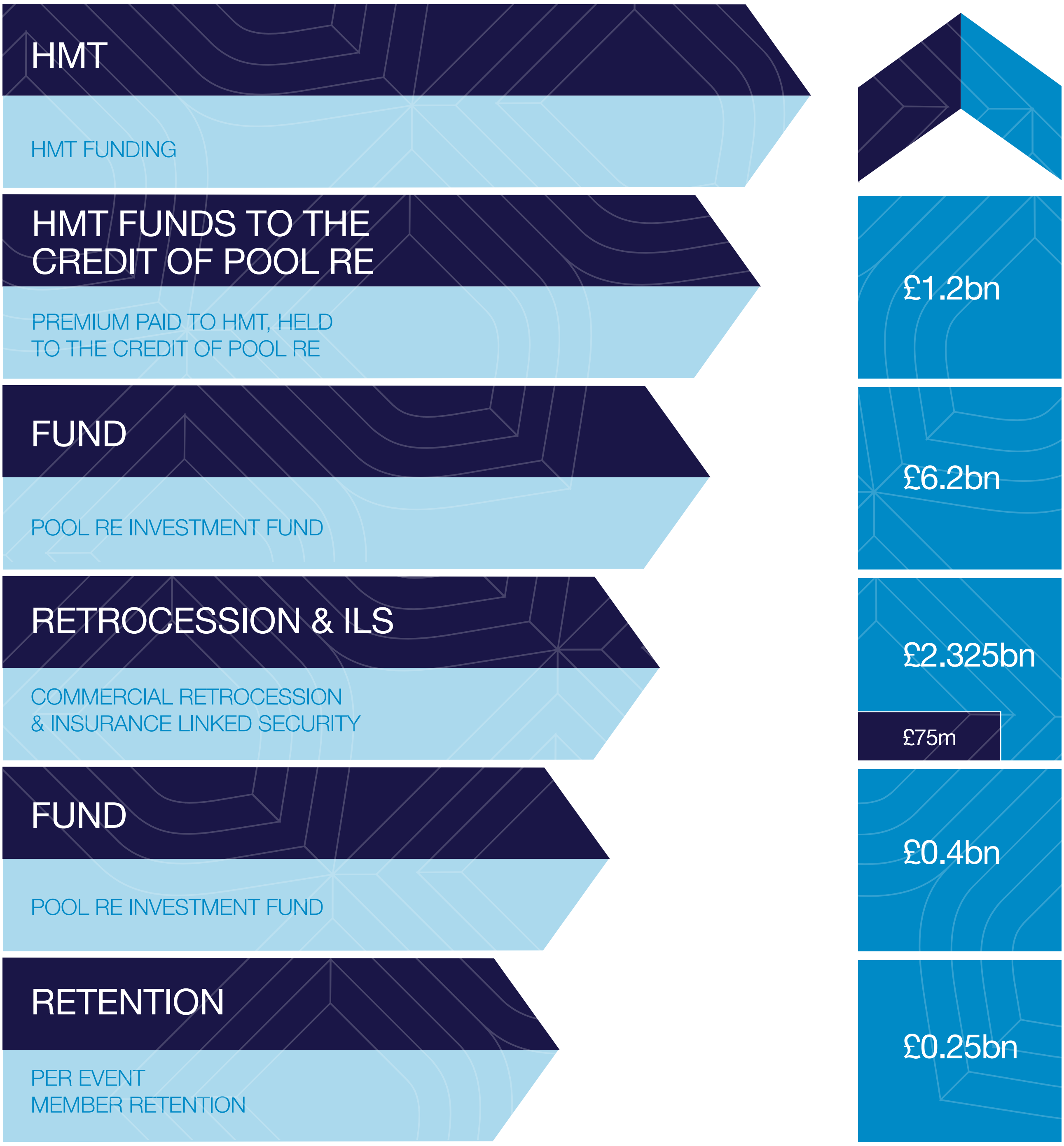
Our Values

As with all responsible social citizens, we recognize that we have a duty to ensure that day-to-day business practices are undertaken ethically, environmentally, sustainably and in a socially responsible manner. Our business is operated through highly ethical policies and practices, and continues to look for ways to develop further our approach to Environmental Social and Governance (ESG) measures.

With this in mind, we have created an internal working group, the role of which is to consider new schemes and initiatives designed to support ESG and positive societal contribution within our community.

Recent initiatives include: Living Wage Employer, CDP Member, A Signatory of the UN Principles for Responsible Investment.

Scheme Resilience



Since its establishment in 1993, Pool Re has paid out a total of £635m for 13 certified terrorism events, without recourse to HM Government or the taxpayer. The resilience of the scheme at 31 December 2020 is shown above. In the event of a certified act of terrorism, initial losses will be covered by Member retentions; where these exceed retention thresholds, the insurer can claim upon Pool Re's reserves. Since its inception, Pool Re has built an investment fund valued at £6.6bn. A further £2.3bn of protection is provided under a commercial retrocession programme, attaching above the first £0.4bn of the investment fund, with an additional £75m protection provided by the issuance of an Insurance Linked Security sitting within the first layer of the retrocession programme. Only in the event that Pool Re's resources are exhausted will the Company call upon funding from HM Government. This guaranteed funding assures Pool Re's financial solvency and its ability to meet claims obligations under its agreements with Members.

Strategic Report

The Directors of Pool Reinsurance Company Limited (registered number 2798901) present their strategic report for the year ended 31 December 2020.

Review of the Business

Principal Activity

During the year under review and since the year end the principal activity of the Company continues to be reinsurance business conducted on a mutual basis.

The Company provides reinsurance in respect of losses arising from damage to, or destruction of, commercial property resulting from Acts of Terrorism (as defined in the Reinsurance (Acts of Terrorism) Act 1993) within England, Wales and Scotland. On 12 February 2019 Royal Assent was given to the Counter-Terrorism and Border Security Bill 2019 which allows Pool Re also to cover business interruption losses resulting from Acts of Terrorism incurred in instances where there is no physical damage to property.

The Company has a Retrocession Agreement with HM Government under the terms of which HM Government will make funds available in circumstances where the Company's assets are insufficient to meet all claims.

The unpredictability of terrorist events limits the extent to which the Company is able to make statements regarding likely future developments. However, given the purpose for which the Company was formed, the Directors do not anticipate changes to the principal activity of the Company.

Results and Performance

Gross premium income for the year fell to £285.0m (2019: £317.1m), reflecting the difficult trading environment experienced by many policyholders in 2020.

The balance on the 2020 general business technical account was £58.7m (2019: £23.7m). This improved result reflected the £59.9m decrease in outward reinsurance premium in respect of 2020. There are two elements to our outward reinsurance; premium to HM Government which totalled £173.6m in 2020 (2019: £236.3m) and £44.8m (2019: £41.9m) of outward reinsurance premium reported in 2020 in respect of commercial reinsurance protection.

The terms of the Retrocession Agreement between Pool Re and Her Majesty's Treasury include provision for Pool Re to pay an annual distribution to Members. The Board declared such a dividend at its Annual General Meeting on 11 June 2020 in respect of its 2019 results. The amount of the dividend paid was £77.6m.

No new claims were recorded in 2020 and there are no claims outstanding at 31 December 2020.

Investment income including net realised and unrealised gains and losses totalled £61.7m in 2020. This compares to an investment profit of £272.5m reported in 2019.

The amount allowed for taxation in 2020 was a charge of £4.1m, relating to United Kingdom Corporation Tax and foreign withholding tax on investment income receivable and realised and unrealised profits, less interest payable and investment expenses. There is no taxation charged on the underwriting result as the business is conducted on a mutual basis.

The Company made a resulting profit after taxation of £93.2m for the year ended 31 December 2020. After accounting for the dividend paid to Members in 2020, the accumulated balance on the Profit and Loss Account was £6,030.0m at 31 December 2020, 0.3% higher than the 31 December 2019 balance of £6,014.4m.

The investment fund (financial investments, accrued income and investment cash) also remained little changed, falling from £6,722.1m at 31 December 2019 to a value at 31 December 2020 of £6,640.6m.

Section 172 statement and our stakeholders

Pool Re is the insurance industry's mutual for insuring terrorism risk in Great Britain; we provide terrorism insurance to insurers. This enables insurers to transfer their risk to us, increasing their ability to withstand the financial burden of a terrorist event. The Directors have had that purpose foremost in mind when making decisions and initiating activities throughout the year.

The Directors are aware of their responsibilities to promote the success of the Company in accordance with Section 172(1) of the Companies Act 2006 and have acted in accordance with these responsibilities. The Board endeavours to understand the views of the Company's key stakeholders and report how their interests have been considered in board discussions and decision-making.

Pool Re is a partnership between the insurance industry and the Government. Directors have had regard to wider stakeholder interests when performing their duties. The key stakeholders include our staff, Member insurers, government, regulators, policyholders and the wider insurance industry.

In 2020 Pool Re embarked on its five-year review with Government, an opportunity to ensure that the scheme is delivering the most efficient and effective solutions for both the terrorism insurance market and the wider economy.

Strategic Report

The Company's strategy for meeting the challenges of a changing insurance environment and terrorist threat over the next five years, "Guaranteeing Great Britain: Managing Terrorism Risk & Building Resilience" was launched in September 2020, based on over 12 months of consultation with Members and our wider stakeholder group.

This strategic statement describes the value that Pool Re brings to a wide spectrum of external stakeholders and strategic partners.

UK businesses/policyholders

- Access to affordable terrorism insurance protection to enable and encourage economic activity and investment in the UK, including large infrastructure projects.
- Access to a relevant and comprehensive product which evolves with and anticipates the threat and remains available after even a large event.
- Insurance cover can be designed to reward risk mitigation activities.

Member insurers of Pool Re

- Offered a solution in response to market failure, and an evolving product which meets the needs of customers.
- Offered clear terms for terrorism coverage and reinsurance which are simple to operate, provide unbroken coverage, and remain stable post-event.
- Access to unique tools and information from Pool Re *Solutions'* partnerships with public agencies, academia, and international pools.
- Profit and innovation opportunities associated with increased terrorism risk understanding and access to threat and actuarial expertise.
- Value realised from the Pool Re annual dividend.
- Insulated from the tail risk of terrorism, including CBRN.
- London's reputation as a world-leading insurance and risk-transfer industry is further enhanced.

Wider (re)insurance industry

- Provided with a route to market normalisation to ensure confidence remains in the insurance industry.
- Enables non-direct reinsurer (i.e. retrocession) participation which would not otherwise be possible.

UK Government

- Public finances boosted through sharing of collected risk premium, and distanced from loss by accrued funds and risk-financing solutions (e.g. ILS).
- A maturing market for conventional terrorism risk will reduce reliance on the HM Treasury guarantee of Pool Re, distancing the taxpayer from potential loss, and gradually allowing for more targeted public interventions in the commercial terrorism market.
- Supports CONTEST, the UK's Counter-Terrorism strategy, and provides unique conduit to incentivise businesses to implement accredited risk mitigation strategies.
- Access to expertise in the quantification and pricing of terrorism risk liabilities and advice on how to manage existing and emerging protection gaps.
- Access to an efficient mechanism for getting money to the victims of terrorism quickly, and enabling the economy to 'build back' in the event of catastrophic loss.
- Pool Re's transition to a Treaty model will increase take-up of terrorism insurance by SMEs and businesses outside London, supporting regional recovery in the event of loss.
- Access to a trusted advisor on how government can intervene effectively in the market to address other risks which are difficult to insure on a purely commercial basis.
- Able to remain operationally removed from the running of reinsurance processes.
- Moral hazard is reduced by formalising the hierarchy of losses between the public and private sectors in the event of an attack.
- International reputation for efficient management and financing of catastrophic risk.

International

- IFTRIP, launched in London in 2015 at the initiative of Pool Re, is the only forum for collaboration between the world's terrorism (re)insurance pools.
- Governments, the (re)insurance industry, and their policyholders all over the world benefit from the exchange of best practice and enhanced management of terrorism risk fostered through IFTRIP.
- Potential for Pool Re to support UK export revenue and foreign policy ambitions if its expertise can be made available on a commercial basis internationally.

In addition, we recognise our wider corporate responsibilities. We continue to develop our approach to Corporate Social Responsibility and Sustainability. Our commitment to Environmental, Social and Governance issues is illustrated by our adoption of the UN Principles for Responsible Investment and subscribing to the Carbon Disclosure Project in 2020. The Company has reviewed the guidance issued by the Financial Reporting Council (FRC) on "Climate – related corporate reporting". As mentioned previously in the Chairman's statement, the Directors recognise the scale of the climate change challenge and are fully supportive of efforts to reduce the Company's carbon footprint. However, they believe that the overall impact that the Company can make to reducing this is limited.

Strategic Report

The COVID-19 pandemic has created unprecedented challenges to everyone. Thanks to the flexibility and resilience of our staff and outsource providers we have continued the smooth operation of the business. The Company has continued to meet all its statutory, regulatory and operational obligations.

Pool Re has developed a suite of human resources initiatives to retain, develop and encourage first class performance from our staff. Our commitment to our core values (Bold, Excellent, Innovative, Personable and Collaborative) guides the Company's decision-making process. In the course of 2020 we have adapted our approaches to meet the demands of remote working through the COVID-19 pandemic, with particular emphasis on employee engagement and wellbeing.

