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Canopius Group Limited

Annual Report and Financial Statements

For the year ended 31 December 2020

Company No. 129591

Contents

Key Statistics[1]

	2020 $m	2019 $m
Total shareholders' interests	**1,139.1**	750.2
Tangible net asset value (TNAV)[2]	**973.1**	702.8
Tangible financial resources[3]	**1,373.1**	1,046.3
Gross premiums written	**1,949.4**	1,537.8
Net premiums earned	**1,544.4**	991.3
(Loss)/profit after taxation	**(242.3)**	66.9
Net loss ratio	**78.1%**	53.9%
Net loss ratio (excluding RITC)	**77.8%**	56.7%
Combined ratio	**119.1%**	99.3%
Combined ratio (excluding RITC)	**119.3%**	99.4%

Net premiums earned represent 'net premiums written' (being premiums written gross of acquisition costs and exclusive of premium taxes; less reinsurance premiums payable) and the change in gross and reinsurers' share of unearned premium.

The net loss ratio is calculated by dividing 'net claims incurred' (being net claims paid and the movement in net claims reserves) by 'net premiums earned'.

The combined ratio is calculated by dividing 'net claims incurred' and underwriting expenses (as defined in note 2.3b) by 'net premiums earned'.

1 Amounts presented are determined from the financial statements except as noted below.

2 The tangible net asset value (TNAV) represents total equity attributable to equity holders of the parent less intangible assets and deferred tax liabilities on intangibles.

3 Tangible financial resources represent tangible net asset value (TNAV) plus drawn unsecured letter of credit facilities as per Note 32(d).

Chairman and Chief Executive's Statement

Michael Watson
Chairman and CEO

Her Majesty Queen Elizabeth described 1992 as an "Annus Horribilis" and reflected that "it was not a year on which [she] would look back with undiluted pleasure". I have a similar feeling regarding 2020.

A year that began with so much promise was severely compromised by the devastating impact of Covid-19. Rarely, if ever, have we seen a phenomenon such as this impact societies, devastate economies, and limit personal freedoms on a global scale. Against this backdrop Canopius has endured an extraordinarily challenging year, but has prospered nonetheless, and is extremely well-positioned for the future.

Gross written premiums increased 27% to $1.9bn in 2020, in large part driven by the merger of Canopius and AmTrust at Lloyd's in October 2019. The result for the year was a loss of $242m and was severely impacted by Covid-19 related net claims and an exceptional string of catastrophic losses.

Shareholders' equity increased 52% to $1.1bn, with the loss for the year of $242m significantly outweighed by $382m of additional equity raised in Q4 2020. The final part of our capital raise was completed in January 2021, bringing the total to $452m. Approximately 65% was contributed by existing shareholders and the balance from a mixture of institutional and insurance industry investors. The successful fundraise was a significant sign of confidence and commitment from shareholders and underscores our conviction in the favourable prospects for Canopius amid the continuing improvement in market conditions. We are soundly capitalised and well-placed to execute on our growth plans in the prevailing rating environment.

“The successful fundraise was a significant sign of confidence and commitment from shareholders and underscores our conviction in the favourable prospects for Canopius amid the continuing improvement in market conditions.”

Despite the unparalleled challenges we faced in 2020, our ambition to create a leading global specialty insurance franchise fit for the digital era remained undiminished and we made significant progress in delivering against our core strategic priorities last year.

A market leading Lloyd’s franchise

The merger of Canopius and AmTrust at Lloyd’s in 2019 created one of the largest Lloyd’s businesses. More importantly, it increased the breadth of our product offering and added significant diversification to our portfolio – notably in casualty and cyber classes – as well as greater scale in others. Above all it enhanced our underwriting expertise and the capacity that we can offer to our distribution partners and clients.

Along with these strategic gains, we realised a number of financial benefits including a 1.2% reduction in the Group’s net commission ratio, a saving of $18m. We also achieved capital synergies of $95m, clearly demonstrating the benefits of the increased diversification of our enlarged portfolio.

Focusing on international growth

During 2020 we continued to invest in our growth initiatives in the US, Asia-Pacific and Bermuda.

The United States is the world's largest and most mature specialty insurance marketplace and is currently witnessing strongly improving market conditions, especially in Excess and Surplus lines. It offers significant growth opportunities for Canopius. In September 2020 we appointed Lisa Davis as President and Chief Underwriting Officer of our US operations, bringing together under her leadership our surplus lines company, Canopius US Insurance, Inc., and our MGA, Canopius Underwriting Agency, Inc. Through these channels we increased our premium written in continuing classes by more than 70% in 2020, albeit from a modest base. We anticipate even greater growth in 2021.

"Overall, gross premiums, including reinsurance, grew by 19% in 2020 and we anticipate doubling this growth rate in 2021."

Our proposition in the US will be substantially strengthened in 2021 through a joint venture agreement with Samsung Fire & Marine ("Samsung"), our strategic investor and business partner. This partnership combines Canopius's specialist underwriting capability with Samsung's Admitted insurance licences, leading financial strength ratings, and globally recognised brand. Working together we will significantly accelerate our growth in the US in 2021 and beyond.

In contrast to many other Lloyd's businesses, we continued to build out our Asia-Pacific operations, headquartered in Singapore and led by Mark Newman, capitalising on further investment in talent and our recently established operation in Sydney, which already accounts for approximately 20% of our insurance business in the region. Overall, gross premiums, including reinsurance, grew by 19% in 2020 and we anticipate doubling this growth rate in 2021.

In December, Canopius Reinsurance Limited was granted a Class 4 reinsurance licence in Bermuda. This paves the way for the development of 3rd party business on a platform which has hitherto been largely focused on underwriting intra-group business.

Bermuda is also home to the Group's expanding ILS capabilities. In addition to achieving further growth in Canopius ILS, our property catastrophe vehicle, in March 2020 we acquired a majority stake in MultiStrat Holdings Limited, a provider of casualty solutions for ILS investors. MultiStrat's unique and highly differentiated focus complements our existing ILS operations and has the potential to increase our reach to non-traditional insurance capital.

Investing in our digital future

We continue to invest in technology to aid underwriting decisions, enhance claims' capabilities, and streamline operational processes.

A prime example is our digital underwriting platform known as 'Vave', a system which enables us to improve risk selection and underwriting performance, reduce distribution costs, and drive operational efficiency. The platform allows us to access relevant information from our distribution partners' systems, augment it with third party data, and produce quotes via our pricing algorithms, providing instantaneous turnaround. As Vave requires no human intervention on the part of our distributors or ourselves, we are able to lower the cost of underwriting and distribution and create an infinitely scalable, more cost-effective product for policyholders.

The Vave platform is live with a number of distributors and offers a variety of products. We anticipate significant growth in premiums through this channel in 2021.

Excellence in claims under challenging conditions

The success of our claims function is of paramount importance to our business. The promise of paying valid claims as promptly and fairly as possible is our guarantee. We have built a team with market leading expertise for complex claims and continue to implement more efficient processes for the smooth handling of lower complexity claims.

In the wake of COVID-19, we managed a significant increase in the level of claims activity while also adapting to working remotely. Canopius’s claims teams, supported by our TPAs, rose to the challenge and continued to offer our clients superior customer service. Their hard work and dedication remains exemplary as we manage claims in the fallout from the pandemic.

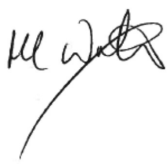
Distinctive culture shining through adversity

We firmly believe that it is our talented workforce and positive culture that set Canopius apart from other insurance businesses. Our culture is safe and inclusive, where we respect and trust one another in an authentic, collegiate and empowered environment. Never was that sense of community more essential and tangible than this past year.

In March 2020 we asked all of our employees globally to work from home, and moved seamlessly to a fully remote operating model with minimal disruption to our partners and customers. This enormous achievement reflects the dedication, professionalism and engagement of Canopians everywhere. I wish to thank our entire team for their relentless hard work, flexibility and perseverance over the last year.

Outlook

With a sound balance sheet and healthy capital surplus, Canopius is well-positioned to benefit from the current positive rate environment which we anticipate improving further throughout 2021. In addition, our continued growth opportunities in the US and APAC, and our digital distribution ‘insurtech’ capability, provide Canopius with the structural growth to drive long-term, sustainable, and profitable growth for our stakeholders.



Michael Watson
Chairman and CEO

CFO Statement

Nigel Meyer
CFO

"We were also pleased to see a significant improvement in rating conditions across the insurance market and this has also positively impacted our underwriting performance."

The effects of the worldwide pandemic, continuing low levels of investment return and the impact of record breaking weather event frequency mean 2020 has been a very challenging year for the insurance market and for the Canopius Group. Our financial results for 2020 reflect those challenges and in common with many of our peers we have, unfortunately, recorded a significant loss this year.