Key Performance Indicators

Taking account of the information provided in this report and notes to the financial statements, and in view of the special nature of the Company, there are no additional key performance indicators, nor environmental or employee matters that are considered necessary for an understanding of the Company's business.

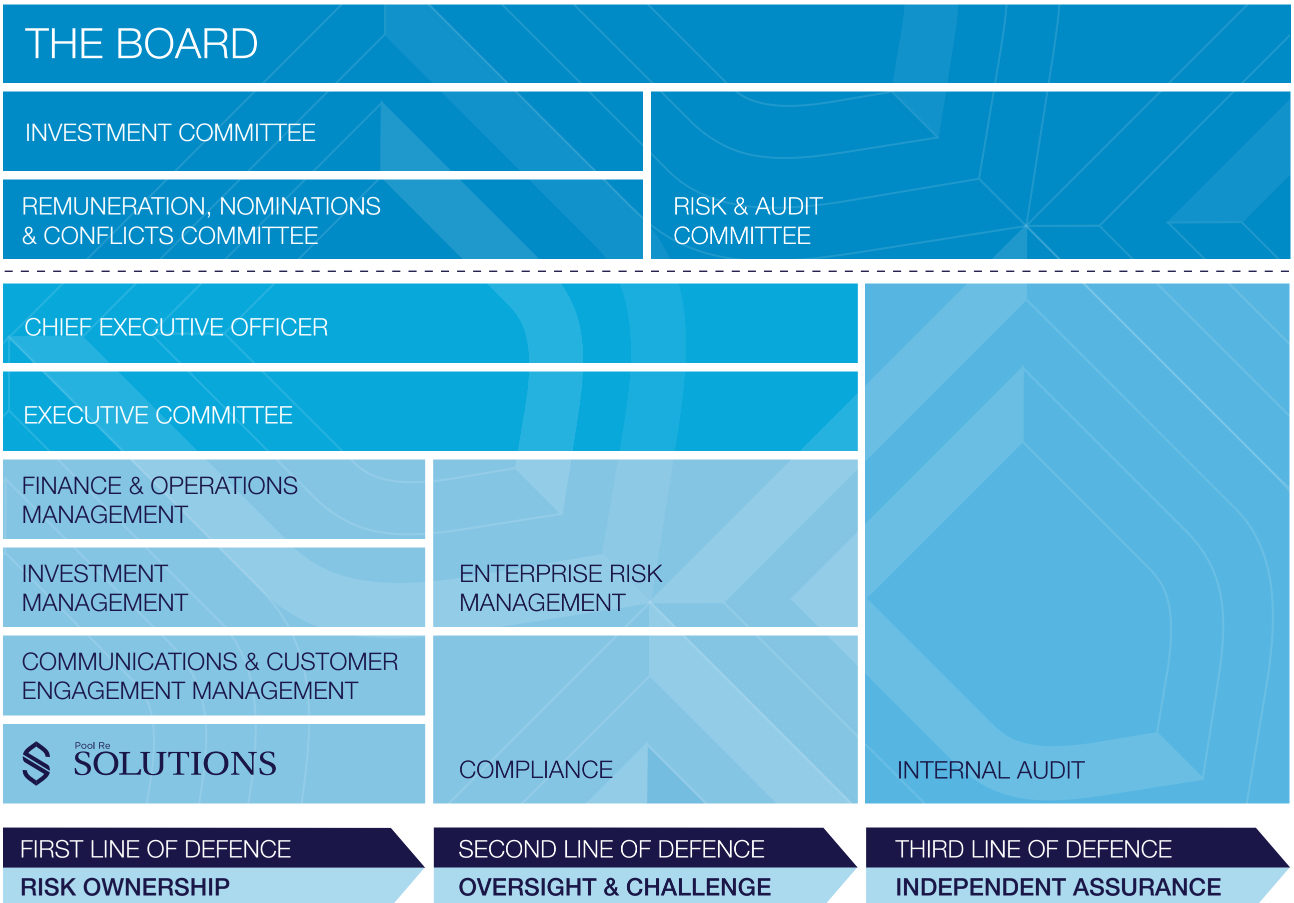
Governance

The Board is responsible for establishing effective risk governance and a system of internal controls to safeguard the Company's assets and to ensure compliance with laws and regulations. These responsibilities are delegated to the Risk and Audit Committee, which is tasked with providing risk oversight and challenge across the business.

The Company operates a "three lines of defence" risk management and governance framework.

- The Board and the Executive Management Team form the first line of defence, responsible for ownership and management of risks that might impact upon the Company's objectives.
- The Enterprise Risk Management and Compliance functions form the second line of defence, responsible for providing guidance, oversight, and challenge around the business processes and risk management activities.
- The Internal Audit function forms the third line of defence and provides an independent assurance across the business.

The Board, with support from the Risk and Audit Committee, has oversight over the second and third lines of defence.

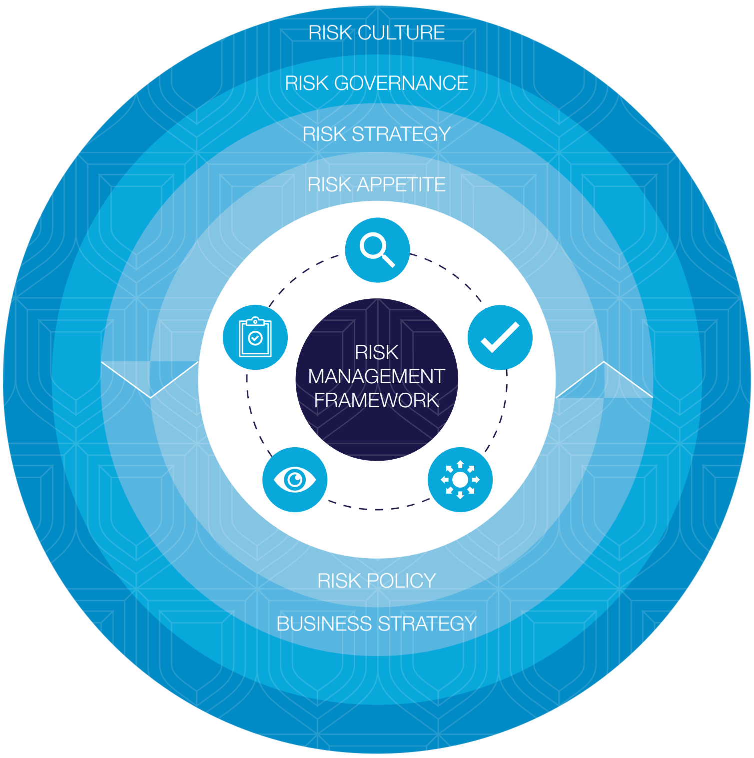


The Risk Framework
The risk framework incorporates various aspects of risk management and is used to co-ordinate the Company's overall approach to managing risk.

The framework aims to mitigate risk by taking a balanced approach to risk and reward. It also embeds Enterprise Risk Management throughout the activities of the Company, ensuring that risk ownership is allocated to appropriate senior management. This approach ensures that an appropriate control framework is in place to mitigate the risks; including a process of continuous control assessment.

The effectiveness of the Company's risk management framework and its system of internal controls are reviewed by an external provider of internal audit services, and reports on such reviews, including recommendations and management responses, are considered by the Risk and Audit Committee and Board.

In addition, consistent with Financial Reporting Council guidance, the Company has considered the broad uncertainties that may attach to Brexit. The Company keeps under review the impact of the agreement that has been reached with the EU and any future agreement regarding financial services on each of the risk categories above, both in respect of its reinsurance operations and investment strategy.



Identify Risk – The Company reviews both its environment and its internal operations on a bi- annual basis to identify areas where risks can occur.

Assess Risk – The Company then assesses each risk by likelihood and significance before deciding how to manage the risk.

Manage Risk – The Company manages risks by either reducing likelihood or impact through the use of controls and other appropriate mitigation strategies.

Monitor Risk – The Company monitors risks in terms of changes to the control environment affecting either likelihood or impact.

Report Risk – The Company reports at Management and Executive meetings, as well as to the Risk and Audit Committee.

Strategic Report

Principal Risks and Uncertainties
The Directors consider that the principal risks which face the Company, together with details of the control measures adopted by the Company, are as follows:

Principal Risks	Key Risk Mitigants and Controls
Strategic Risk The Company is exposed to strategic risk through its business model and external environmental changes.	The Company's approach to the management of strategic risk is considered in the context of the agreed initiatives of the long-term strategy of the Company. Exposure is managed by continual review of the business model in conjunction with the commitment to develop plans and contingencies that reflect changes in the external environment whether political, regulatory, economic, social, technological, legal or environmental. Plans and contingencies relating to the Covid-19 pandemic have been successfully implemented and the potential impacts to Insurance, Market and Operational risks have been identified and considered. Climate change presents an uncertainty to Pool Re which has been considered in terms of impact on insurance risk as a possible macro-economic driver of increased terrorism and throughout the business in areas of market and operational risk.
Insurance Risk The Company is exposed to insurance risk arising from inherent uncertainties as to the occurrence, amount and timing of its insurance liabilities. Insurance risk is judged to be the most significant risk for Pool Re and carries the largest gross exposure.	The Company's approach to the management of insurance risk reflects the commitments contained in the agreements which underpin the Pool Re scheme. The Company undertakes to accept all risks presented to it which meet the scheme criteria. Exposure to insurance risk is managed through commercial placement of reinsurance protection for large losses with high credit-rated reinsurers, exposure management and strong claims management processes. This ensures, to the extent possible, that adequate resources are available to meet a claim or series of claims as and when necessary. In addition, under the Retrocession Agreement with HM Government, the Company would draw funds if claims were to exceed the Company's resources. The agreement specifies circumstances in which amounts paid by HM Government would be subject to repayment by the Company. This risk and its mitigations are described further in note 5(a) to the financial statements.
Market Risk The Company is exposed to market risk through its investments in financial assets. Market risk arises from fluctuations in asset prices due to movements in interest rates, currencies and other economic variables.	The Company's investment strategy is relatively conservative, designed to preserve capital and limit volatility from market fluctuations, whilst still delivering an acceptable return. Exposure to market risk is managed through regular monitoring of investment performance and returns, investing in high quality investment counterparties, and oversight of the Company's investment strategy and performance by the Investment Committee. The investment strategy rests on the two main objectives for the fund of stability and liquidity, with the asset allocation aligned to these. This risk and its mitigations are described further in note 5(b) to the financial statements.

Principal risk	Mitigating factors
Credit Risk The Company is exposed to credit risk arising from a counterparty failing to perform its financial obligations, including failure to perform them in a timely manner.	Exposure to credit risk predominately arises from financial investments and commercial reinsurance contracts. These exposures are managed through use of high-quality counterparties and setting appropriate limits to investment with individual or group counterparties and reinsurance counterparties. This risk and its mitigations are described further in note 5(b) to the financial statements.
Liquidity Risk The Company is exposed to liquidity risk through its investments in financial assets against the contingency that they may be required in the short term to deal with a claim or series of claims, but with the recognition that they may not be called upon for long periods.	Exposure to liquidity risk is managed through holding assets in high quality liquid investments, meeting any cash outflow by using the Company's funds, and then drawing on support provided by HM Treasury, should that be required. The commercial reinsurance programme contributes to the management of liquidity risk, creating additional liquidity following a large incident. This risk and its mitigations are described further in note 5(b) to the financial statements.
Operational Risk The Company is exposed to operational risk where there are inadequate controls or failures in people, processes, systems and external factors, which jeopardise the operation of Pool Re.	Exposure to operational risk is managed through a risk management and control framework reviewing the effectiveness of processes, systems and controls throughout the Company. Arrangements with outsource providers are monitored and their appropriateness assessed periodically. The Company maintains a strong and open relationship with its regulators and embraces a good conduct culture. Legal advice is obtained periodically to review the Company's position in relation to Chapter 1 of the Competition Act 1998, to determine that the Scheme continues to meet the exemption requirements set out in that Act.

The Company keeps under review the impact of various possible outcomes on each of the risk categories above, both in respect of its reinsurance operations and investment strategy.

By Order of the Board
Rhod Cruwys
General Counsel and Company Secretary
31 March 2021

The Board, Executive Management and Corporate Information

Details of the Directors of the Company who served during the year and up to the date of signing the Financial Statements are set out below.

Geoffrey M Riddell ★ O ✠ ***Chairman***
A Director since August 2015 and Chairman from 1 February 2016, Mr Riddell resigned from the Board on 19 March 2021. Former member of Zurich Insurance Group Executive Committee and Regional Chairman – Asia Pacific, Middle East and Africa based in Hong Kong.

Sir Brian G Bender ***(retired)***
Sir Brian retired as a Director on 20 May 2020, having been the HM Treasury nominated director since May 2014. Formerly a Permanent Secretary in the Civil Service. Non-executive Director of Pool Reinsurance (Nuclear) Limited and Trustee of Lloyd's Register Foundation. Formerly Non-executive Director of the Financial Reporting Council and of the London Metal Exchange, where he served as Chairman from 2010 to 2019.

Alan J Brown FSIP ★ ✠
A Director since July 2008 and Chair of the Investment Committee. Mr Brown is Chairman of Artemis Investment Management LLP. Formerly, he was Director and Group Chief Investment Officer of Schroders PLC, Chairman of the Carbon Disclosure Project and Governor of the Wellcome Trust.

Claudio Gienal
Joined the Board of Pool Re in March 2021. Claudio is Chief Executive Officer of Axa UK and Ireland, a position he commenced in September 2018. Prior to that, served as Chief Strategic Officer for the AXA Group. A Swiss national, Claudio has a master's degree in environmental engineering from the Swiss Federal Institute of Technology in Zurich. He began his career as a management consultant, working for Accenture and later McKinsey & Company. He entered the insurance industry in 2008 by joining Zurich, where he held a number of senior positions including Chief Strategy Officer for Zurich Group and CEO of the Zurich Life Insurance Company.

Denise N Jagger ✠ ***Solicitor***
A Director since January 2014 and Chair of the Remuneration, Nominations and Conflicts Committee. A corporate lawyer by background having worked in private practice and industry. Formerly a partner at Eversheds Sutherland LLP and General Counsel and Company Secretary of Asda Group. Currently Senior Independent Director of Bellway Plc, non-executive Director of CLS Holdings plc, Chair and Pro Chancellor of the University of York, Trustee of the National Trust and Chair of St Giles Trust.

Bronislaw (Bronek) E Masojada ✠
A Director since May 2015. Chief Executive of Hiscox since 2000 and Group Managing Director since 1993. Prior to joining Hiscox Mr Masojada worked at McKinsey & Company, the management consulting firm. He served as a Deputy Chairman of Lloyd's from 2001 to 2007, has been a member of the Board of the Association of British Insurers since 2012, became Chairman of Policy Placement Ltd in 2018 and was elected Alderman of the Billingsgate Ward (City of London) in 2019.

Barbara J Merry Chartered Accountant ★ O
Ms Merry has been a Director since February 2019 and has Chaired the Risk and Audit Committee since late 2019. Formerly employed at the Corporation of Lloyd's, then Managing Director of Omega Underwriting. CEO of Hardy Underwriting Group from 2002 to 2014. Now a Non-Executive Director with Domestic & General Insurance Limited, Berkshire Hathaway International Insurance Limited and Argus Group. Also chair of Ed Broking LLP and of Globe Underwriting Limited.

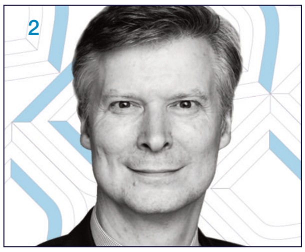
Dame Susan Owen O ✠
Dame Sue Owen DCB was appointed to the Board on 1 July 2020, following nomination by HM Treasury. She is an economist with over 30 years' experience in government, including 14 years at Treasury. She led the Department for Digital, Culture, Media & Sport from 2013-19, having also worked in the British Embassy Washington, No. 10, International Development and as Strategy Director General in Work & Pensions. Having retired from the civil service in 2019, she now chairs the Governors of the Royal Ballet and, in addition to her role at Pool Re, is a non-executive Director at Pool Re Nuclear, Serco plc, Pantheon International plc, Methera Global Communications & Opera Holland Park.

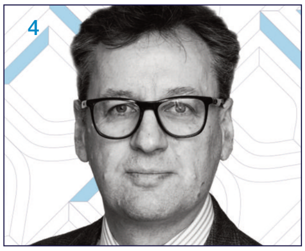
Alan Rubenstein ★
Alan Rubenstein joined the Board of Pool Re in March 2021. He was formerly the Chief Executive of the Pension Protection Fund, having previously worked in investment banking and asset management. Previously he worked for Scottish Widows, Morgan Stanley and Lehman Brothers, where he was a managing director. Now a portfolio non-executive director, he currently sits on the boards of the National House Building Council, Pembroke Heritage Fund and esure Group plc and a number of its subsidiaries.

Andrew G Skirton ★ O ❖
A Director since December 2011, Mr Skirton is the Company's Senior Independent Director. Non-executive Chairman of Gartmore Group Limited between 2007 and 2011, and Co-Global Chief Executive Officer of Barclays Global Investors between 2002 and 2006.

Maurice E Tulloch ✠
A Director since April 2015. Retired former Chief Executive Officer Aviva plc. Previously Chief Executive Officer of Aviva International, of Aviva's UK & Ireland General Insurance business from October 2013 to January 2016, Chairman of Global General Insurance since July 2014, and a member of the Group Executive Committee since July 2012. Prior to appointment as Chief Executive Officer, Mr Tulloch held the role of Chief Executive Officer of Aviva Canada from November 2009. Previous member of the ABI Board, and prior Chair of the General Insurance Council.

- ★ Member of the Investment Committee
- O Member of the Risk and Audit Committee
- ✠ Member of the Remuneration, Nominations and Conflicts Committee
- ❖ Senior Independent Director





Executive Management

Chief Executive – Julian A P Enoizi 1
Chief Finance & Operations Officer – Peter N Aves FCA 2
Chief Resilience Officer – Edward A Butler CBE 3
Chief Underwriting Officer – Stephen M Coates ACII 4
Chief Investment Officer – Ian M Coulman MCSI 5
General Counsel & Company Secretary – Rhodri Cruwys 6
Chief Strategy & Communications Officer – Tracey Paul 7

Corporate Information

Registered in England, United Kingdom

Registration number 2798901

Registered office
7 Savoy Court
London WC2R 0EX

United Kingdom Principal office
Equitable House
47 King William Street
London EC4R 9AF

Telephone number + 44 (0)20 7337 7170

E-mail enquiries@poolre.co.uk

Website www.poolre.co.uk

The Directors of Pool Reinsurance Company Limited (registered number 2798901) present their report and the audited financial statements of the Company for the year ended 31 December 2020.

Board of Directors

Role of the Board

The Board is responsible for providing leadership of the Company within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board sets the overall strategy of the Company and oversees its implementation. It is also responsible for reviewing the performance of management, ensuring that there are appropriate systems of internal controls and risk management and that the necessary financial and human resources are in place for the Company to achieve its objectives and provide long-term value to Members.

The Board's policy is to maintain a framework of corporate governance that would be considered good practice in companies of similar significance. While the Company is neither required to comply with the UK Corporate Governance Code or certain other codes and guidelines generally applicable to listed companies, nor to make a statement on its compliance with such requirements, the Board believes it is appropriate to consider their provisions in determining the Company's own corporate governance arrangements, and also to describe such arrangements to the Members, which it does within this report.

The Board holds four regularly scheduled meetings each year, at which it considers reports from each of the key functions, in particular, financial performance, operational performance, commercial and customer engagement, investment management, legal and regulatory, marketing and communications and threat analysis. In addition to these standing items, the Board considers other matters of significance to the Company annually, in accordance with an agreed schedule of matters to be considered in the forthcoming year. In addition to the regularly scheduled Board meetings, the Directors also meet ad hoc as necessary to discuss any material matters as they arise.

A formal schedule of matters reserved to the Board is maintained and reviewed annually. Such matters include those which are considered to be of significant strategic importance, which affect the structure of the Pool Re scheme, setting the culture, ethics, values and standards of the Company, or which affect the corporate governance framework. The Board has otherwise delegated to its committees and to the executive management the power to make decisions on operational matters within a framework of internal controls. Each committee operates within written terms of reference and the respective roles and responsibilities of the Chairman, Senior Independent Director and the Chief Executive are set out in writing, all of which may only be amended with the Board's approval. The appointment and removal of the Chief Executive and the General Counsel and Company Secretary are also matters reserved to the Board.

The Chairman, in conjunction with the Chief Executive and the General Counsel and Company Secretary, ensures that the Board receives the information it needs in order to discharge its responsibilities. All Directors have access to the services of the General Counsel and Company Secretary and independent professional advice is available, at the expense of the Company, to the Directors in respect of any issue arising in the course of their duties. The Company maintains appropriate directors' and officers' liability insurance in respect of legal actions against its Directors.

Following their appointment, new Directors are given an in-depth induction by executive management and additional training is provided to Directors throughout their appointment to ensure that they possess the appropriate knowledge regarding the Company and its operations necessary for the effective performance of their role.

Composition

The Board consists solely of non-executive Directors, including a non-executive Chairman. Brief biographical details of the current Directors are set out on pages 14 and 15. The Directors who served during the year and up to the date of signing the financial statements were:

G M Riddell (resigned 19 March 2021)
Sir Brian Bender (resigned 20 May 2020)
A J Brown
C Gienal (appointed 29 March 2021)
D N Jagger
B E Masojada
B J Merry
Dame Susan Owen (appointed 1 July 2020)
A Rubenstein (appointed 22 March 2021)
A G Skirton
M E Tulloch

The power to appoint Directors rests solely with the Board. The Articles provide that the number of Directors in office at any one time shall be between three and twelve. The size and composition of the Board is kept under review to ensure an appropriate balance of independence, expertise and experience to support the strategic and operational direction of the Company and to provide effective challenge. Regardless of the number of Directors, a majority shall be independent Non-Executive Directors.

The Articles of Association allow H M Treasury to nominate individuals to be considered by the Board for appointment as Directors, although only one Director at any time may hold office following nomination in this way. Dame Susan Owen, who joined the Board on 1 July 2020, is the Director appointed following nomination by H M Treasury.

The Company recognises that a Board of directors having diverse experience, qualifications and knowledge is likely to promote more effective challenge, and that a wider range of perspectives will help it to identify a greater range of risks to the business and be better placed to appreciate and manage their impact. Board appointments and succession plans are based on merit and objective criteria and, within this context, should promote diversity. Diversity extends beyond gender and ethnicity, to include areas such as social background, age and sexual orientation, as well diversity of experience and cognitive and personal strengths, all of which are likely to bring some level of competitive advantage. Whilst the business pursues diversity, throughout the organisation, the Board is not committed to any specific targets. Instead the Board continues to pursue a policy of appointing talented people at every level who have the knowledge and skillset to deliver high performance, whilst mitigating the risk exposure of the Company.

The Board considers annually the ongoing independence of each Director, taking into account the period they have served, whether they are also directors of companies within groups that cede business to Pool Re or whether they have been appointed by significant counterparties. The Board has determined that, as at the date of this statement, all of its Directors continue to be independent in character and judgement.

In accordance with the Articles of Association of the Company, all Directors must retire and seek election at the first Annual General Meeting following their appointment, and all Directors who have served continuously for more than nine years must retire and seek re-election at each Annual General Meeting. With the exception of the nominee of H M Treasury, a number nearest to one third of the other Directors must retire by rotation at each Annual General Meeting. Therefore, at the forthcoming Annual General Meeting, Mr Skirton, having served continuously as a Director for more than nine years, will retire and seek re-election and Ms Jagger and Ms Merry, will retire by rotation and will seek re-election.

Board Committees

There are three standing Committees, namely the Investment Committee, the Risk and Audit Committee, and the Remuneration, Nominations and Conflicts Committee, all of which have written Terms of Reference. The Board has satisfied itself that each of its Committees has sufficient resources to undertake its duties.

The **Investment Committee** is chaired by Alan Brown and comprises four Directors. The Committee met six times during the year. A summary of the principal activities of the Committee during the year is provided below:

- ***Asset Allocation*** – The Committee kept the Company's Asset Allocations under review.
- ***Investment Policy*** – The Committee advised the Board on the development and implementation of the Investment Policy and Strategy and led the process of the ongoing monitoring of the Company's investments.
- ***Investment Guidelines*** – Investment Guidelines have been issued to the Company's Investment Managers and the Committee monitored that these guidelines were adhered to.
- ***Investment Manager Presentations*** – At each meeting the Committee received a presentation from one or more of the investment managers, with each manager presenting at least once every two years.

The **Risk and Audit Committee** is chaired by Barbara Merry and comprises four Directors. The Committee met twice during the year. A summary of the principal activities of the Committee during the year is provided below:

- ***Effectiveness of Enterprise Risk Management*** – The Committee monitored the effectiveness of enterprise risk management in the Company, including that of the risk function and reviewed and approved the resources of the risk function to satisfy itself that the risk function had adequate resources and independence to discharge its responsibilities.
- ***Enterprise Risk Management Framework*** – The Committee reviewed and recommended to the Board for approval the Company's risk management framework, risk appetites, operating policies and other relevant documents relating to the Company's approach to enterprise risk management.
- ***Risk Register*** – The Committee reviewed at each meeting the Company's risk register, including monitoring developing and emerging risks and the operation of key controls.

- *Business Plan alignment* – The Committee advised the Board as to whether the Company's strategy and annual business plan are aligned with the Risk Framework.
- *Financial Statements* – The Annual Report and Accounts and PRA Annual Return were reviewed carefully by the Committee prior to submission to the Board for approval. The Committee considered significant risks, including any estimates and judgements of management and the methodology and assumptions used in relation to the Company's financial statements. Specific consideration was given by the Committee to the key risk of misstatement of financial investment valuations. The Committee gained assurance as to the effectiveness of key controls relating to pricing, valuations and existence of financial instruments. The Committee also considered the pricing, valuations and existence of derivative financial instruments.
- *Internal Controls and Internal Audit* – The Committee monitored the system of internal controls and the effectiveness of the Company's internal audit function throughout the year assessing the resource and skills available. Following a tender process, the Committee appointed a new internal audit firm to replace the previous firm that had served for more than six years. Internal audit reports are reviewed by the Committee and the outsourced internal auditors report to the Committee at meetings of the Committee.
- *Going Concern and Viability of the Company* – The Committee monitored the Company's resources and has satisfied itself that the Company has an adequate level of resources for the foreseeable future.
- *Relationship with the Independent Auditor* – The Committee is responsible for overseeing the relationship with the Independent Auditor, assessing the effectiveness of the audit process and making recommendations on the appointment and removal of the Independent Auditor. It makes recommendations to the Board on the level of the audit fees and the terms of engagement for the Auditor. The Independent Auditor is invited to attend Committee meetings, where appropriate, and also meets with the Committee and the Committee Chairman without management being present.
- *Non-audit services* – The Committee regularly reviews and monitors the external Auditor's independence and objectivity. As part of this, it considers the nature and extent of any services supplied by the external Auditor to ensure that independence is maintained.