Underwriting returns

Our underwriting activities have delivered a Combined Ratio ("COR"), excluding reinsurance to close, of 119.3% (2019: 99.4%). The results for 2019 were positively affected by a relatively benign period for catastrophe claims. In contrast, 2020 saw a record number of named Atlantic hurricanes and a significant number of landfall storms. The net loss ratio relating to catastrophe experience was 12.2% in 2020 up from 1.2% last year. In addition the 2020 result included $225m of (net) Covid claims contributing a further 14.7% to the ratio. Excluding the impact of Covid and catastrophe claims our COR for 2020 improved to 92.4% (2019: 98.2%).

We regard our non-catastrophe 'attritional' loss ratio as an important measure of performance for our underwriting activity and I am pleased to report that on a year on year basis this has improved from 55.5% in 2019 to 50.9% in 2020. This change reflects our continuing focus on improving the composition of our portfolio of risks, shrinking our presence on exiting classes which do not meet our profitability criteria. We were also pleased to see a significant improvement in rating conditions across the insurance market and this has also positively impacted our underwriting performance.

Progress on cost efficiency

Our continuing commitment to effective cost control across the Group remains. We have made excellent progress this year in delivering the significant expense efficiencies targeted following the acquisition of the AmTrust at Lloyd's business in late 2019 and on a run-rate basis these have been largely achieved. Our operating expense ratio in 2020 (excluding non-underwriting expenses) was 11.3% (2019: 11.3%).

We expect the positive impact of these savings to contribute to further improvement in the reported expense ratio in future years.

Investment activity

Our investment result for the year (including mark to market adjustments) was $51m, a return of 2% (2019: $88m, 4%). The year on year reduction in our investment result reflects weaker market returns, particularly in bond markets and a transition, which began in 2019, toward a more defensive asset allocation and shorter duration.

The Group remains defensively positioned with 94% (2019: 88%) of invested assets comprising cash and core fixed income securities. At 31 December 2020 93% (2019: 87%) of the portfolio was investment grade with an average duration of 0.7 year (2019: 1.0 year). This strategy has been successful in protecting the portfolio from more extreme mark to market volatility during a challenging year for investment markets.

“The low yield environment continues to present challenges and we will continue to pursue a strategy of exercising caution while seeking opportunities to drive improved returns where they can be found.”

In the first quarter of the year, risk assets reacted sharply to the severe economic implications of Covid-19 and then rallied in the second quarter on the heels of easing lockdowns and central bank support. The rally continued in the second half, however at a lower trajectory than in Q2 as the portfolio has a very low exposure to equities. The low yield environment continues to present challenges and we will continue to pursue a strategy of exercising caution while seeking opportunities to drive improved returns where they can be found.

Balance sheet strength

Despite the negative impact of the Covid-19 losses in 2020, following a recent equity capital raise the balance sheet of the Group remains strong. We closed the year with tangible net assets of $973m, up from $703m at the end of 2019 and with a healthy surplus of financial resources over our regulatory capital requirements. The majority of the equity raised was provided by existing shareholders but we were also pleased to welcome several new investors to the Group. The total amount of additional capital contributed to the CGL Group during the year was $513m and the extent of the support provided was evidence of the confidence in the Canopius business and in the prospects for our market more generally. The strength of the balance sheet is underpinned by a robust reserving process, a well-resourced and skilled Actuarial team and the maintenance of a management margin in excess of best estimate).

Looking forward

Looking beyond the specific challenges provided by the pandemic and relatively severe hurricane season it has been gratifying to see the underlying improvement in our attritional loss ratio, evidence of our continuing underwriting discipline. Although our investment return remains under pressure, I’m also confident that we continue to take a prudent and well-judged approach to deployment of invested assets, limiting volatility during an uncertain period.

We have navigated a very difficult year in 2020, but with the improvement in pricing across our market and with the benefit of a clear strategy and a commitment to strong control over the management of our finances I look forward to an improved set of results in 2021.

Nigel Meyer
CFO

2020 Underwriting review

Mike Duffy
CUO

2020 has been an extraordinary year by any measure, dominated by the global pandemic and all its many consequences.

The year was notable for the way in which we showed how adaptable humans can be following our return to our home "for a little while" in March last year.

Fully a year on, it has been a source of constant pride to observe the way in which our underwriters have found ways to stay connected to their brokers and to each other. We have different conversations now.

A particular thank you is due to the Canopius Mental Health First Aiders who have facilitated amazing levels of support and education, including regular lunch time webinars from a wide range of professionals or counselling services available to colleagues and their families. We won't truly know how this event has affected us until we look back in months and years to come, but I for one know that I have fared better with the support received.

Through all of this we managed to get on with it. Market conditions were very encouraging, with a recorded rate change of 10% for the year. As we move into 2021, we see positive rate across virtually all classes with our Management and Professional Liability, Direct & Facultative (D&F) and Cyber businesses leading the way.

"As we move into 2021, we see positive rate across virtually all classes with our Management and Professional Liability, Direct & Facultative (D&F) and Cyber businesses leading the way."

2020 performance

Our 2020 net loss ratio (excluding reinsurance to close) is very disappointing at 77.8% (2019: 56.7%) and is inevitably heavily influenced by Covid-19. Our result is comprised of three distinct components:

Non-Catastrophe:

The underlying performance of our business is driven by this component of our overall loss ratio. Encouragingly, we continue to make meaningful progress with a 4.6% improvement from 55.5% in 2019 to 50.9% in 2020.

We have focused on this ratio as the core of our performance for several years and are pleased to see these efforts bearing fruit.

Catastrophe:

2020 was the most active US hurricane season on record, with 30 named storms and a remarkable confluence of mid-sized events across the Gulf Coast.

The most notable contributors to this outcome were Hurricane Laura ($61m), Hurricane Sally ($25m), and Hurricane Zeta ($18m). Whilst at a gross level these losses were as expected, the large number of smaller events meant that we retained more of the losses within our retention than would be expected in any normal year.

We manage natural catastrophe losses, ignoring any consideration of climate change, across a distributed mean. We do this because we know that in any one year, losses will be more or less than this mean provision, but that over time the logical expectation will tend towards it. It is this very volatility that allows a profit margin.

COVID-19:

Our net losses due to the global pandemic of $225m represent 14.7% within our Net combined ratio. More than 40% of this loss emanates from an Event Cancellation portfolio acquired in October 2019 as part of the AmTrust at Lloyds, Syndicate 1861 acquisition.

We have also reserved for losses from most notably our Reinsurance, Credit and Accident & Health ("A&H") portfolios.

Underwriting highlights in 2020

Elsewhere, and despite the restrictions due to Covid-19, we made encouraging progress in a number of areas of the business:

Asia-Pacific

Having committed to investing in this platform in 2017, we are now the largest managing agency trading on the Lloyd's Asia-Pacific (APAC) platform. The business had been a largely Reinsurance operation but has subsequently expanded into a number of insurance lines including Marine, Energy, Property D&F, Credit and Political Risk and A&H.

We believe there is huge opportunity for the growth of this business. On this theme, 2020 was our first full year of trading for our Australian office and we are delighted to see it prosper in a promising market environment.

US

Having traded in the USA through our New York based service company and Chicago based Excess & Surplus (E&S) company for a number of years, we have committed to meaningful growth in what is the world's largest and most mature market.

In addition, we were delighted to form a Joint Venture with our equity partner, Samsung Fire and Marine Insurance to provide their highly rated Admitted paper.

Vave

Vave is our home-grown digital underwriting and distribution platform, using algorithmic underwriting, augmented with third party data and distributed through API's that allows brokers to access products electronically, and bind and service them in real time.

Currently, Vave's underwriting is focused on US homeowners, commercial and inland flood products. By automating the high-volume process and letting the technology do the work, Vave is lowering the cost of underwriting risk and creating a more cost-effective product.

We have been building the Vave model and infrastructure since 2018, with 2020 representing the Vave team's underwriting debut. We are very encouraged by the results thus far and have material growth planned and approved for 2021.

M. Duffy

Mike Duffy
CUO

Stakeholder engagement

In 2020, the Canopius Board undertook a variety of activities to engage with stakeholders and bring their voices into the boardroom.

Shareholders

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

Canopius Group meets with our shareholders on a quarterly basis, engaging openly and collaboratively.

Canopians

We firmly believe that having an open dialogue with all Canopians is core to who we are and to our future success as a company. By engaging employees, we believe that it will make people more likely to be motivated and it will increase trust between management and employees. In addition, regular employee engagement at Canopius helps managers and supervisors arrive at sound decisions that employees will more readily accept.

Canopius management regularly engages employees through our Information and Consultation Forum. This provides every Canopian with a means to share thoughts and ideas on how Canopius can be a more profitable, efficient, effective operation and an even better place to work. Made up of people elected from different parts of the business, members seek out Canopians' views and lobby for their interests.