The **Remuneration, Nominations and Conflicts Committee** is chaired by Denise Jagger and comprises six Directors. The Committee held two formal meetings during the year and met ad hoc on a number of occasions during the process that resulted in the appointment of Dame Susan Owen to the Board. A summary of the Committee's principal activities is as follows:

- *Remuneration* – The Committee received external advice on remuneration levels and best practice relating to the operation of bonus and long term incentive plans and incorporated relevant elements.
- *Nominations* – The Committee has been and continues to be engaged in the process for identifying suitable candidates to fulfil vacant Director roles and to consider and make recommendations to the Board on the Company's succession plans.
- *Conflicts* – During the year, the Committee continued to consider and rule upon potential conflict situations as they arose, ensuring in so doing, that its members did not consider matters relating to themselves.

In addition to the above Committees, the Board may from time to time establish ad hoc committees to address any specific purpose, with such delegation of powers and membership as the Board considers appropriate or necessary to meet its aims.

In accordance with the Articles of Association, the proceedings of any Committee to which the Board has delegated powers are minuted and reported to the Directors at the next following Board meeting.

Attendance at Meetings

It is recognised that Directors' executive responsibilities outside of the Company may result in them being unable to attend all the regularly scheduled Board and/or Committee meetings. On such occasions, the Chief Executive will obtain their comments on matters to be considered at the meeting in question for passing on to the other Directors as appropriate. During the year, the Board met on an unprecedented 14 occasions, necessitated by a combination of matters arising out of the pandemic, the H M Treasury review and business as usual.

The table below sets out each Director's attendance at the meetings of the Board and the Committees which they were eligible to attend during 2020.

	Board	Risk and Audit Committee	Investment Committee	Remuneration, Nominations & Conflicts Committee
G M Riddell	14(14)	2 (2)	6 (6)	2 (2)
Sir Brian Bender ★	7 (7)	1 (1)		1 (1)
A J Brown	14 (14)		6 (6)	2 (2)
D N Jagger	14 (14)			2 (2)
B E Masojada	13 (14)			2 (2)
B J Merry	14 (14)	2 (2)	6 (6)	
Dame Susan Owen ✠	5 (6)	1 (1)		1 (1)
A G Skirton	14 (14)	2 (2)	6 (6)	
M E Tulloch	14 (14)			2 (2)

Possible number of meetings during the year that could be attended are shown in brackets.

★ Sir Brian Bender retired on 20 May 2020
✠ Dame Susan Owen was appointed on 1 July 2020

Performance Evaluation

Each year the Board undertakes an evaluation of its performance. Every three years, the evaluation process includes an assessment undertaken by external board performance consultants, intervening years being undertaken through self-assessment. In 2020, the Board and Committees evaluation was undertaken by Independent Audit Limited. This involved interviews with each of the Directors and members of executive management, observation of meetings and a review of board information. This culminated in the whole Board discussing the report and the assessment of Independent Audit at a meeting.

Overall, the report concluded that the Board has worked well over recent years, supporting the Executive as they have moved Pool Re in pioneering directions within its role as the UK reinsurer of terrorism risks. The report identified three principal areas for continued development all of which were acknowledged by the Board and are being implemented.

Directors' Remuneration

The Company's Articles of Association provide that until otherwise determined by ordinary resolution, there shall be paid to the Directors such fees as the Directors determine, not exceeding an annual aggregate. Members last resolved to approve an increase in the annual aggregate limit applicable to Directors' fees at the 2020 Annual General Meeting, increasing the limit to £600,000.

Subject to the annual aggregate limit, Directors receive fees at levels approved by the Board. These are reviewed by the Board on an annual basis, incorporating the use of market data to do so. Directors serving on the various Committees of the Board, other than Mr Riddell, also receive further fees to reflect the additional time commitment involved.

No Director receives any additional remuneration from the Company other than his or her fees. Directors are not paid compensation for loss of office.

Dividend

The Articles of Association of the Company provide for distributions to Members in the form of a dividend and in the circumstances of a winding up.

In June 2020 the Company paid a dividend to Members of £77.6m (2019: £15.9m) in proportion to premium ceded during the preceding year.

Corporate Social Responsibility and Sustainability

The Board recognises that the Company has a duty to ensure that day-to-day business practices are undertaken ethically, environmentally, sustainably and in a socially responsible manner. The business is operated through high ethical policies and practices.

We continue to look at ways to develop our approach to Corporate Social Responsibility and Sustainability. With this in mind, we have created an internal working group, the role of which is to consider new schemes and initiatives designed to support environmental sustainability and positive societal contribution within our community and further afield.

In 2020 Pool Re joined the Carbon Disclosure Project, the global standard for environmental reporting and became a signatory of the UN-backed Principles for Responsible Investment (PRI) which works to promote a more sustainable global financial system.

Donations

In the year under review the Company made no donations for political purposes. The Company has established a Donations Committee to consider and determine its charitable donations, subject to an annual limit of £50,000. The substantial donations made during 2020 (with any 2019 donations in brackets) were as follows: Age UK £16,000 (2019: £22,500); Survivors Against Terror CIC £20,000; and The Royal British Legion, Lloyd's & City Branch £10,000.

Values and Culture

The Board is cognisant that poor culture in financial services firms can result in unwanted behaviours, such as discrimination, victimisation, bullying and harassment and can lead directly to poor outcomes for market participants and underlying customers.

The Board recognises the important role that a healthy culture plays in the operation of the Company and has supported the business in the development of a values framework. This includes an articulation of Core Values, wellness initiatives, training on behaviours in the workplace and a focus on ensuring that the Company's purpose and mission are understood throughout the team.

Bribery and Corruption

The Company has adopted a zero tolerance approach to bribery and corruption.

Tax Evasion

The Company has adopted a zero tolerance approach to tax evasion in compliance with the Criminal Finance Act 2017 and the corporate criminal offence of failing to take reasonable steps to prevent the facilitation of tax evasion.

Whistleblowing

The Board has considered the recommendation made in the UK Corporate Governance Code with regard to a policy on whistleblowing and has reviewed the arrangements under which staff may, in confidence, raise concerns. The Board has adopted a whistleblowing policy, which is disseminated throughout the Company, and is satisfied that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where appropriate, for follow-up action to be taken.

Financial Risk Management

The Company's financial risk management objectives and policies with regard to the use of financial instruments are described in note 5 to the financial statements.

Directors' Indemnities

The Company has entered into indemnities for the benefit of its existing Directors and future Directors, and these indemnities remain in force as at the date of this report. Copies of the Directors' indemnities, which are qualifying indemnity provisions, are available for inspection at the Company's registered office.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Company's financial statements (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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102).

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 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
> notify its Members in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

At the date of this report, each individual Director states that he/she is not aware of any relevant audit information of which the Company's auditors are unaware, and each individual Director states that he/she has taken the steps he/she ought to have taken as set out in section 418(4) of the Companies Act 2006 as a Director to make himself/herself aware of any relevant audit information and establish whether the Company's auditors were aware of that information.

Statement of Going Concern

The Board is satisfied after taking account of the Retrocession Agreement with H M Government that the Company has adequate financial resources to continue to operate for the foreseeable future which is, but not limited to, at least 12 months. For this reason, it considers the going concern basis appropriate for the preparation of the financial statements.

Status of the Company

The Company is a private company limited by guarantee, not having share capital. Consequently, the Directors do not have any relevant interests that require disclosure. The Company is authorised and regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

The Company is not part of a group. It does not have any branches outside the United Kingdom. It does not have subsidiary undertakings.

Independent Auditor

The Board's policy on the provision of non-audit services to the Company by the Auditor is to permit such work to be performed in areas where it is appropriate, and provided that this does not compromise independence. During the year the Auditor performed no such work.

The Auditor, Deloitte LLP, have indicated their willingness to continue in office as Auditor to the Company and resolutions to reappoint Deloitte LLP as Auditor to the Company and to authorise the Board of Directors to set their fees will be proposed at the Annual General Meeting.

By Order of the Board
Rhod Cruwys
General Counsel and Company Secretary
31 March 2021

Independent Auditor's Report to the Members of Pool Reinsurance Company Limited

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Pool Reinsurance Company Limited (the 'Company'):

- 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 account;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 26.

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).

2. 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.

3. Summary of our audit approach

Key audit matters – The key audit matter that we identified in the current year was:
- Valuation and existence of financial investments and derivatives

Within this report, key audit matters are identified as follows:
- Newly identified
- Increased level of risk
- Similar level of risk
- Decreased level of risk

Materiality – The materiality that we used in the current year was £105.2 million which represents 1.75% of net assets.

Scoping – Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Significant changes in our approach – We have considered the impact of Covid-19 on our audit approach and there have been no significant changes in our audit approach in the current year.

4. 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:
- A challenge of the budget for the 12 months to March 2022 and its underlying assumptions, which included the availability of cash resources and the ability to readily covert assets into cash; and
- An assessment of the arithmetic accuracy of the model.

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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

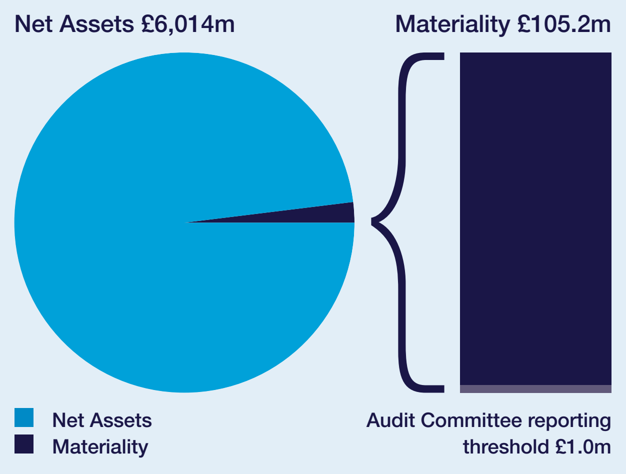
5.1. Valuation and existence of financial investments and derivatives	
Key audit matter description	As at 31 December 2020 the financial investments and derivatives balances stood at approximately £6.7 billion (2019: £6.6 billion), equating to 97% (2019: 97%) of total assets of the Company. Changes in the fair value of these financial instruments during the reporting period have a material impact on the Company's net assets and vary year on year depending on market movements. The Company's investment portfolio is largely comprised of assets that are actively traded and have observable market prices, reducing the risk of misstatement. However due to the size of the portfolio, a 1.5% price variance would result in a material misstatement. In addition, there is a risk that management may override the prices obtained from Bank of New York Mellon ("BNYM") inappropriately. We have therefore identified a significant risk over the valuation of investments, specifically focusing on fixed income securities, equities and commodities and excluding cash and cash equivalents and payables and receivables. As at 31 December 2020 the Company had a net derivative asset position of £79 million. The valuation of these derivatives can be complex and we identified a significant risk that the derivatives are valued incorrectly in the financial statements, whether due to error or fraud. Due to the size of the Company's portfolio of assets there is an inherent risk that, either through error or fraud, the investments or derivatives recorded in the ledger at the reporting date do not belong to the entity. We therefore have identified a significant risk over the existence of financial investments and derivatives for the 2020 audit. Further details are included within the strategic report on pages 8 to 13, the critical accounting estimates and judgements note in note 4 and note 12 to the financial statements.
How the scope of our audit responded to the key audit matter	We have tested the relevant controls that mitigate the risk of material misstatement relating to the valuation and existence of financial investments and derivatives. These included monthly reconciliations between the investment manager and custodian's investment holding and pricing data, where any differences outside of a risk based threshold are investigated by the Company. We have inspected BNYM's SOC1 report covering the full reporting period in order to attest the operating effectiveness of relevant controls at the outsourcer that support management's controls in validating the valuation and existence of investments and derivatives. We have performed the valuation testing of 96% of financial investments excluding cash and cash equivalents through obtaining price data from reputable third party sources. Additionally, we have reconciled the prices in the accounts to those obtained from BNYM and noted no instances of management override. We have tested the valuation of derivative financial instruments and 0.2% of the remaining investments through engaging our in-house financial instruments and complex pricing specialists, respectively, to price independently. We have tested the existence of financial investments and derivative financial instruments by obtaining independent custodian statements for 100% of the instruments held as at 31 December 2020 and reconciling these to the general ledger.
Key observations	We completed our procedures over the valuation and existence of financial investments and derivatives and did not identify any instances of material misstatement, through fraud or error.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:	
Materiality	£105.2 million (2019: £120.3 million).
Basis for determining materiality	1.75% (2019: 2%) of year end Company net assets.
Rationale for the benchmark applied	Pool Reinsurance Company Limited is a mutual reinsurance company, which exists for the benefit of its members. As such, we considered net assets to be the most appropriate benchmark, as this represents the Company's ability to meet claims as they fall due, which is deemed to be of most concern to the members.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- there have not been any significant changes in business structure and operations; and
- our experience from previous audits, which has indicated a low number of corrected and uncorrected misstatements identified in prior years.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Audit Committee all audit differences in excess of £1million (2019: £6 million) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control, and assessing the risk of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. 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.

9. 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.

10. 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. This description forms part of our auditor's report.

11. 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Company's remuneration policies and the key drivers for directors' remuneration;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including the financial instrument and complex pricing specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation and existence of financial investments and derivatives. In common with all audits under ISAs (UK), we are required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, tax legislation, Money Laundering Regulations, Financial Services and Markets Act 2000 and FCA/PRA Rulebooks.

In addition, we considered provisions of other laws and regulations that 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. These included the Company's regulatory market and solvency requirements set by the FCA and the PRA, respectively.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation and existence of financial investments and derivatives as a key audit matter related to the potential risk of fraud. The key audit matter section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the FCA and the PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

14. 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.

Colin Rawlings FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor London, UK
31 March 2021

Profit and Loss Account
for the 12 months to 31 December 2020

Technical account – General business

	Notes	2020 £000	2019 £000
Gross premiums written	6	**284,976**	317,082
Outward reinsurance premiums	6	**(218,331)**	(278,179)
Net premiums written		**66,645**	38,902
Change in the gross provision for unearned premiums	17	**15,061**	(4,341)
Change in the provision for unearned premiums, reinsurers' share	17	**(7,321)**	3,159
Earned premiums, net of reinsurance		**74,385**	37,720
Claims paid – gross amount		**–**	–
Change in provision for claims – gross amount		**–**	–
Claims incurred, net of reinsurance		**–**	–
Other income		**101**	101
Net operating expenses	7	**(15,776)**	(14,131)
Balance on the general business technical account		**58,710**	23,690

Non-technical account

	Notes	2020 £000	2019 £000
Balance on the general business technical account		**58,710**	23,690
Income from financial assets at fair value through profit and loss	10	**127,696**	141,402
Net gains on the realisation of investments	10	**96,026**	55,021
Net unrealised (losses)/gains on investments	10	**(161,994)**	76,124
Investment income		**61,728**	272,547
Investment expenses and charges	10	**(23,179)**	(25,400)
Investment return		**38,549**	247,147
Profit on ordinary activities before tax		**97,259**	270,837
Tax charge on profit on ordinary activities	11	**(4,058)**	(38,002)
Profit for the financial year after tax		**93,201**	232,835
Profit for the financial year transferred to Profit and Loss Account reserves		**93,201**	232,835

The above results all relate to continuing operations and to risks located in the United Kingdom.

There were no amounts recognised in other comprehensive income in the current or preceding year other than those included in the statement of profit or loss. Therefore no statement of other comprehensive income has been presented.

Company number: 2798901

The notes on pages 32 to 53 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2020

	Notes	2020 £000	2020 £000	2019 £000	2019 £000
Assets					
Investments					
Other financial investments	12		**6,711,872**		6,796,447
Reinsurers' share of technical provisions					
Provision for unearned premiums	17		**78,845**		86,166
Debtors					
Debtors arising out of reinsurance operations	15	**75,533**		78,060	
Other debtors	16	**1,153**		2,472	
			76,686		80,532
Other assets					
Tangible assets	13	**721**		939	
Cash at bank and in hand	14	**23,908**		18,658	
			24,629		19,597
Prepayments and accrued income					
Accrued income		**32,865**		32,217	
Other prepayments		**749**		945	
			33,614		33,161
Total assets			**6,925,646**		7,015,905
Liabilities					
Capital and reserves					
Profit and Loss Account	22		**6,029,964**		6,014,375
Financial liabilities					
Other financial investments	12		**124,460**		124,709
Technical provisions					
Provision for unearned premiums	17	**143,100**		158,162	
Claims outstanding		**–**		–	
			143,100		158,162
Creditors: amounts falling due within one year					
Creditors arising out of reinsurance operations	18	**188,053**		225,386	
Other creditors including taxation and social security	19	**5,282**		42,353	
			193,335		267,739
Creditors: amounts falling due after more than one year					
Creditors arising out of reinsurance operations	18		**425,382**		423,403
Accruals and deferred income			**5,394**		5,715
Provisions	20		**4,011**		21,802
Total liabilities			**6,925,646**		7,015,905

The financial statements on pages 28 to 31 were approved by the Board of Directors on 31 March 2021 and signed on its behalf by:

Andrew G Skirton
Senior Independent Director

Barbara Merry
Director

Company number: 2798901

The notes on pages 32 to 53 form an integral part of these financial statements.

Statement of Changes in Equity

for the 12 months to 31 December 2020

	Notes	**2020 £000**	2019 £000
Profit and Loss Account reserves as at the beginning of the year		**6,014,375**	5,797,426
Profit for the year		**93,201**	232,835
Dividend paid	23	**(77,612)**	(15,886)
Profit and Loss Account reserves as at the end of the year		**6,029,964**	6,014,375

The notes on pages 32 to 53 form an integral part of these financial statements.

Statement of Cash Flows

for the 12 months to 31 December 2020

	Notes	2020 £000	2019 £000
Net cash from operating activities	21	**(16,806)**	6,461
Taxation paid		**(29,513)**	(10,934)
Interest paid		**(16,789)**	(16,791)
Net cash used in operating activities		**(63,108)**	(21,264)
Net cash from investing activities			
Purchases of tangible assets		**(140)**	(75)
Interest received		**127,696**	141,402
Proceeds from sale of other financial investments		**13,572,184**	11,541,980
Purchase of other financial investments		**(13,652,691)**	(11,712,662)
Net cash generated/(used) in investing activities		**47,049**	(29,355)
Net cash used in financing activities			
Dividend paid		**(77,612)**	(15,886)
Net decrease in cash and cash equivalents		**(93,671)**	(66,505)
Cash and cash equivalents at beginning of the year		**179,563**	246,068
Cash and cash equivalents at end of the year		**85,892**	179,563
Cash and cash equivalents consist of:			
Cash at bank and in hand		**23,908**	18,658
Short term deposits presented within other financial investments		**61,984**	160,905
Cash and cash equivalents		**85,892**	179,563

The notes on pages 32 to 53 form an integral part of these financial statements.

1 General information

The Company is a mutual company limited by guarantee, incorporated in England and Wales, with its principal place of business at Equitable House, 47 King William Street, London, EC4R 9AF. Its principal activity continues to be reinsurance in respect of losses arising from damage to, or destruction of, commercial property resulting from Acts of Terrorism within England, Wales and Scotland.

2 Statement of compliance

The Company's financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), Financial Reporting Standard 103, "Insurance Contracts" (FRS 103) and the Companies Act 2006. The financial statements have been prepared in compliance with the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

FRS 102 gives an accounting policy choice for financial instruments, namely:

(a) apply the provisions of FRS 102 in full;

(b) apply the recognition and measurement provisions of IAS 39 (as adopted by the European Union) and the disclosure requirements of FRS 102; or

(c) apply the recognition and measurement provisions of IFRS 9 and/or IAS 39 (as amended following the publication of IFRS 9) and the disclosure requirements of FRS 102.

The Company has elected to apply the recognition and measurement provisions of IAS 39 (as adopted by the European Union) and the disclosure requirements of FRS 102 in respect of financial instruments.

3 Summary of significant accounting policies

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

(a) Basis of preparation
The preparation of financial statements in conformity with FRS 102 and FRS 103 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. Any areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Going concern
Having assessed the principal risks, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

(c) Functional and presentational currency
The Company's financial statements are presented in pound sterling and rounded to thousands.

The Company's functional currency is the pound sterling.

(d) Foreign currency
Foreign currency transactions are translated into UK pound sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account for the period.

3 Summary of significant accounting policies

Translation differences on non-monetary items, such as equities held at fair value through the Profit and Loss Account, are reported as part of the fair value gain or loss.

(e) Insurance contracts

The Company's financial position and its obligations to meet claims under its agreements with Members are assured in that the Company has entered into a Retrocession Agreement with HM Government under which the Company would draw funds from HM Government if claims were to exceed the Company's resources. The Retrocession Agreement specifies circumstances in which amounts paid by HM Government will be subject to repayment by the Company. However, in certain circumstances when the Retrocession Agreement is terminated, HM Government is not entitled to repayment of amounts it has paid to the Company.

Premium is payable to HM Government for providing retrocession cover only when the funds standing to the credit of the Insurance Fund and the Investment Fund, as defined by the Retrocession Agreement, exceed £1bn. These funds are broadly equivalent to premiums received, investment income earned and investment gains, less investment losses, incurred claims, taxation and expenses, subject to certain differences in the timing of their recognition. The retrocession premium may become immediately payable, in certain circumstances, if the Company fails to comply with the conditions of the Retrocession Agreement.

The Company has reviewed the nature of the inwards and outwards reinsurance business it transacts. It is satisfied that all such business falls within the definition of Insurance Risk and has therefore treated the relevant contracts as insurance contracts for the purposes of these financial statements. All premiums disclosed in the Profit and Loss Account relate to standard insurance contracts.

(i) Technical results

The technical results are determined using the annual basis of accounting whereby the incurred costs of claims and expenses are charged against the earned proportion of premiums, net of reinsurance.

(ii) Premiums written

Premiums written relate to business that incepted during the year, together with any difference between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the Company. Where written premiums are subject to subsequent adjustment, reductions are made as soon as they are foreseen, however, potential increases are not recognised until the amount can be determined with reasonable certainty. Additional or return premiums are treated as adjustments to gross written premiums.

(iii) Unearned premiums

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 on a time apportionment basis.

The unearned premiums calculation has been carried out using the most appropriate basis available, which is considered to be the eighths basis. This basis assumes premium received for a particular quarter represents policies which incept, on average, at the mid-point of the quarter. Thus 1/8 of the premium for the first quarter, 3/8 of the premium for the second quarter, 5/8 of the premium for the third quarter and 7/8 of the premium for the fourth quarter is unearned at 31 December.

The Company calculates unearned premiums in respect of its gross written premiums and also in respect of the commercial retrocession it has purchased.

(iv) Claims incurred

Claims incurred 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 and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

3 Summary of significant accounting policies

(v) Claims provisions and reinsurance recoveries

Provision is made at the year 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 Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In estimating the cost of claims notified but not paid, the Company has regard to the cost of claims incurred by Members, both within and in excess of each Member's retention. The overall emerged claims cost is closely managed by the Company.

The nature of the underlying business is such that there is unlikely to be a significant delay between the occurrence of a claim and the claim being reported. However, there can be significant delays in assessing the Company's ultimate liability for such claims. Claims notified to the Company at the balance sheet date are estimated on a basis that reflects the current position for Members' liabilities to their policyholders, less Members' retentions.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that may be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

(vi) Outward reinsurance premiums

A creditor is recognised for outwards reinsurance premiums payable to HM Government under the terms of the Retrocession Agreement and to other commercial reinsurers.

(f) Employee benefits

The Company provides a range of benefits to employees, including a defined contribution pension plan, annual bonus arrangements and long-term incentive plans for members of senior management.

(i) Short-term benefits

Short-term benefits, including holiday pay, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays a fixed contribution into a separate entity. Once the contributions have been paid, the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in an independently administered fund.

(iii) Annual bonus arrangements

The Company operates annual bonus plans for employees. An expense is recognised in the Profit and Loss Account when the Company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

(iv) Long-term incentive plans

The Company operates cash-settled long-term incentive plans for members of senior management. The plans are based on an individual's personal targets in developing the business and deferred over a period of in excess of three years. Payment may be reduced or forfeited in instances where an individual leaves employment or a material risk event occurs. An expense is recognised in the Profit and Loss Account for the estimated maximum amount payable in respect of the incentive plans.

(g) Expenses

Capital expenditure on computer equipment and office equipment is depreciated by equal instalments over the estimated useful lives of the assets. Expenditure on computer software is written off as incurred.

All expenses are recognised on an accruals basis and, other than investment expenses, are charged to the technical account.

3 Summary of significant accounting policies

(h) Taxation

Taxation is charged on investment income receivable plus realised and unrealised gains, less interest payable and investment expenses, for the period. Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the reporting date and adjustments to tax payable in prior periods.

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at 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, including revaluation gains and losses on investments recognised in the Profit and Loss Account.

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

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

(i) Tangible assets

Tangible assets are stated at historical purchase cost less accumulated depreciation and any impairment loss. Depreciation is calculated to write off the costs of tangible assets, less their residual values, over their expected useful lives using the straight line basis. Fixtures and fittings are depreciated over the lease term of the office premises, up to the contractual break clause of October 2022. Furniture is depreciated over five years and computer and telephone equipment over two years. At each balance sheet date, tangible assets are reviewed to determine whether there is an indication that the asset may be impaired. If there is such an indication, the recoverable amount of the asset is compared to the carrying amount of the asset and, where necessary, the carrying amount is adjusted accordingly.

Additions are included at their original purchase price plus any costs directly attributable to bringing the asset to its working condition for its intended use. Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Profit and Loss Account.