In 2020, we created the Canopius Inclusion & Diversity (I&D) Network. The Network is an employee-led group, supported by the Board and the Executive Committee, and is empowered to identify any facets of our business that might impede Canopius' commitment to create a working experience which gives everyone the freedom to perform and to bring their whole selves to work. It was also created to ensure that we are doing all we can to engage a diverse population of recruits, employees and business partners.

The Network is made of six independent "Special Interest Groups" (SIGs) each focusing on one key inclusion/diversity area: Bullying & Harassment, Disability & Neurodiversity, Gender, Pride, Race & Faith and Socio-Economics. Each SIG is represented at a Committee level, which reports to the ExCo and the Board. The Network assesses all areas of our business through their specific lenses and makes suggestions for business improvements.

Canopius created the I&D Network because we understand the importance of recognising that within a diverse workforce each person may have a different workplace experience, in part defined by their gender, sexual orientation, age, race, personal beliefs, physical capability, seniority and socio-economic background. The challenges each person faces in their daily lives may be overlooked, unseen or unsupported, meaning employees might be disengaged and not able to fulfil their potential.

We also know that the best performing firms are representative of a diverse pool of talent. But, particularly in our industry, entrenched biases in business and hiring practices have created barriers to entry and glass ceilings within organisations.

Canopius management has an ongoing commitment to invest in and grow its talent. It does this through annual talent reviews and succession plans. We offer comprehensive learning and development opportunities including professional qualifications and soft skills development. The business runs the Canopius Academy, which champions rising stars amongst our underwriters, and we also has our own mentoring scheme to develop relationships between senior and junior employees.

Policyholders

Canopius recognises that policyholders are at the core of the business and the culture of a firm shapes its judgements, behaviours and focus in both its day-to-day activities and wider strategy.

Canopius operations worldwide are committed to providing a good service and complying with local requirements with regards to the services provided to our policyholders. Where Canopius places business through partners such as brokers, coverholders etc. we endeavour to work with those who also share a similar ethos as Canopius when dealing with policyholders.

Although working remotely, Canopius and its group subsidiaries remain open for business to serve our broker partners and policyholders and continue to operate seamlessly, offering new business and renewal quotes, and handling claims promptly and fairly. Where we rely on third party service providers, we have done all we can to make sure they are also able to service our policyholders without any significant disruption.

Insurance regulators in various jurisdictions have issued guidance to insurers to support policyholders who are facing challenging circumstances during this time. We are fully committed to treating all our policyholders fairly and complying with all applicable regulatory requirements.

Regulators

CGL is domiciled in Jersey with all regulated business carried out by its subsidiaries who ensure they comply with the relevant local regulatory requirements, for example Canopius Managing Agents Limited (CMA), a subsidiary of CGL, is regulated by the Prudential Regulatory Authority (PRA), Financial Conduct Authority (FCA) and Lloyd's and as such CMA is responsible for ensuring they comply with the requirements of these regulators.

Community

Canopians take part in charitable activities and community engagement to reflect who we are as a business. Canopius strives to be a place where employees can be as good as they can be - as people, colleagues and community members. As such, we want to offer a wide range of activities and opportunities to donate, participate and engage with people who need and deserve our support.

Canopius has ensured that employees have the time and space to engage with their local community by entitling everybody to two community days leave per year. In 2020, much of our in-person community engagement was curtailed, but Canopius encouraged all staff to continue to take community days to support their own local communities during the pandemic. We also offered staff the opportunity to take part in virtual volunteering exercises.

A major goal of the aforementioned I&D Network is to engage with community. In 2020, the special interest groups began planning to increase Canopius' engagement, particularly with young people from diverse backgrounds through partnerships with a number of community organisations.

Canopius management has set aside a portion of its budget each year to not only donate to worthy causes, but also to facilitate employees' ability to donate, participate and engage with their local communities and local charities. In 2020, we donated more than $70k to around 30 local community causes championed by our employees globally. Furthermore, in 2020 we supported employees in raising more than $12k for our "charity of the year", The Cure Parkinson's Trust, through various online fundraising activities.

In reaction to the dire consequences of the pandemic, we launched a donation matching scheme in the UK and US whereby we allowed employees to donate directly to local hunger charities from their wages. Canopius was proud to match more than $13k in employee donations and will continue to match donations into 2021.

Canopius' Claims Vision

Canopius is setting a new standard for claims performance. Our aim is to push the boundaries of customer service excellence through an empowered, collaborative and innovative approach to claims that makes us the envy of the market.

We don't see claims as a tick box process. Our claims service is a differentiating factor for Canopius; a superior claims service will mean that brokers want to place their business with Canopius, and insureds want to renew with us. The provision of a responsive, expert, value-adding service is at the forefront of everything we do and we aim to put our customers at the heart of all of our decisions.

Our team is made up of product and class specific specialists who understand their industry and field. Our adjusters are highly skilled with a wealth of industry and sector experience, and many of our professionals have worked in top law firms, loss adjusters and insurance brokers.

Where we need to engage experts to provide a more bespoke service, we strategically partner with a panel of specialised professional service providers who understand our vision, whilst we remain involved and accountable throughout.

During 2020, our claims team managed over $3bn in reserves on claims and dealt with catastrophe claims of over $187m, earning a reputation for honouring our commitments swiftly and fairly.

We work closely with our underwriters to understand our customers' business; the claims team is structured to ensure close alignment with underwriters and we work collaboratively to ensure the best outcome.

Our Claims team conducts itself according to the following principles:

Honesty	we act with honesty, integrity and fairness at all times.
Accountability	we are accountable for our actions; we deliver on our promises and commitments.
Collaboration	we seek to understand and exceed the needs of our customers; we work together and help others.
Communication	we communicate openly, with honesty, clarity, warmth and respect. We listen.
Innovation	we challenge the way things are done to drive change and continuous improvement for our customers.

Directors' Report

The directors of Canopius Group Limited ("CGL") present their Directors' Report for the Group for the year ended 31 December 2020.

Review of the business

The principal activity of Canopius Group Limited (the "Company") is as the parent holding company to the Canopius Group (the "Group"). The principal activity of the Group is the underwriting of insurance and reinsurance business transacted both through direct channels and via delegated underwriting.

On 7 January 2020 CGL acquired Flectat 2 Limited ("Flectat 2") (formerly AmTrust Corporate Member Limited) from its immediate parent, Fortuna Holdings Limited ("FHL"), for a consideration of $88.5m worth of shares. CGL subsequently passed down Flectat 2 shares to its subsidiary, Canopius Holdings UK Limited ("CHUKL"), which acts as a holding company to some of the subsidiary undertakings of the Group. These financial statements include the performance and financial position of the acquired business.

On 7 January 2020, following the re-domiciliation of CGL from Switzerland to Jersey on 6 August 2019, a special resolution was passed for the issued and unissued share capital of CGL to be redenominated from Swiss Franc (CHF) to US dollars (US$) at a rate of exchange (CHF 1.00 to US$ 0.99999).

On 16 March 2020 the Group acquired a majority stake in MultiStrat Holdings Limited ("MSH"), a speciality reinsurance group headquartered in Bermuda. This acquisition is complementary to the Group's existing ILS capabilities.

On 15 June 2020 FHL transferred $171.4m of cash and $20.0m of assets to CGL in exchange for CGL issuing shares. On the same date CGL transferred $140.3m of cash and $20.0m of assets to CHUKL in exchange for $160.3m worth of shares in CHUKL.

On 23 November 2020 CGL received $341.8m of cash from FHL in exchange for shares. This transfer of cash was subsequent to FTL raising $381.8m of capital from its existing and new shareholders.

The Group completed its strategy of merging its Lloyd's business with the acquired AmTrust at Lloyd's operations by pooling the capacity of Syndicate 1861 with that of Syndicate 4444 for the 2021 year of account. All Lloyd's business will be written by Syndicate 4444 from 2021 onwards. The strategy for Syndicate 1861 has shifted to the effective management of the run off business prior to closure and conclusion of the Syndicate, expected 31 December 2022.

In addition, the 2018 year of account of Syndicate 1861 has closed externally into the 2021 year of account of Premia Managing Agency Limited's Syndicate 1884 effective 1 January 2021 following the completion of a reinsurance to close agreement on 18 February 2021.

The Group divested from its operation in the Netherlands in December 2020. The operations were not material to the Group.

On 30 December 2020, following the UK's departure from the European Union, insurance policies (and related liabilities) underwritten in the European Economic Area by the Members and former Members of the syndicates, were transferred to Lloyd's Insurance Company S.A. in accordance with Part VII of the Financial Services and Market Act 2000. On the same date, the Members of the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby all risks on the same policies were reinsured back from Lloyd's Brussels to the relevant open years of account of the syndicate which wrote the transferring policies, and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account. As such, the transfer had no impact on the financial position of the Group.

Results and Performance

The Group result for the year ending 31 December 2020 was a loss after tax of $242.3m (2019: profit of $66.9m). The key performance indicators are shown in the table on page 3.