(j) Leased assets

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rents payable under operating leases are charged to the Profit and Loss Account as incurred over the non-cancellable lease term.

(k) Cash and cash equivalents

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

(l) Creditors arising out of reinsurance operations

Creditors arising out of reinsurance operations include retrocession payable to HM Government, commercial retrocessionaires and premium refunds to Members.

A creditor is recognised for outward reinsurance payable to HM Government in accordance with the terms of the Retrocession Agreement between the Company and HM Government. The outward reinsurance is payable no later than 31 March in the fourth year after the year to which the gross premium written relates. At the balance sheet date the outward reinsurance presents a contractual obligation as a result of previous premiums received.

(m) Financial assets and liabilities

The Company has elected to apply the recognition and measurement provision of IAS 39 (as adopted for use in the EU) and the disclosure requirements of sections 11 and 12 of FRS 102 in respect of financial instruments.

3 Summary of significant accounting policies

Under IAS 39, financial assets and liabilities are classified in one of the following categories:

(a) Financial assets at fair value through profit or loss
(b) Available-for-sale financial assets
(c) Loans and receivables
(d) Held-to-maturity investments

The Company accounts for all financial assets and liabilities at fair value through profit or loss.

The Company recognises a financial asset or liability at the time it becomes a party to the instruments' contractual provisions. When a financial asset or liability is recognised initially, the Company measures it at its fair value (excluding transactions costs). Fair value is the amount for which an asset is exchanged, or a liability settled.

After initial recognition, the Company measures financial assets and liabilities, including derivatives, at their fair values, without any deduction for transaction costs it may incur on sale or other disposal. All unrealised gains and losses on financial assets that are measured at fair value are taken to the Profit and Loss Account.

Derecognition of a financial asset occurs only when the Company has transferred the asset's risk and rewards (either substantially or partially) or control of the contractual rights have been transferred from the seller to the buyer. On derecognition, realised gains and losses, being the difference between the amount received and the asset's carrying amount, are recognised in the Profit and Loss Account.

Derecognition of financial liabilities focus solely on the legal release of the contractual obligations. On derecognition, realised gains and losses, being the difference between the consideration paid and the liability's carrying amount, are recognised in the Profit and Loss Account.

The carrying values of debtors, prepayments and accrued income are reported at the transaction price.

The carrying values of creditors, accruals and deferred income are assumed to approximate to their fair values due to the short-term nature of the liabilities.

(n) Other debtors

Receivables are recognised and carried at the lower of their originally invoiced value and recoverable amount. Where the time value of money is material the receivables are carried at amortised cost. Provisions are made where there is objective evidence that the amount will not be recovered in full.

(o) Investment return

Investment income, which is all included in the non-technical account, is determined on an accruals basis. Realised gains or losses represent the difference between net sales proceeds and the purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and the purchase price or, if previously valued, the fair value at the previous balance sheet date.

Adjustments are made in respect of investments realised during the year where unrealised gains or losses were previously recognised in the Profit and Loss Account.

Dividend income is recognised when the right to receive payment is established.

(p) Distributions

Distributions to the Company's Members are calculated in accordance with the terms of the Retrocession Agreement between the Company and HM Government and are recognised in the financial statements for the period in which the distributions are declared and paid.

(q) Related party transactions

Where the Company has entered into related party transactions, the nature of the related party relationship as well as information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements are disclosed in the notes to the financial statements.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgement is required to categorise financial assets and liabilities under the fair value hierarchy classifications defined in FRS 102. The Company exercises judgement in determining whether a market is active and if valuations in these markets reliably reflect the price of an arm's length transaction. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques utilising observable and unobservable inputs. The risks related to these judgements are set out in note 5 below.

There are currently no other significant judgements or estimates to disclose in connection with applying the accounting policies.

5 Management of insurance and financial risk

(a) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is unpredictable.

The Company's approach to the management of insurance risk is influenced by the commitments contained in the agreements which form the foundations of the Company's scheme. The Company undertakes to accept all risks presented to it which meet the criteria of the scheme and has a Retrocession Agreement with HM Government which makes funds available where it faces claims beyond the extent of its ability to pay from its own resources. Under the PRA capital regime the Company has a capital resource requirement set equal to zero. These arrangements are designed to ensure that the Company can accept all exposures presented to it without limit.

In turn, these arrangements ensure that the Company can provide primary insurers with the reinsurance protection they need to enable them to provide terrorism cover to all clients upon request to the full extent of their policy programme. Hence it is not an objective to limit the assumption of insurance risk but to ensure that:

- risks accepted fall within the criteria set by the scheme and fall within the scope of the Retrocession Agreement;
- pricing is fair between the Members of the scheme; and
- administration arrangements are in place in the event of a major claim.

The Company's appetite for insurance risk is therefore unlimited, provided that losses will ultimately be met by its funds and its retrocessional cover.

The Company reduces its sensitivity to insurance risk through the purchase of commercial retrocession protection. The Company has entered two contracts, the first is a three year rolling contract covering terrorism losses which are triggered by damage, annually cancellable at the Company's option, or at the reinsurers' option if they are in deficit. Covered loss in the reinsurance agreement means all losses arising under any of the Heads of Cover as a result of damage to or destruction of property, the proximate cause of which is an act of terrorism. The cover is in three layers totalling £2,325m with an attachment point of £400m, with the £75m Insurance Linked Security (ILS) bond sitting in the second layer alongside the traditional retrocession, thereby giving total protection of £2,400m. The price paid for the period 1 March 2020 to 28 February 2021 of £40.0m includes broker commission and equates to a signed rate on line of 1.72. The reinsurance cover is fully back to back with the cover the Company provides to Members. The minimum credit rating for reinsurers accepted is A– and the contract incorporates a downgrade clause allowing the Company to remove a reinsurer if its rating is downgraded.

The second contract was incepted in 2019 to reflect the extension of Pool Re's cover to include non-damage business interruption. This is a separate placement to the main retrocession and only covers terrorism losses caused by non-damage business interruption. The placement is a single layer of cover for £40m attaching at £15m. The price paid for the period 5 July 2019 to 30 September 2020 of £698k includes broker commission and equates to a signed rate on line of 1.74. Cover was extended for the period 1 October 2020 to 28 February 2021 for £269k, which equates to a signed rate on line of 1.74.

On 25 February 2019, the Company placed a three year ILS bond with a principal amount of £75m, the bond was issued through a special purpose vehicle (SPV), Baltic PCC Limited. The bond (Baltic PCC Series 2019 Class A Principal At-Risk Variable Rate Notes 07/03/2022) had an initial interest spread of 5.90%, with an updated interest spread of 6.00% as of 10 February 2020 and a maturity date of 7 March 2022, with the loss period commencing on 1 March 2019. The issue has an initial attachment level of £500m, with an exhaustion level of £700m. The cover is fully back to back with the cover the Company provides to Members.

5 Management of insurance and financial risk

The table below shows claims outstanding at the end of the reporting year. Significant controls are in place to ensure, to the extent possible, that liquid funds are available to meet claims or a series of claims as and when necessary.

Claim development table

Reporting year	2016 £000	2017 £000	2018 £000	2019 £000	**2020 £000**
Estimate of ultimate claims costs:					
At end of reporting year	–	792	–	–	**–**
One year later	–	787	–	–	
Two years later	–	–	–		
Three years later	–	–			
Four years later	–				

Reporting year	2016 £000	2017 £000	2018 £000	2019 £000	**2020 £000**	Total £000
Current position:						
Current estimate of cumulative claims	–	787	–	–	**–**	787
Cumulative payments to date	–	(787)	–	–	**–**	(787)
Liability recognised in the balance sheet	–	–	–	–	**–**	–

There are no claims outstanding at 31 December 2020.

(b) Financial risk management objectives

The overall financial risk management objective is to invest the Company's assets against the contingency that they may be required in the short term to deal with a claim or series of claims, but with recognition that they may not be called upon for long periods.

The Company has adopted risk policies to address the management of its financial risks and there are procedures in place to identify, assess and manage the risks faced by the Company.

The Board has set an investment strategy and has employed a number of independent investment managers under specific mandates to administer the Company's investments. In addition, the Company has an Investment Committee which considers all aspects of the Company's investment activity and, where appropriate, makes recommendations to the Board.

The investment strategy rests on the two main objectives for the fund of stability and liquidity, with the asset allocation aligned to these. Two stability risk measures and one liquidity risk measure have been adopted and risk budgets have been agreed in respect of each measure.

The investment portfolio is diversified and the investment policy sets limits on the Company's exposure to various types of investment. There is a formal process to review regularly and, where appropriate, rebalance the asset allocation towards the target allocation.

Reports on investment performance are considered at the quarterly Investment Committee meetings and as a standing item in the Company's quarterly Board meetings. The Company meets regularly with the investment managers and the custodians and there is a process for considering and resolving any operational issues which arise. The Company also reviews the investment manager and custodian System and Organisation Controls (SOC) reports on an annual basis where applicable.

Derivative contracts are used by the Company only for the purposes of efficient portfolio management. Hence, derivatives are used to reduce risk, to reduce cost or to generate additional capital or income at a risk level consistent with the risk profile of the Company.

The Company is exposed to a range of financial risks through its financial assets, financial liabilities and policyholder liabilities, the most important of which are market (equity price, commodity price, interest rate and currency), credit and liquidity risk.

5 Management of insurance and financial risk

(i) Market risk

Equity price risk

The Company is exposed to equity price risk as a result of changes in the value of its holdings in direct equity and equity derivative instruments which are included within financial assets at fair value.

In order to mitigate its exposure to the risk of changes in the prices of individual equities, the Company has a broadly diversified portfolio of global equities which are managed on a passive basis against well-established market indices.

The table below shows the profit/loss impact should equity market indices increase/decrease by 30%, with all other market variables held constant.

	2020 £000	2019 £000
Notional exposure to equity markets	**892,108**	1,128,117
Sensitivity to 30% movement in value of equities	**267,461**	338,140
Total equity market exposure	**13.5%**	16.9%

Commodity price risk

The Company is exposed to commodity price risk as a result of changes in the value of its holdings in commodity funds and commodity derivative instruments which are included within financial assets at fair value.

The table below shows the profit/loss impact should commodity market indices increase/decrease by 30%, with all other market variables held constant.

	2020 £000	2019 £000
Notional exposure to commodity markets	**208,720**	190,515
Sensitivity to 30% movement in value of commodities	**62,616**	57,155
Total commodity market exposure	**3.2%**	2.9%

Interest rate risk

The Company is exposed to interest rate risk which arises primarily from investments in fixed interest securities.

Modified duration has been used as the measure of sensitivity of the Company's fixed interest portfolio to changes in interest rates. Modified duration is the weighted average of the duration of each holding in the portfolio, taking into account the key characteristics of the coupon, maturity and cash flows.

The Company uses certain derivatives to mitigate this interest rate risk. Investments in derivatives are governed by specific provisions within the investment mandates and can only be made for the purposes of efficient portfolio management.

The table below shows the value of the Company's holdings of financial assets and liabilities reported within other financial investments exposed to interest rate risk at the year end. This shows the profit/loss impact of a 50 basis point, parallel decrease/increase in interest rates assuming all other assumptions remain unchanged.

	2020 £000	2019 £000
Notional exposure of assets to interest rate risk	**5,385,660**	5,271,523
Notional exposure of liabilities to interest rate risk	**10**	10
Sensitivity to 0.5% movement in interest rates	**46,353**	47,447
	Years	Years
Average modified duration	**1.72**	1.80

5 Management of insurance and financial risk

The Company is also exposed to interest rate risk on financial liabilities relating to reinsurance operations. The value of financial liabilities relating to reinsurance operations exposed to interest rate risk at year end was £611,431k (2019: £647,107k). This exposure relates to outward retrocession premium payable to HM Government falling due within one year of £186,049k (2019: £223,704k) and outward retrocession premium payable to HM Government falling due after more than one year of £425,382k (2019: £423,403k).

Currency risk

The Company is exposed to currency risk in respect of investments denominated in a currency other than Sterling.

The Company's policy is to manage its exposure to non-Sterling currencies through the use of forward contracts.

The table below shows the value of assets denominated in currencies other than Sterling not covered by foreign exchange contracts at the year end. The table also shows the profit/loss if Sterling had weakened/strengthened by 25% against the mix of currencies within the uncovered portion of the Company's investment fund, with all other variables held constant.

	2020 £000	2019 £000
Unhedged investments	**508,650**	541,829
Sensitivity to 25% movement in value of Sterling on unhedged investments	**127,162**	135,457

The table below shows the impact on profit from changes in foreign currency exchange rates of 25% against Sterling on the Company's top five currency exposures.

Currency	**2020 Fair value of asset £000**	**2020 Increase/decrease in profits £000**	2019 Fair value of asset £000	2019 Increase/decrease in profits £000
EUR	**53,856**	**13,464**	60,082	15,021
HKD	**29,639**	**7,410**	37,523	9,381
JPY	**63,525**	**15,881**	81,277	20,319
KRW	**19,975**	**4,994**	23,897	5,974
USD	**164,597**	**41,149**	197,642	49,410
	331,592	**82,898**	400,421	100,105

(ii) Credit risk

Credit risk arises from the failure of a counterparty to perform its financial obligations, including a failure to perform those obligations in a timely manner. The Company's investment policies are designed to restrict the level of credit risk in the fund by setting limits on individual investments or groups of investments. Such limits are set by reference to the credit ratings determined by established credit rating agencies and individual issuer limits.