The net loss ratio (excluding reinsurance to close) has deteriorated overall during the year by 21.1% to a total of 77.8% compared with the previous year (2019: 56.7%). These results reflect the enormous financial impact of both the Covid-19 pandemic and a record breaking hurricane season in terms of frequency, producing the largest number of named storms ever.

Gross written premiums increased by 26.8% to $1,949.4m (2019: $1,537.8m) following the acquisition of Flectat 2 and its capacity in Syndicate 1861. Whilst more positive underwriting conditions emerged in many sectors during 2020 as rates hardened, underwriting discipline was maintained with the syndicates scaling back in poorly performing non-core lines and growing where real value can be achieved.

Net claims in respect of the Covid-19 pandemic totalled $225m, with the discontinued Contingency class most severely impacted as a result of the large number of event cancellations following the restrictions imposed in an effort to contain the virus. Other classes were also impacted, to a lesser extent, as a result of business interruption (UK Property and Treaty Property classes), the recessionary impacts of the pandemic following the sharp decline in economic activity (Casualty, Political Risk and Treaty classes) as well as from an increase in medical expenses and travel related claims (Accident and Health). Given the ongoing nature of the pandemic, there remains uncertainty around the ultimate cost of claims on this book.

"Catastrophe experience in the year was heavier than expectation and whilst no single loss would be considered market changing on its own, there was a marked increase in the frequency of events."

Catastrophe experience in the year was heavier than expectation and whilst no single loss would be considered market changing on its own, there was a marked increase in the frequency of events. The Group's biggest exposure to these was through hurricane Laura (net loss of $61m). Additionally, the Group was exposed to Hurricanes Zeta (net loss of $18m) and Sally (net loss of $25m) as well as to a number of smaller US weather events including the Midwest Derecho storm and several instances of tornadoes and hail storms.

The investment portfolio achieved a return of $50.9m in 2020 (2019: $88.5m), recovering quickly after the severe fall in asset values as the Covid-19 pandemic took hold in March 2020. The previous year's results benefitted from the reversal of prior mark-to-market losses predominantly on the US fixed interest portfolio following material reductions in interest rates. Whilst 2020 saw further rate reductions as fiscal stimulus packages were implemented across major economies, the change was not as pronounced as in 2019.

The portfolio has been positioned defensively to protect against volatility during a turbulent year for financial markets. Moving into 2021 the Board seeks to maximise the return on the investable portfolio within the Group's risk appetite with a focus on capital preservation and the need to maintain liquidity.

Going Concern

The directors have considered the going concern basis of preparation of the Group's financial statements as at 31 December 2020 including the factors likely to affect its future performance as well as the Group's principal risks and uncertainties. The directors have considered those circumstances which may cause the business to cease to function effectively as a going concern e.g. a breach of its capital requirements and or liquidity position. Scenario testing was performed to assess the impact of reasonably foreseeable scenarios. These scenarios include, but are not limited to, an increase in loss ratios and a significant decrease in operational cashflow together with available management actions.

"Despite the resulting economic impact, financial market performance was surprisingly positive. There was volatility throughout the year as markets reacted to good and bad Covid-19 news, but confidence has been steadfast in the fundamentals of the economy."

The directors believe that the conclusion on the use of the going concern basis of preparation remains unchanged under these reasonably foreseeable, but unlikely scenarios.

The directors have concluded that there are no material uncertainties that may cast significant doubt about the Group's financial ability to continue as a going concern and they have a reasonable expectation that the Group and the Parent Company have adequate resources to continue in operational existence for the period to 30 June 2022 and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements.

Disclosure of information to auditors

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Appointment of Auditors

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

Business Environment

2020 was marked by a series of exceptional events, testing the financial and operational resilience of businesses across the world. The most significant of these being the Covid-19 global pandemic, but we have also seen, continued global trade tensions, a divisive US presidential election campaign, civil unrest, and a record-breaking Atlantic hurricane season.

The pandemic has led to significant stress on health systems and prompted widespread shutdowns across the globe. Despite the resulting economic impact, financial market performance was surprisingly positive. There was volatility throughout the year as markets reacted to good and bad Covid-19 news, but confidence has been steadfast in the fundamentals of the economy.

Uncertainty remains high as we navigate through a deep global recession, and the pace and path of the recovery will depend on many factors, including the requirement for continued restrictions, the degree of economic scarring, and government fiscal stimulus. Interest rates look likely to remain low and continue to suppress investment income and for the UK there is the additional uncertainty resulting from its departure from the European Union. There remains optimism that mass vaccinations will enable life to return towards normality at some point during 2021.

In general insurance markets, hard market conditions persist and have accelerated post Covid-19 with double-digit rate increases being seen across the majority of Property and Casualty classes. This has led to an influx of capital to the sector, particularly for London and Bermuda focussed businesses.

Significant losses relating to Covid-19 have been felt across multiple classes including contingency, trade credit and liability lines. Other lines are also experiencing significant reductions in premium income. In the UK, the Financial Conduct Authority (FCA) Business Interruption test case has led to material pay-outs for non-damage property business interruption exposures. This is not restricted to the UK as other territories undertake similar review processes to bring clarity to the interpretation of policy wordings.

On top of Covid-19 related losses, the market has experienced significant aggregate losses from natural catastrophes. As well as destructive fires and record heat, the active Atlantic hurricane season generated multiple hurricanes and tropical storms. The industry experienced the largest number of named storms on record (thirty) with Hurricane Laura being the most severe with industry losses estimated at around $10bn.

As well as the ongoing focus on conduct and operational resilience, regulators continue to closely monitor capital and liquidity levels to ensure financial market soundness and stability. Regulators are also playing an active role in climate change which is just one factor in a wide range of Economic, Social and Environmental (ESG) issues which are becoming increasing important for businesses to incorporate into business strategies.

"Our ambition is to establish Canopius as a high performing, forward-thinking, global insurance business, which continues to be known for its underwriting expertise, claims excellence and strong financial security. "

Risk assessment and management

In the normal course of business, the Group is exposed to many risks. Risk policies are in place for the major risk categories. Please refer to notes 32 and 33 of these consolidated financial statements for more details.

Strategy

Our ambition is to establish Canopius as a high performing, forward-thinking, global insurance business, which continues to be known for its underwriting expertise, claims excellence and strong financial security. This will be underpinned through operational excellence, with all functions of the business helping to deliver efficient use of capital, development of modern technology solutions and a scalable, streamlined business model.

During 2020 integration activities with the business formerly managed by AmTrust at Lloyd's were materially completed and all of the business in the 2021 year of account will be written through syndicate 4444 following the decision to merge the syndicates.

The combined business continues to focus hard on underwriting profitability. In 2020 the results have been adversely impacted by the global pandemic and catastrophe events but the improving market conditions mean we are growing where we have expertise, leadership, capability, capacity and the right relationships with distribution partners.

Expansion of our digital distribution capability, continued proactive cycle management and maintaining our excellent catastrophe management skills remain key to our strategy in future periods.

The Group remains committed to developing a first-class culture to attract, retain and develop good people. We encourage an open and honest working environment, focused on results and with a strong team ethic. Underpinning this ethos are the Incluson and Diversity initiative that the Group has supported and encouraged, firmly led by our employees. Canopius actively supports the environmental, social and governance principles that have been adopted by the Corporation of Lloyd's and we will, with purpose, play our part in building a more sustainable market and society.

Future developments

On 22 January 2021 FHL passed down $65.5m of cash to CGL for a consideration of $65.5m worth of shares in CGL.

On 18 February 2021, the Group entered into an agreement with Premia Re for the RITC of the 2017 and 2018 years of account of syndicates 1861, 5820 and 1206.

The Directors' report was approved by the Board on 31 March 2021 and signed on its behalf on 26 May 2021 by:

Michael Watson
Director

Nigel Meyer
Director

Statement of directors' responsibilities in relation to the financial statements

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

Jersey Company law requires the directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) in conformity with the Companies (Jersey) Law 1991. The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company at the period end and of the profit or loss of the Company for the period then ended. In preparing these financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation; 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 accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors and Professional Advisers

Directors	Paul Ceurvorst Michael Duffy Peter Hazell Paul Meader Nigel Meyer Ian Owen Michael Watson
Company Secretary	Mourant Secretaries (Jersey) Limited 22 Greville Street, St Helier, Jersey, JE4 8PX
Registered Office	22 Greville Street, St Helier, Jersey, JE4 8PX
Company Number	129591
Independent Auditors	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY

Independent Auditor's Report

Building a better working world

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

To the members of Canopius Group Limited

Opinion

We have audited the financial statements of Canopius Group Limited (the "company") and its subsidiaries (the "group") for the year ended 31 December 2020 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 37 to the consolidated financial statements, and the Statement of Profit or Loss and Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 22 to the company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's and the company's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and company's ability to continue as a going concern for the period to 30 June 2022, which is 13 months from when the financial statements are authorised for issue.