The Company assesses the condition and creditworthiness of financial depositories by reviewing credit grades provided by rating agencies and other publicly available information. The Company also places limits on the level of counterparty exposure to financial depositories.

The total exposure of the investment fund to credit risk at the year end was £5,639,762k (2019: £5,518,508k), representing the total value of bonds, derivative financial instruments, deposits with credit institutions and cash at bank and in hand. Of this total, 70% (2019: 51%) was invested in UK Government Gilts and other AAA/AA rated securities.

5 Management of insurance and financial risk

A full analysis is set out below:

	2020 £000	2019 £000
Shares and other variable yield securities and units in unit trusts	**42,126**	24,895
Debt securities	**5,296,987**	5,093,401
Deposits with credit institutions	**181,456**	283,409
Derivative financial instruments	**82,183**	93,496
Cash at bank and in hand	**36,003**	21,014
Other debtors	**1,007**	2,294
Total assets bearing credit risk	**5,639,762**	5,518,508

	2020 %	2019 %
AAA	**16**	16
AA	**54**	36
A	**17**	28
BBB	**5**	10
BB	**2**	2
B	**1**	1
Not rated	**5**	7
Total assets bearing credit risk	**100**	100

At the balance sheet date, excluding UK Government Gilts and US Government Securities, the maximum credit risk exposure to a single counterparty amounted to 1.1% of the Net Asset Value (2019: 1.4%).

The table below details the margin requirements for derivative financial instruments at year end. The table also shows cash collateral positions in respect of foreign exchange derivatives at year end.

	2020 £000	2019 £000
Initial margin requirements	**2,301**	1,886
Collateral pledged	**75,745**	77,569
Collateral received	**119,459**	114,583

The Company receives reports from its investment managers detailing any breaches of mandates including those resulting from defaults and past due items. No financial assets of material value were past due or impaired at the year end.

With regard to the credit risk associated with the debtors arising from reinsurance operations, all material balances outstanding at the year end were fully paid by the end of February 2021.

(iii) Liquidity risk

As stated above, the Company's overall financial risk management objective is to invest the assets against the contingency that they may be required in the short term to deal with a claim or series of claims, but with recognition that they may not be called upon for long periods. In respect of short-term liquidity, the benchmark investment portfolio provides for 33% of the Company's total investment assets to be self-liquidating within 18 months, comprising bonds with maturities of less than 18 months. At 31 December 2020, 52% (2019: 44%) of the Company's investment assets were held in bonds with maturities of less than 18 months.

Cash and cash equivalents reported within the Statement of Cash Flows include cash collateral positions in respect of foreign exchange derivative contracts at year end. Collateral positions are included within Deposits with credit institutions and are regarded as encumbered.

5 Management of insurance and financial risk

The table below sets out the Company's collateral positions.

	2020 £000	2019 £000
Collateral pledged	**75,745**	77,569
Collateral received	**(119,459)**	(114,583)
	(43,714)	(37,014)

The Company has financial liabilities shown on the face of the Balance Sheet in respect of creditors, foreign exchange derivatives, equity derivatives, bond futures, interest rate derivatives, total return swaps and credit default swaps. The table below is a maturity analysis of the Company's financial liabilities. Cash flows in respect of derivative liabilities are shown on an undiscounted basis.

Financial liabilities and outstanding claims as at 31 December 2020

	Within 1 year £000	Between 1 year and 2 years £000	Between 2 years and 5 years £000	Over 5 years £000	**Total £000**
Deposits with credit institutions	119,456	–	–	–	**119,456**
Derivatives	5,004	–	–	–	**5,004**
	124,460	–	–	–	**124,460**
Claims outstanding	–	–	–	–	**–**
Provisions	–	4,011	–	–	**4,011**
Creditors arising from reinsurance operations	188,053	249,101	176,280	–	**613,435**
Other creditors including taxation and social security	5,282	–	–	–	**5,282**
	317,795	253,113	176,280	–	**747,188**

Financial liabilities and outstanding claims as at 31 December 2019

	Within 1 year £000	Between 1 year and 2 years £000	Between 2 years and 5 years £000	Over 5 years £000	Total £000
Deposits with credit institutions	122,312	–	–	–	122,312
Derivatives	2,397	–	–	–	2,397
	124,709	–	–	–	124,709
Claims outstanding	–	–	–	–	–
Provisions	–	21,802	–	–	21,802
Creditors arising from reinsurance operations	225,386	182,224	241,179	–	648,789
Other creditors including taxation and social security	42,353	–	–	–	42,353
	392,448	204,026	241,179	–	837,653

The carrying values of the above liabilities are assumed to approximate their fair values due to the nature of the liabilities.

It is the intention of the Company to close out all derivative financial instruments with negative fair value positions in 2021, therefore cash flows in respect of these derivative liabilities are included within 1 year in the maturity analysis above.

(iv) Capital management

The Company falls within the exclusion in Article 11 of EU Directive 2009/138/EC (Solvency II Directive). Following applications by the Company, in November 2020 the PRA extended certain waivers previously granted to the Company under section 138A of the Financial Services and Markets Act 2000, such that those waivers continue until 1 January 2026. The principal effects of those waivers are that the Company is not regulated as if subject to Solvency II and the Company's Capital Resources Requirement is zero. The Company also benefits from a waiver of certain reporting requirements, which continues in force until 31 March 2022.

5 Management of insurance and financial risk

Notwithstanding these waivers, the Company maintains an efficient capital structure consistent with its risk profile and the requirements of its business.

The Company's objectives in managing its capital are:
- to consider the profile of its assets in the context of its liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support business growth;
- to satisfy the requirements of its regulators, its Members and its ultimate policyholders;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets; and
- to manage exposures to movement in exchange rates.

As detailed in note 5(a) the Company considers not only traditional sources of capital funding but also reinsurance as an alternative source of capital.

(v) Fair value estimation

The Company classifies financial instruments held at fair value in the Balance Sheet into the following levels according to the definitions below. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement.

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The following tables show the Company's financial assets and financial liabilities measured at fair value:

Financial assets as at 31 December 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable-yield securities and units in unit trusts	831,394	335,099	13,617	1,180,110
Debt securities and other fixed income securities	3,015,646	2,249,510	911	5,266,067
Deposits with credit institutions	75,745	105,696	–	181,441
Other (including derivative instruments)	50	84,204	–	84,254
	3,922,835	**2,774,509**	**14,528**	**6,711,872**

Financial liabilities as at 31 December 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Deposits with credit institutions	119,456	–	–	119,456
Other (including derivative instruments)	50	4,954	–	5,004
	119,506	**4,954**	**–**	**124,460**

Financial assets as at 31 December 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable-yield securities and units in unit trusts	1,087,777	265,201	1,217	1,354,195
Debt securities and other fixed income securities	1,700,898	3,362,134	827	5,063,859
Deposits with credit institutions	85,298	197,919	–	283,218
Other (including derivative instruments)	241	94,935	–	95,176
	2,874,214	3,920,189	2,044	6,796,448

Financial liabilities as at 31 December 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Deposits with credit institutions	(122,312)	–	–	(122,312)
Other (including derivative instruments)	(53)	(2,344)	–	(2,397)
	(122,365)	(2,344)	–	(124,709)

5 Management of insurance and financial risk

The fair value of assets included in Level 1 are determined by the unadjusted quoted bid price in an active market at the balance sheet date. At the year-end these assets comprised mainly developed market government bonds (including index-linked government bonds), listed equities and exchange traded derivatives.

If quoted prices in active markets are not available as defined in Level 1, the fair value of the asset can be determined using a valuation technique with inputs that are observable (i.e. using market data), either directly or indirectly. Assets valued using such valuation techniques are categorised in Level 2. The Company has classified corporate bonds, emerging market government and semi-government bonds, asset backed securities and over the counter (OTC) derivatives within Level 2. The Company closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured.

Where it is determined that there is no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information and reflect appropriate adjustment for the risks of the instrument. These valuation techniques maximise the use of observable market data where available and rely as little as possible on entity specific estimates. The Company's Level 3 financial instruments consist of unlisted equity and debt securities issued by a single counterparty and investments in limited partnership structures.

The unlisted equity and debt securities issued by a single counterparty are valued by the investment manager utilising trading multiples of comparable public companies based on industry, size, developmental stage and strategy. Trading multiples for each comparable company have been calculated as the enterprise multiple (enterprise value divided by earnings before interest, taxes, depreciation and amortisation). The enterprise multiple is adjusted for risk factors such as liquidity, credit and market risk, as well as instrument specific factors. The valuation is approved by a committee of the investment manager and reviewed on a regular basis.

Investments in limited partnership structures are valued utilising a variety of techniques dependent on the nature of the underlying portfolio companies within the partnership. Valuation techniques employed include relative valuation methodologies such as discounted public company and private merger and acquisition comparables, discounted cash flow models including enterprise value to trailing twelve month revenue and transactional valuations based on pre and post-money valuations. Cost, plus or minus the net income advised as attributable to the Company at the reporting date is taken as a reliable measurement of fair value where investments have not been revalued since initial recognitition.

Total capital committed to limited partnerships is £47,267k, with capital called to date at 31 December 2020 of £13,360k. The fair value of limited partnerships reported in Level 3 is £13,562k.

The Company has a robust review process in place to ensure appropriate inputs and prices are used by the investment manager. This includes analysing significant valuation movements and undertaking periodic service reviews to discuss any changes in pricing methodology. Management has assessed the use of fair value measurement on financial instruments classified as Level 3 and determined the valuations have no material impact on the presentation of the financial statements.

	Level 3 £000
As at 31 December 2019	2,044
Acquisitions	12,362
Disposals	–
Transfers into Level 3	–
Net gains recognised at fair value through profit or loss	122
As at 31 December 2020	**14,528**

6 Gross premiums written and outward reinsurance premiums

Gross premiums written by the Company in 2020 totalled £284,976k (2019: £317,082k). This all relates to the Company's principal activity which is reinsurance business conducted on a mutual basis from risks located in England, Wales and Scotland.

Under the Company's Retrocession Agreement with HM Government, 50% (2019: 50%) of the value of gross premiums written incepting during the year is payable as outward reinsurance premiums to HM Government. In 2020 this amounted to £142,505k (2019: £158,637k).

In addition, Further Premium is payable to HM Government in accordance with the Retrocession Agreement. This is calculated as 25% (2019: 25%) of the Surplus reported by the Company. Surplus, for these purposes, is defined and calculated as earned premium, plus investment income, minus 50% share of premium paid to HM Government and commercial reinsurance cost, minus claims incurred, minus operating expense, minus investment expense, minus tax. In 2020 this amounted to £31,067k (2019: £77,612k).

Commercial retrocession has also been purchased, as described further in note 5(a) insurance risk. In 2020 this amount was £44,760k (2019: £41,930k).

7 Net operating expenses

(a) Net operating expenses

	2020 £000	2019 £000
Administrative expenses (including auditor's remuneration)	**15,776**	14,131

(b) Auditor's remuneration

	2020 £000	2019 £000
Fees payable to the Company's auditors for the audit of the Company's financial statements	**91**	92
Fees payable to the Company's auditors for other services:		
Other assurance services	**24**	23
	115	115

The auditor's remuneration figures above are stated excluding VAT.

8 Operating lease rentals

	2020 £000	2019 £000
Operating lease rentals payable for the year:		
Land and buildings	**410**	410
Plant and machinery	**4**	5
	414	415

8 Operating lease rentals

The Company had the following future minimum lease payments (excluding VAT) under non-cancellable operating leases for each of the following periods:

	2020 £000	2019 £000
Payments due:		
Not later than one year	**410**	410
Later than one year and not later than five years	**338**	748
Later than five years	**–**	–
	748	1,158

The Company entered into a 10 year operating lease for the current office premises with effect from 28 October 2016, with a break clause after the 6th year.

9 Employees and directors

The monthly average number of persons employed on a full time equivalent basis by the Company during the year was 31 (2019: 31).

Employees	2020 £000	2019 £000
Staff costs for these persons were:		
Wages and salaries	**5,257**	5,069
Social security costs	**759**	711
Other pension costs	**310**	291
	6,326	6,072

Directors	2020 £000	2019 £000
The directors' emoluments were as follows:		
Aggregate emoluments	**440**	398
Sums paid to third parties for director services	**–**	49
	440	447

Highest paid director	2020 £000	2019 £000
The highest paid director's emoluments were as follows:		
Aggregate emoluments	**95**	90

Key management compensation
Key management includes the directors and members of senior management. The compensation paid or payable to key management for their services is shown below:

	2020 £000	2019 £000
Salaries and other short-term benefits	**2,701**	2,892
Long-term incentive plans	**801**	689
	3,502	3,582

The long-term incentive plan awarded for services performed in 2020 is payable in 2022, 2023 and 2024 in three equal instalments. Where an individual leaves employment or a material risk event occurs, payment may be reduced or forfeited.

10 Investment return

	2020 £000	2019 £000
Income from financial assets at fair value through profit and loss	**127,696**	141,402
Net gains on the realisation of investments	**96,026**	55,021
Net unrealised (losses)/gains on investments	**(161,994)**	76,124
Investment income	**61,728**	272,547
Investment expenses and charges		
Investment management and other charges	**(8,723)**	(7,482)
Interest payable on outwards reinsurance to HM Government		
Less than one year	**(3,955)**	(4,618)
Greater than one year	**(7,415)**	(9,088)
Interest payable on outwards reinsurance – further premiums to HM Government		
Less than one year	**(406)**	(1,543)
Greater than one year	**(2,680)**	(2,669)
	(23,179)	(25,400)
Total investment return	**38,549**	247,147

11 Tax on profit on ordinary activities

	2020 £000	2019 £000
Tax on profit on ordinary activities comprised:		
United Kingdom Corporation Tax		
Current tax on income for the year at 19.00% (2019: 19.00%)	**(19,086)**	(20,026)
Withholding tax deducted from investment income	**(2,132)**	(2,345)
Adjustments in respect of prior years	**(631)**	–
Total current tax	**(21,849)**	(22,371)
Deferred tax asset – origination of timing differences at 19.00% (2019: 19.00%) – Note 20	**–**	(6,873)
Deferred tax liability – origination and reversal of timing differences at 19.00% (2019: 19.00%) – Note 20	**17,791**	(8,758)
Tax on profit on ordinary activities	**(4,058)**	(38,002)

11 Tax on profit on ordinary activities

Factors affecting the tax charge for the year

The tax assessed for the year is different from the standard rate of UK Corporation Tax: 19.00% (2019: 19.00%). The differences are explained below:

	2020 £000	2019 £000
Non-technical account		
Profit on ordinary activities before tax	**97,259**	270,837
Corporation Tax at the standard UK rate of 19.00% (2019: 19.00%) on profit on ordinary activities	**(18,479)**	(51,459)
Adjustments for non-taxable items. Tax at 19.00% (2019: 19.00%) on:		
Technical income	**11,732**	4,521
Dividend income	**5,232**	4,712
Other investment expenses, capital allowances and bank charges	**(99)**	405
Investment gains on equities	**1,509**	14,537
Investment gains on index-linked government bonds	**1,444**	4,365
Foreign taxes	**(2,122)**	(2,345)
Adjustments in respect of prior year	**(652)**	–
Carried forward tax losses	**–**	2,892
Deferred tax charge	**(2,623)**	(15,630)
Tax on profit on ordinary activities	**(4,058)**	(38,002)

12 Other financial investments

	2020 £000	2019 £000
Other financial investments comprised:		
Financial assets		
Shares and other variable-yield securities and units in unit trusts	**1,180,110**	1,354,195
Debt securities and other fixed income securities	**5,266,067**	5,063,859
Deposits with credit institutions	**181,441**	283,218
Derivatives	**84,254**	95,176
	6,711,872	6,796,448
Financial liabilities		
Deposits with credit institutions	**(119,456)**	(122,312)
Derivatives	**(5,004)**	(2,397)
	(124,460)	(124,709)

All financial investments are accounted for at fair value with the movement in fair value passed through the Profit and Loss Account.

As at 31 December 2020 the purchase cost of shares and other variable-yield securities was £1,159,002k (2019: £1,225,827k), the purchase cost of debt securities and other fixed income securities was £5,293,584k (2019: £5,046,014k), the purchase cost of deposits with credit institutions was £62,766k (2019: £163,020k) and the purchase cost of derivatives was £56k (2019: £285k).

12 Other financial investments

The tables below show fair values of derivative contracts outstanding at the year end:

	2020 £000 Fair value	**2020 £000 Notional**	2019 £000 Fair value	2019 £000 Notional
Assets				
Foreign exchange contracts	**83,958**	**2,669,862**	94,764	4,084,373
Futures contracts	**50**	**2,134**	241	27,977
Option contracts	**96**	**14,062**	54	1,442
Swap contracts	**150**	**24,748**	117	7,652
	84,254	**2,710,806**	95,176	4,121,445

	2020 £000 Fair value	**2020 £000 Notional**	2019 £000 Fair value	2019 £000 Notional
Liabilities				
Foreign exchange contracts	**4,908**	**573,032**	1,762	167,662
Futures contracts	**51**	**5,944**	53	9,194
Option contracts	**21**	**14,878**	7	1,434
Swap contracts	**24**	**3,725**	575	28,598
	5,004	**597,579**	2,397	206,888

The movement through the Profit and Loss Account for derivatives was as follows: foreign exchange contracts produced a gain of £1,684k (2019: gain of £109,498k); futures contracts produced a loss of £97k (2019: loss of £21,613k); option contracts produced a gain of £1,025k (2019: loss of £1,406k) and swap contracts produced a gain of £36k (2019: loss of £103k).

13 Tangible assets

	Computer and telephone equipment £000	Fixtures and fittings £000	Furniture £000	Total £000
Book cost				
At 1 January 2020	408	1,366	300	2,074
Additions	90	–	53	143
Disposals	(217)	–	–	(217)
At 31 December 2020	**281**	**1,366**	**354**	**2,000**
Accumulated depreciation				
At 1 January 2020	348	632	155	1,135
Charge for the year	48	248	62	359
Disposals	(214)	–	–	(214)
At 31 December 2020	**182**	**881**	**217**	**1,280**
Net book value				
At 31 December 2020	**98**	**485**	**137**	**720**
At 31 December 2019	60	734	145	939

The charge for depreciation for the year ended 31 December 2020 was £359k (2019: £355k).

14 Cash at bank and in hand

	2020 £000	2019 £000
Cash at bank	**1,300**	490
Cash in investments	**22,608**	18,168
Cash at bank and in hand	**23,908**	18,658

The average interest rate earned by the Company on cash at bank and in hand was 0.00% (2019: 0.00%).

15 Debtors arising out of reinsurance operations

The Company has debtors arising out of reinsurance operations of £75,533k (2019: £78,060k) at the year end. The debtors balance comprises gross written premiums from Members corresponding to the fourth quarter of the year. The balance has since been received in full.

16 Other debtors

	2020 £000	2019 £000
Other debtors comprised:		
Investment debtors	**1,008**	2,294
Other debtors	**145**	179
	1,153	2,472

17 Provision for unearned premiums

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

	Gross 2020 £000	Gross 2019 £000	Reinsurers' share 2020 £000	Reinsurers' share 2019 £000
At 1 January	**158,162**	153,820	**86,166**	83,008
(Decrease)/Increase in provision	**(15,061)**	4,341	**(7,321)**	3,159
At 31 December	**143,100**	158,162	**78,845**	86,166

18 Creditors arising out of reinsurance operations

The Company has creditors arising out of reinsurance operations falling due within one year which are made up as follows:

	2020 £000	2019 £000
Retrocession payable to HM Government on 31 March 2021 (2019: 31 March 2020)	**186,049**	223,704
Reinsurance creditor	**1,036**	994
Payables	**968**	688
	188,053	225,386

Retrocession outstanding at the year end falling due within one year is in respect of 2018 (2019: in respect of 2017) and prior underwriting periods in line with payment terms outlined in the agreement with HM Government.

The Company has creditors arising out of reinsurance operations falling due after more than one year which are made up as follows:

	2020 £000	2019 £000
Retrocession payable to HM Government on 31 March 2022 (2019: 31 March 2021)	**249,101**	182,224
Retrocession payable to HM Government on 31 March 2023 (2019: 31 March 2022)	**176,280**	241,179
	425,382	423,403

Retrocession outstanding at the year end falling due after more one year is in respect of 2019 and 2020 (2019: in respect of 2018 and 2019) in line with payment terms outlined in the agreement with HM Government.

19 Other creditors including tax and social security

	2020 £000	2019 £000
Other creditors comprised:		
Investment creditors	**2,844**	32,285
Current taxation	**2,262**	9,862
Other creditors	**176**	206
	5,282	42,353

20 Provisions

	2020 £000	2019 £000
Provisions for deferred tax:		
At 1 January	**21,802**	6,172
Profit and Loss Account (credit)/charge	**(17,791)**	15,630
At 31 December	**4,011**	21,802

A deferred tax liability of £4,011k has been recognised in respect of timing differences on the realisation of equity investments at 31 December 2020 (2019: £21,802k).

21 Reconciliation of operating profit to net cash inflow from operating activities

	2020 £000	2019 £000
Profit for the financial year transferred to Profit and Loss Account reserves	**93,201**	232,835
Adjustments:		
Tax on profit on ordinary activities	**4,058**	38,002
Net unrealised losses/(gains) on investments	**161,994**	(76,124)
Net realised gains on investments	**(96,026)**	(55,021)
Income from financial assets at fair value through profit and loss	**(127,696)**	(141,402)
Depreciation	**359**	355
Interest expense	**14,458**	17,918
Decrease/(increase) in reinsurers' share of technical provisions	**7,321**	(3,158)
Decrease in debtors excluding tax receivable	**3,846**	5,350
Decrease/(increase) in prepayments and accrued income	**275**	(548)
(Decrease)/increase in technical provisions	**(15,061)**	4,342
Decrease in creditors, accruals and deferred income excluding interest and tax payable	**(63,535)**	(16,088)
Net cash inflow from operating activities	**(16,806)**	6,461

22 Movements in the Profit and Loss Account

	2020 £000	2019 £000
Profit and Loss Account at 1 January	**6,014,375**	5,797,426
Profit for the financial year	**93,201**	232,835
Dividend paid	**(77,612)**	(15,886)
Profit and Loss Account at 31 December	**6,029,964**	6,014,375

23 Distribution to Members

At an Extraordinary General Meeting held on 21 November 2014, amendments to the Retrocession Agreement between Pool Re and HM Government were approved by Members. The new terms, which took effect from 1 January 2015, include the provision for the Company to pay a dividend to Members in the event that it has earned a profit in the year, equal to 25% of the profit after tax, before Further Premium payable to HM Government.

The Board declared such a dividend on 11 June 2020 in respect of its 2019 results. The amount of the dividend paid was £77,612k (2019: £15,886k).

24 Floating charge over the Company's assets

On 7 September 1993 and on 2 February 2017 the Company executed debenture deeds granting HM Government floating charges over the Company's assets. The deeds and associated charges relate respectively to the Retrocession Agreements applicable up to and including 31 December 2014 and from 1 January 2015. The terms of the charges restrict the Company from creating further charges without the consent of HM Government. The floating charges crystallise and take effect as a fixed charge in the event, inter alia, of default by the Company in meeting certain of its obligations to HM Government under the relevant Retrocession Agreement and upon termination of that Agreement.

25 Related party transactions

In 2020 the Company purchased risk management and cyber security advice in the ordinary course of business through S-RM Intelligence & Risk Consulting Limited totalling £87k (2019: £91k). At 31 December 2020 there was an outstanding balance of £7k (2019: £10k). Edward Butler, Chief Resilience Officer at the Company, was an advisor and shareholder of S-RM Intelligence & Risk Consulting Limited until 31 October 2020, at which date he stood down from his position and disposed of all shareholdings.

Key management compensation is disclosed in total in note 9.

26 Subsequent events

At the date of the approval of the financial statements there are no known subsequent events.

Profile of Membership
as at 31 December 2020

	Number of Members	Percentage of Members	Number of Votes	Percentage of Votes
Analysis by Jurisdiction				
Belgium	2	1.3%	11	0.4%
Bermuda	1	0.7%	2	0.1%
France	4	2.7%	1	0.0%
Germany	3	2.0%	10	0.3%
Gibraltar	2	1.3%	2	0.1%
Guernsey	21	14.0%	92	3.2%
Iceland	1	0.7%	0	0.0%
Ireland	12	8.0%	70	2.4%
Isle of Man	9	6.0%	29	1.0%
Italy	1	0.7%	2	0.1%
Liechtenstein	2	1.3%	2	0.1%
Luxembourg	2	1.3%	4	0.1%
Malta	1	0.7%	1	0.0%
Spain	1	0.7%	1	0.0%
United Kingdom	59	39.3%	2,637	90.4%
United States of America	3	2.0%	9	0.3%
	124	82.7%	2,873	98.5%
Active Underwriters of Lloyd's Syndicates	26	17.3%	45	1.5%
	150	100.0%	2,918	100.0%
Analysis by Number of Votes				
0	37	24.7%	0	0.0%
1–25	95	63.3%	471	16.1%
26–50	7	4.7%	248	8.5%
51–100	5	3.3%	343	11.8%
101–150	1	0.7%	143	4.9%
151–200	0	0.0%	0	0.0%
201–250	2	1.3%	456	15.6%
251–300	1	0.7%	276	9.5%
301–350	1	0.7%	342	11.7%
351–400	0	0.0%	0	0.0%
401–450	0	0.0%	0	0.0%
451–500	0	0.0%	0	0.0%
501–550	0	0.0%	0	0.0%
551–600	1	0.7%	639	21.9%
601–650	0	0.0%	0	0.0%
651–700	0	0.0%	0	0.0%
	150	100.0%	2,918	100.0%

Note

Under Article 33 of the Articles of Association, any Member who becomes a Member shall have one vote until the end of the calendar year in which they became a Member. Thereafter, under the provisions of Article 31, a Member has one vote for each £100,000 of premium or part thereof for reinsurance placed with the Company in the calendar year prior to the poll. Under Article 32, if data for the prior calendar year is not available when the votes are to be cast, data from the previous prior calendar year may be used.

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