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

Other information

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

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 20, 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the relevant laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the regulated business carried out by group's subsidiaries being Lloyd's, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

We understood how Canopius Group Limited is complying with these legal and regulatory frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the company and regulatory bodies, reviewed minutes of the Board and Audit Committee and attended the Audit Committees and gained an understanding of the group's approach to governance.

We assessed the susceptibility of the group’s and company’s financial statements to material misstatement, including how fraud might occur by considering the controls that the group has established to address risks identified by the group, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. The fraud risk was considered to be higher within the valuation of gross incurred but not reported provision and the recognition of estimated premium income.

Our audit procedures included:

- Reviewing accounting estimates for evidence of management bias. Supported by our Actuaries we assessed if there were any indicators of management bias in the valuation of gross incurred but not reported provision and the recognition of estimated premium income;
- Evaluating the business rationale for significant and/or unusual transactions; and
- Testing the appropriateness of journal entries recorded in the general ledger, particularly in respect of judgemental areas including gross incurred but not reported provision and estimated premium income.

In addition, we considered the impact of Covid-19 on the group, including an assessment of the consistency of operations and controls in place as they transitioned to operating remotely for a significant proportion of 2020, making enquiries with management via the use of video conferencing. We performed analytical review procedures to assess for unusual movements throughout the year. Our audit procedures also incorporated unpredictability into the nature, timing and extent of our testing.

Based on our understanding we designed our audit procedures to identify non-compliance with such laws and regulations including those at the components impacting the group. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations; inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees at a group level; inquiring about the group’s methods of enforcing and monitoring compliance with such policies; and inspecting significant correspondence with Lloyd’s, FCA and PRA.

The group operates in the insurance industry which is a highly regulated environment. As such the auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Use of our report

This report is made solely to the company’s members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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.

Michael Purrington
for and on behalf of Ernst & Young LLP
London
26 May 2021

Notes:

1. The maintenance and integrity of the group’s web site is the responsibility of the directors, the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Canopius Group Limited

Financial Statements

Company No. 129591

Consolidated statement of profit or loss

for the year ending 31 December 2020

$'000	Notes	2020	2019
Gross premiums	4a	2,130,057	1,277,488
Premiums ceded to reinsurers	4b	(603,610)	(222,762)
Reinsurance to close	4c	17,925	(63,401)
Net premiums		**1,544,372**	**991,325**
Fees and commission income	5	4,321	6,389
Investment income	6	43,002	39,978
Net realised gains	7	30,078	10,339
Fair value (losses)/gains	8	(22,138)	38,150
Other operating income		12,687	12,339
Other revenue		**67,950**	**107,195**
Total revenue		**1,612,322**	**1,098,520**
Gross benefits and claims paid	9a	(1,205,797)	(901,532)
Claims ceded to reinsurers	9b	402,982	169,707
Gross change in insurance contract liabilities	9a	(605,617)	238,768
Change in insurance contract liabilities ceded to reinsurers	9b	220,299	(105,066)
Reinsurance to close	9c	(17,925)	63,401
Net benefits and claims		**(1,206,058)**	**(534,722)**
Finance costs	10	(6,750)	(5,190)
Other operating and administrative expenses	11	(656,668)	(494,728)
Other expenses		**(663,418)**	**(499,918)**
Total benefits, claims and other expenses		**(1,869,476)**	**(1,034,640)**
(Loss)/profit before tax		**(257,154)**	**63,880**
Income tax credit	13(a)	14,904	2,992
(Loss)/profit for the year		**(242,250)**	**66,872**
Attributable to:			
Equity holders of the parent		(242,363)	66,872
Non-controlling interests		113	-
(Loss)/profit for the year		**(242,250)**	**66,872**

The notes on pages 31 to 82 form part of these consolidated financial statements.

Consolidated statement of comprehensive income

for the year ending 31 December 2020

$'000	2020	2019
(Loss)/profit for the year	(242,250)	66,872
Other comprehensive income (OCI):		
OCI that may be reclassified to profit or loss in subsequent period: (net of tax):		
Currency translation differences	2,940	1,501
Total comprehensive (loss)/income recognised for the year	**(239,310)**	**68,373**
Attributable to:		
Equity holders of the parent	(239,423)	68,373
Non-controlling interests	113	-
	(239,310)	**68,373**

All the above amounts are derived from continuing operations and attributable to equity holders.

The notes on pages 31 to 82 form part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2020

$'000	Notes	2020	2019
Assets			
Intangible assets	14	185,980	50,275
Property and equipment	15	5,041	3,750
Right-of-use assets	34	42,162	5,052
Deferred acquisition costs	16	330,513	268,301
Reinsurance assets	17	1,506,613	515,015
Financial assets at fair value through profit or loss	18	2,508,606	1,783,036
Derivative financial instruments	19	15,735	18,076
Deferred tax asset	13(d)	6,409	8,060
Income tax receivable	13(c)	-	111
Insurance receivables	21	1,064,164	690,728
Trade and other receivables	22	187,054	54,785
Other assets	23	116,093	52,911
Cash and cash equivalents	24	690,497	375,939
Total assets		**6,658,867**	**3,826,039**
Equity and liabilities			
Equity			
Issued share capital	25	341,868	106
Issued share premium	25	279,879	-
Capital reserves		759,956	759,956
Foreign currency translation reserve		(48,689)	(51,629)
Retained earnings		(193,948)	41,737
Equity attributable to equity holders of the parent		**1,139,066**	**750,170**
Non-controlling interests		1,306	-
Total equity		**1,140,372**	**750,170**
Liabilities			
Insurance contract liabilities	26	4,398,073	2,651,819
Derivative financial instruments	19	1,785	1,298
Lease liabilities	34	41,146	5,174
Income tax payable	13(c)	569	-
Insurance payables	28	860,371	308,306
Trade and other payables	29	216,551	109,272
Total liabilities		**5,518,495**	**3,075,869**
Total equity and liabilities		**6,658,867**	**3,826,039**

These financial statements were approved by the Board of Directors on 31 March 2021 and signed on its behalf on 26 May 2021 by:

Michael Watson
Director

Nigel Meyer
Director

The notes on pages 31 to 82 form part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2020

$'000	Issued Share Capital Note 25	Issued Share Premium Note 25	Capital reserves	Foreign currency translation reserves	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to equity holders of the parent							
At 1 January 2019	**106**	**-**	**759,956**	**(53,130)**	**(25,135)**	**681,797**	**-**	**681,797**
Profit for year	-	-	-	-	66,872	66,872	-	66,872
Other comprehensive income	-	-	-	1,501	-	1,501	-	1,501
Total comprehensive income	-	-	-	1,501	66,872	68,373	-	68,373
At 31 December 2019	**106**	**-**	**759,956**	**(51,629)**	**41,737**	**750,170**	**-**	**750,170**
At 1 January 2020	**106**	**-**	**759,956**	**(51,629)**	**41,737**	**750,170**	**-**	**750,170**
(Loss)/profit for year	-	-	-	-	(242,363)	(242,363)	113	(242,250)
Other comprehensive income	-	-	-	2,940	-	2,940	-	2,940
Total comprehensive (loss)/income	-	-	-	2,940	(242,363)	(239,423)	113	(239,310)
Capital transactions								
Re-denomination of capital	(6)	-	-	-	-	(6)	-	(6)
Issue of new shares	341,768	279,879	-	-	-	621,647	-	621,647
Acquisitions made during the year	-	-	-	-	-	-	1,193	1,193
Capital contribution	-	-	-	-	6,678	6,678	-	6,678
At 31 December 2020	**341,868**	**279,879**	**759,956**	**(48,689)**	**(193,948)**	**1,139,066**	**1,306**	**1,140,372**

The notes on pages 31 to 82 form part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2020

$'000	Notes	2020	2019
Operating activities			
(Loss)/profit before tax		(257,154)	63,880
Adjustment for:			
Change in operating assets	31	(126,261)	(25,671)
Change in operating liabilities	31	377,048	37,850
Financial income and expense		(66,330)	(45,127)
Non-cash items included in profit before tax:			
Fair value losses/(gains)	8	22,138	(38,150)
Movement in deferred acquisition costs		10,379	(83,339)
Amortisation of intangibles	11	5,400	3,145
Depreciation of property and equipment	11	1,222	538
Depreciation of right-of-use assets	34	5,211	4,383
Net foreign exchange differences		(5,150)	4,592
Income tax paid	13(c)	(1,412)	(525)
Income tax received	13(c)	3,082	11,739
Net cash flows used in operating activities		**(31,827)**	**(66,685)**
Investing activities			
Net cash on acquisition		176,600	-
Purchases of financial assets		(2,317,292)	(1,192,751)
Disposal of financial assets		1,933,988	1,447,195
Investment income		47,516	39,328
Purchases of intangible assets		-	(1,238)
Net (purchase)/disposal of property and equipment		(2,092)	(3,520)
Net cash flows (used in)/from investing activities		**(161,280)**	**289,014**
Financing activities			
Issue of ordinary shares		341,762	-
Issue of share premium		171,359	-
Finance costs		(6,981)	(4,085)
Payment of principal portion of lease liabilities	34	(6,349)	(4,262)
Net cash flows from/(used in) financing activities	34	**499,791**	**(8,347)**
Net increase in cash and cash equivalents		306,684	213,982
Net foreign exchange on cash and cash equivalents		7,874	(3,606)
Cash and cash equivalents at beginning of year		375,939	165,563
Cash and cash equivalents at end of year	24	**690,497**	**375,939**

The net cash on acquisition includes $176.5m which is the cash and cash equivalents of Flectat 2 on the date of acquisition and $0.1m in relation to the acquisition of MSH Group.

The comparative has been represented to split out net foreign exchange on cash and cash equivalents, on a consistent basis with the current year.

The notes on pages 31 to 82 form part of these consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2020

1. Corporate information

Canopius Group Limited, incorporated and domiciled in Jersey, is the parent undertaking and controlling party of the Canopius group of companies (the "Group"). A summary of the principal accounting policies applied in the preparation of these consolidated financial statements is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. Significant accounting policies, judgements and estimates

2.1 Basis of preparation and presentation

The Group has elected to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and in accordance with the Companies (Jersey) Law 1991.

These financial statements are prepared in accordance with IFRS issued by the IASB and presented in US dollars. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the Group's Board to exercise its judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the consolidated financial statements are explained in Note 2.5 below.

The directors have considered the going concern basis of preparation of the Group's financial statements as at 31 December 2020 including the factors likely to affect its future performance as well as the Group's principal risks and uncertainties. The directors have considered those circumstances which may cause the business to cease to function effectively as a going concern e.g. a breach of its capital requirements and or liquidity position. Scenario testing was performed to assess the impact of reasonably foreseeable scenarios. These scenarios include, but are not limited to, an increase in loss ratios and a significant decrease in operational cashflow together with available management actions.

The directors believe that the conclusion on the use of the going concern basis of preparation remains unchanged under these reasonably foreseeable, but unlikely scenarios.

The directors have concluded that there are no material uncertainties that may cast significant doubt about the Group's financial ability to continue as a going concern and they have a reasonable expectation that the Group and the Parent Company have adequate resources to continue in operational existence for the period to 30 June 2022 and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements.

2.2 Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results, on an annual accounting basis, of the Group and its subsidiaries including the Group's underwriting activities through its participation on Lloyd's syndicates. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting year-end as the Group. Consolidation adjustments are made to convert subsidiary financial statements prepared under UK or other local GAAP into IFRS to remove the effect of any different accounting policies. All inter-company balances, profits and transactions are eliminated on consolidation.

Profit or loss and other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. A list of the principal subsidiaries included in these financial statements is contained in Note 3.3.

2.2 Basis of consolidation (continued)

Business combinations and goodwill

The Group uses the 'acquisition method of accounting' under IFRS 3 – 'Business Combinations', to account for the acquisition of companies. Under IFRS 3, the consideration to purchase a business is recorded at fair value at the acquisition date. These are re-estimated in subsequent financial statements (after the expiry of the measurement period for adjustment to the initial provisional fair value, which should not exceed one year from the date of acquisition) and any changes in estimates are taken to the Statement of Comprehensive Income. Adjustments to fair value can only be made during the measurement period if they relate to conditions that existed before acquisition and any changes due to events after the acquisition will go to the statement of profit or loss.

All acquisition-related expenses are charged to the statement of profit or loss when incurred, within other operating and administrative expenses. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets acquired net of liabilities and contingent liabilities is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of profit or loss for the period.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to an appropriate cash generating unit (CGU) that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations under common control are accounted for using the pooling of interest method. Under this method, the assets and liabilities of the acquired entity are transferred at their carrying amounts. No additional goodwill is recognised.

2.3 Summary of significant accounting policies

(a) Classification and accounting for insurance contracts

Insurance contracts (including inwards reinsurance contracts) are defined as those that transfer significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause an insurer to pay significant additional benefits above the premiums received and interest earned thereon, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts that do not transfer significant insurance risk are accounted for as financial transactions.

The Group adopts an annual basis of accounting for insurance contracts whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

(i) Premiums

Gross premiums written, stated gross of acquisition costs and exclusive of premium taxes, relates to business incepted during the year and adjustments to premiums booked in prior years; and includes estimates, based on underwriters' estimates or past experience, of premiums due but not yet processed.

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

Reinsurance premiums payable are accounted for with regard to the incidence of insurance risk of the direct or inwards reinsurance business to which they relate. The provision for reinsurers' share of unearned premiums represents that part of reinsurance premiums written which is estimated to be earned in the following financial years.

2.3 Summary of significant accounting policies (continued)

(a) Classification and accounting for insurance contracts (continued)

(ii) Insurance claims and claims settlement expenses

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

Provision is made at the period-end for the estimated cost of IBNR claims to the Group. The estimated cost of claims includes expenses to be incurred in settling claims less the expected value of salvage and other recoveries.

There is inherent uncertainty in establishing claims provisions and it is likely that the final outcome will prove to be different from the original estimate of the liability. Adjustments to the amounts of claims provisions established in prior years are included in the financial statements in the period in which the adjustments are made. The claims provisions are reviewed regularly.

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

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

Where possible the Group adopts multiple techniques, often based on historical claims data, to estimate the required level of claims provisions. The estimates given by the various methodologies assist in setting the range of possible outcomes and the most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each underwriting year of account.

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

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

In estimating the cost of notified but not paid claims, the Group has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

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

Claims provisions are calculated gross of any reinsurance recoveries. Separate estimates are made of the amounts that will be recoverable from reinsurers and the potential cost of default, having regard to available data on the financial strength of each of the reinsurance companies.

2.3 Summary of significant accounting policies (continued)

(a) Classification and accounting for insurance contracts (continued)

(ii) Insurance claims and claims settlement expenses (continued)

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

There are a number of different types of business written by the Group, including property, liability and marine business, broadly categorised as either "short tail" or "long tail" business. The Group also writes reinsurance business. The characteristics of this business mirror those of the underlying business ceded to the syndicate.

Short tail business

Property, motor and accident and health business are generally "short tail", whereby there is not normally a significant delay between the occurrence of the claim and the claim being reported. The costs of claims notified at the balance sheet date are estimated on a case-by-case basis to reflect the individual circumstances of each claim.

The ultimate expected cost of claims, including IBNR claims, is projected from this data by reference to historical claims development data, which show how estimates of claims incurred in previous periods have developed over time.

Longer tail business

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

Reinsurance recoveries

Reinsurance recoveries in respect of IBNR claims are assumed to be consistent with the historical recoveries on paid and outstanding claims, adjusted to reflect changes in the nature and extent of the Group's reinsurance programmes.

(iii) Deferred acquisition costs

Deferred acquisition costs, representing a proportion of commission and other acquisition costs that relate to policies in force at the period end, are amortised over the period in which the related premiums are earned. Deferred acquisition costs are reviewed at the end of each reporting period and are written off if they are no longer considered to be recoverable.

(iv) Unexpired risks

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for premium deficiency. At 31 December 2020 and 31 December 2019 the Group did not have an unexpired risk provision.

(v) Reinsurance to close ("RITC")

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

To the extent that the Group changes its participation on a managed syndicate from one underwriting year of account to the next, it is a net receiver or payer of premium to reinsure the earlier year of account into the latter. This RITC premium and the related net claims provision are recognised as income and expense in the financial year in which the RITC contract is effective. It is represented in the balance sheet by the change in share of assets and liabilities transferred between the two years of account of the syndicates.

2.3 Summary of significant accounting policies (continued)

(a) Classification and accounting for insurance contracts (continued)

(vi) Outwards reinsurance contracts

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

The benefits to which the Group is entitled under its outwards reinsurance contracts are recognised as reinsurance assets. These assets consist of balances due from reinsurers and future receivables estimated based on claims payable and IBNR claims for each class of business, having regard to the terms of the relevant reinsurance contracts, net of estimated irrecoverable amounts after assessing the financial strength of the reinsurers. Reinsurance liabilities are primarily premiums payable for reinsurance contracts.

The Group assesses its reinsurance assets for impairment. If there is evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the statement of profit or loss.

(vii) Receivables and payables related to insurance contracts

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

(b) Other operating and administrative expenses

Other operating and administrative expenses include exchange gains and losses, underwriting expenses, such as brokerage and commissions, and non-underwriting expenses of the Group after the elimination of intra-group charges.

All costs incurred by active underwriting entities are considered underwriting expenses.

(c) Employee benefits

The Group operates defined contribution pension plans and a closed defined benefit pension scheme for its employees. The defined benefit pension scheme was acquired in 2010 with the acquisition of a new business. The scheme is closed to new entrants and has ceased accruing new benefits for current members. Any liability recognised in the consolidated balance sheet in respect of the scheme ("scheme liability") is the present value of the defined benefit obligation less the fair value of the scheme's assets as at the balance sheet date. Scheme assets exclude any insurance contracts issued by the Group. The defined benefit obligation is calculated annually by independent actuaries using the projected unit-credit method. To the extent that a surplus emerges on the scheme liability, it is only recognised as an asset in the balance sheet when it is probable that future economic benefits will be recovered by the scheme sponsor in the form of refunds or reduced contributions.

The cost of providing pension contributions for all staff is charged to the statement of profit or loss in the period to which it relates.

(d) Finance costs

Finance costs consist of trustee fees and bank charges, interest on lease liabilities, fees accruing on the Group's borrowings and costs of arrangements with the parent company and third parties that secure or provide Funds at Lloyd's ("FAL") for the Group's corporate members underwriting on Lloyd's syndicates. Arrangement fees in respect of financing arrangements are charged over the life of the related facilities.

2.3 Summary of significant accounting policies (continued)

(e) Revenue recognition:

Fee and Commission Income

Fees, including profit commissions, receivable by the Group's subsidiaries managing Lloyd's syndicates ("managing agents") are accounted for on the following bases:

i. Managing agents' fees relate to managing and operating the Lloyd's syndicate, and are therefore provided continuously throughout the year. These services are considered a single performance obligation. The price is fixed with no variable element and is matched against the single performance obligation. The passing of time is used to measure the amount of fees to be recognised.

ii. Profit commission becomes payable once the year of account is profitable. Profit commission is recognised to the extent that it is highly probable it will not be subject to significant reversal.

iii.Insurance services – commission and service fees are recognised at the point in time that the performance obligations are satisfied.

Other operating income

Other operating income, including one off items, is recognised in the period to which it relates.

Other operating income includes an unwind of deferred income received to cover the costs and managing the syndicates transferred from AmTrust Syndicates Limited. The income is recognised at the point at which the service obligations have been performed.

(f) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US dollars which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency at average, rather than spot, rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss for the period. Non-monetary assets and liabilities (principally unearned premium reserves and deferred acquisition costs) carried at historical cost are translated in the balance sheet at the exchange rate prevailing on the original transaction date.

Group companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate on the balance sheet date;
- Income and expenses are translated at average exchange rates during the period; and
- All resulting exchange differences are recognised as a separate component of equity in the Balance Sheet and included in the Consolidated Statement of Comprehensive Income.

Where there is an unsettled transaction between group companies at the balance sheet date and the monetary asset/(liability) in one group entity is eliminated against the corresponding liability/(asset) in another group entity, the exchange difference reported in the Group entity's own statement of profit or loss continues to be recognised in consolidated statement of profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate on the balance sheet date.

2.3 Summary of significant accounting policies (continued)

(g) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in statement of profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss (other operating and administrative expenses).

Intangible assets with finite lives are amortised over:

Insurance contracts intangible assets	8	to	23	Years
Webware and software development	3	to	5	Years
Distribution channels	10	to	15	Years
Computer IT software and licences	3	to	10	Years

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets net of liabilities and contingent liabilities of the acquired entity at the acquisition date. Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses.

Insurance contract intangible assets represent the difference between the fair value of claims provisions purchased from third parties usually as part of a company acquisition. These intangible assets are amortised on a basis consistent with the settlement of the claims. The time value of money, risk margin to unearned premium reserve and other related components of the insurance contract intangible asset run-off at different rates and are amortised according to their respective useful economic lives.

The useful economic life of the time value of money component is estimated as eight to twenty three years based on the expected run-off period of the claims arising from the portfolio of business when acquired.

The useful economic life of risk margin to unearned premium reserve and other related components of the insurance contract intangible asset follow the settlement pattern of the related unearned premium reserve and charged/(credited) to underwriting and administrative expenses.

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

2.3 Summary of significant accounting policies (continued)

(g) Intangible assets (continued)

Distribution channels acquired on a business combination are recognised at fair value and amortised on a straight line basis over their estimated useful economic life.

Software development costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Website and software development costs capitalised, including those acquired, are amortised on a straight line basis over their useful economic lives.

IT software and licences acquired are capitalised at cost and amortised on a straight line basis over the shorter of the estimated useful economic life or the duration of the licence agreement.

(h) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and provision for impairment where appropriate. Depreciation is calculated on a straight line method to write down the cost of assets in equal instalments over their estimated useful lives, at the following annual rates:

Fixtures and fittings	15% to 33.3% per annum
Computer equipment	10% to 33.3% per annum
Motor vehicles	20% to 33.3% per annum
Leasehold improvements	10% to 33.3% per annum

The residual values and useful lives of the assets are reviewed at each balance sheet date and adjusted if appropriate. The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may be impaired in which event the cost of writing down the asset to a lower valuation is charged to the statement of profit or loss.

Gains and losses on disposals of property and equipment are determined by reference to their carrying value and are taken to the statement of profit or loss. Repairs and renewals are charged to the statement of profit or loss when the expenditure is incurred.

(i) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through the statement of profit or loss and loans and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through the statement of profit or loss

The Group classifies its investments at fair value through the statement of profit or loss to the extent that they are not reported as cash and cash equivalents.

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

Unquoted investments are initially carried at cost as the best estimate of fair value, which is adjusted using appropriate valuation techniques and having regard to subsequent events or changes in circumstances.

Realised and fair value gains and losses arising from the changes in fair values are included in investment return in the statement of profit or loss in the period in which they arise.

2.3 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

Loans and receivables

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

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are determined by reference to quoted market prices for similar instruments and using appropriate valuation techniques, including discounted cash flow and options pricing models. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. For derivatives not formally designated as a hedging instrument, changes in the fair value are recognised immediately in the statement of profit or loss. All derivatives are carried as assets if the fair value is positive and as liabilities if the fair value is negative.

Derecognition of financial assets

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

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

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

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

(j) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit or loss (“FVPL”), loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables and derivative financial instruments.

2.3 Summary of significant accounting policies (continued)

(j) Financial liabilities (continued)

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification, as follows:

i) Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities are designated as at FVPL at the initial date of recognition, and only if the criteria in IAS 39 are satisfied.

Gains or losses on designated or held for trading liabilities are recognised in fair value gains and losses in the statement of profit or loss.

ii) Interest bearing loans and borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the ‘effective interest method’.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

(k) Offsetting of financial instruments

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

(l) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments.

Derivative financial instruments held for trading are typically entered into with the intention to settle in the near future. The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

All derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are taken directly to profit or loss.

2.3 Summary of significant accounting policies (continued)

(m) Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each reporting date.

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

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

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

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

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

All assets, liabilities and equity items for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described in Note 20.

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term cash deposits with original maturities of three months or less. These assets are readily convertible into known amounts of cash.

Lloyd's overseas deposits are not included within the balance of cash at bank and in hand on the balance sheet as the amounts represent capital requirements for underwriting in certain overseas territories. These are measured at fair value and recognised separately in their own category within other assets as the capital is restricted. See Note 23.

Cash at bank and in hand relate to amounts which are held at a bank in the form of on demand deposits such as current accounts and savings accounts. Short term deposits with a maturity of three months or less are considered cash equivalents.

(o) Taxation

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

Current tax is determined based on the taxable profit or loss for the year and adjustments to tax payable or recoverable on prior years' profits or losses. The taxable profit or loss differs from the profit or loss before tax as reported in the statement of profit or loss because it excludes items of income or expense that may be taxable or deductible in other years or are expected never to be taxable or deductible. The Group's liability or asset for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised on temporary differences, which are gains or losses that will be taxable in future periods and are not included in the current tax calculation. Deferred tax liabilities are generally recognised for all gains that are not currently taxable but will be taxable in the future. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which non-current taxable losses can be deducted. Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2.3 Summary of significant accounting policies (continued)

(o) Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted for changes in estimates of the taxable profits that will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is expected to settle or the asset is expected to be realised. Deferred tax is charged or credited to the statement of profit or loss, except when it relates to items charged or credited to other comprehensive income or directly to other reserves in equity, in which case the deferred tax is also dealt with in the Statement of Comprehensive Income or directly to other reserves in equity, respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Deferred tax assets and liabilities are not discounted for the time value of money.

(p) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. There is no scheme for employee owned shares.

(q) Non-controlling interests

Non-controlling interests represent equity in a subsidiary not attributable, directly or indirectly, to a parent. The non-controlling interest is measured as their share in the recognised amounts of the acquiree's identifiable net assets.

(r) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

ii) Lease liabilities

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets. The right-of-use assets are subject to impairment.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of any purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

2.3 Summary of significant accounting policies (continued)

(r) Leases (continued)

ii) Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the unwind of discounting and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies IFRS 16 recognition exemptions in relation to the following types of leases:

- Short-term leases: Leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.
- Leases of low-value assets: Leases where the underlying asset has a low value

No right-of-use assets or lease liabilities are recognised in relation to these leases. Lease payments are recognised as an expense on a straight-line basis over the lease term.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.4 New and amended standards and interpretations

In the current year, the group has applied amendments to IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2020. The new effective requirements are:

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the interbank lending rate ('IBOR') reform. The reliefs mean that IBOR reform should not cause hedge accounting to terminate. Any hedge ineffectiveness should continue to be recorded in the income statement under both IAS 39 and IFRS 9. The Group does not have any hedging arrangements in place that use IBOR and, hence, these amendments had no impact on the consolidated financial statements of the Group.

- Amendments to IFRS 3: Definition of a Business:

The amendments to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes required to create output. The amendments had no impact on the consolidated financial statements of the Group.

2.4 New and amended standards and interpretations (continued)

- Amendments to IAS 1 and IAS 8 Definition of Material:

The amendments provide a new definition of material, which states that 'information is material if limiting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those statements, which provide financial information about a specific reporting entity'. Materially, thus, depends on the magnitude or the nature of information, either individually or in combination with other information. These amendments had no impact on the consolidated financial statements of the Group.

- Conceptual Framework for Financial Reporting:

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework had no impact on the consolidated financial statements of the Group.

- Amendments to IFRS 16 Covid-19 Related Rent Concessions:

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

- IFRS 4 Amendment: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date: 1 January 2018):

The amendments to IFRS 4 issued in 2016 address the accounting consequences of applying IFRS 9 to insurers prior to the adoption of IFRS 17. The amendments include an optional temporary exemption from applying IFRS 9 that is available to companies whose predominant activity is to issue insurance contracts until the earlier of the effective date of IFRS 17 or 2023. The group qualifies for this exemption as at 31 December 2015 $2,609m or 94% (i.e. over 90%) of its total liabilities were connected with insurance. There has been no change in the group's activities since 31 December 2015, therefore the exemption still remains. The group has also disclosed information in relation to specific types of financial instruments to ensure the comparability with the entities applying IFRS 9. As such, fair values are disclosed separately for the group's financial assets which are managed and evaluated on a fair value basis and those which meet the "solely payments of principal and interest" (SPPI) test under IFRS 9.

Below is a table outlining the fair value of assets which are managed and evaluated on a fair value basis and those which meet the SPPI test under IFRS 9. The information on credit exposures for debt securities and other fixed income securities and holdings in collective investment schemes can be found in note 33(b) of the financial statements. Certain equity shares, derivative financial instruments and trade and other receivables which are not rated, are considered by the company to have a low credit risk. For these assets the carrying amount is equal to fair value.

2.4 New and amended standards and interpretations (continued)

$'000	2020	2019
Financial assets managed and evaluated on a fair value basis		
Debt securities and other fixed income securities	1,431,425	1,066,983
Holdings in collective investment schemes	971,446	601,045
Equity shares	105,735	115,008
Derivative financial instruments	15,735	18,076
Total financial assets managed and evaluated on a fair value basis	**2,524,341**	**1,801,112**
Financial assets meeting the SPPI test		
Trade and other receivables	187,054	54,785
Total financial assets meeting the SPPI test	**187,054**	**54,785**

The following new standards, amendments and interpretations, issued but not effective for the financial year beginning 1 January 2020, have not been early adopted:

- IFRS 9 Financial Instruments:

This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current loss impairment model, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle-based approach. The Group is still assessing the impact of IFRS 9. The temporary exemption has been used.

- IFRS 17 Insurance Contracts:

IFRS 17, which will replace IFRS 4, sets out requirements relating to the measurement, presentation and disclosure of insurance contracts. It prescribes a general measurement model based on the discounted estimates of future cash flows, including an explicit risk adjustment and a contractual service margin (which represents the unearned profit of the contracts). Application of a simplified premium allocation approach, which is similar to the current unearned premium approach, is permitted if it is expected to provide a measurement that is not materially different from the general measurement model or if the coverage period of the contracts is one year or less.

In June 2020, the IASB published a revised version of IFRS 17 that has an effective date of 1 January 2023. A temporary exemption from applying IFRS 9 that is available for qualifying insurers (as contained in IFRS 4) expires on 31 December 2022.

The Group's implementation of IFRS 17 is in progress and on track to be completed by the time of implementation. It is not yet possible to accurately quantify the financial impacts of implementation.

2.5 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future reporting periods.

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

2.5 Significant accounting judgements, estimates and assumptions (continued)

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

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

Premium estimation uses expert judgement, the quality of the estimate being influenced by the nature and maturity of the portfolio, availability of timely data, relevant underwriting input to the estimating process and management review. Gross written premiums are reviewed regularly using underwriter estimates and actuarial projections. The estimation of premium is described in Note 21.

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

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

The Group uses prices provided by third party suppliers, investment managers and counterparty banks in determining the fair value of financial assets. Depending on the methods and assumptions used, for example, in the fair valuation of Level 3 financial assets, the fair valuation is subject to a higher degree of estimation uncertainty. These methods and assumptions are described in Note 20.

Where an acquisition of a subsidiary gives rise to the recognition of intangible assets such as distribution channels and syndicate participation rights, the value of such intangibles is largely based on the expected cash flows of the business acquired. Certain key assumptions are used to assess the value of the intangible, such as forecast underwriting performance and past business retention rates. These are the subject of specific uncertainty and a reduction in underwriting profitability or renewal patterns of business acquired may result in the value of the intangible being impaired and written off in the current accounting period. Details of these assumptions are included in note 14.

Recognition of underwriting losses for deferred taxation purposes is based on management's prudent projections of future profitability and the probability of losses being utilised against taxable profits within a reasonable time-frame, as set out in note 13.

2.6 Change in accounting estimates

There are no changes in accounting estimates as at 31st December 2020. A review of exposure lengths for Consumer Product and Structural Defect Warranty and Mortgage Indemnity Products, conducted in 2019, resulted in a lengthening of earnings patterns for these classes. The impact in 2019 was to reduce profit by $31m for the year, with an increase in total assets and total liabilities of $67m and $98m respectively. Consequently, there was a reduction in equity of $31m.

3. Group information

3.1 Ultimate parent undertaking and controlling party

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

The immediate parent company of Canopius Group Limited (the "Group") is Fortuna Holdings Limited.

3.2 Business combinations under common control

Acquisition of MSH

On 16 March 2020 the Group acquired a majority stake in MSH, a specialty reinsurance group headquartered in Bermuda. This acquisition is complementary to the Group's existing ILS capabilities. The acquisition is immaterial to the Group.

3. Group information (continued)

3.2 Business combinations under common control (continued)

Acquisition of Flectat 2

On 7 January 2020 CGL acquired 100% of the share capital and voting rights of Flectat 2 from FHL in exchange for newly issued shares.

FHL, CGL's immediate parent, had acquired Flectat 2 (previously known as AmTrust Corporate Member Limited) in October 2019, which saw the merger of its Lloyd's business with that of AmTrust at Lloyd's.

The Group assumed the management of Syndicates 1861, 5820, 1206 and 44 but only has an economic interest in the 2019 and 2020 years of account of 1861. All the other Syndicates and years of account are either quota shared out of the Group or do not have capital provided by the company that was purchased in the transaction. The 2020 YoA of Syndicate 1861 was written on a split stamp basis with Syndicate 4444, and the 2021 YoA of the two syndicates was merged.

On 18 February 2021, the Group entered into an agreement with Premia Re for the RITC of the 2017 and 2018 years of account of syndicates 1861, 5820 and 1206.

The merger provided the Group with significant additional underwriting capacity, expertise and a broader product offering.

The fair value of the consideration transferred for Flectat 2 was $98.5m of newly issued shares in CGL, $88.5m for shares in Flectat 2 and an additional $10m paid in 2019 for the novation of the managing agency contract into Canopius Managing Agents Limited.

The assets and liabilities arising from the acquisition, together with the purchase consideration are shown below.

	Acquiree's Carying Amount $'000
Intangible assets	92,167
Deferred acquisition costs	72,322
Reinsurance assets	863,540
Financial assets – carried at FV through income	334,464
Insurance receivables	479,830
Trade and other receivables	6,664
Cash and cash equivalents	176,468
Total assets	**2,025,455**
Insurance contract liabilities	(1,144,506)
Deferred tax liability	(15,668)
Insurance payables	(796,910)
Trade and other payables	(19,872)
Total liabilities	**(1,976,956)**
Net assets acquired	**48,499**
Purchase consideration	**98,520**
Net assets acquired	**(48,499)**
Valuation difference on consideration transferred	**6,678**
Goodwill	**56,699**

3.2 Business combinations under common control (continued)
Acquisition of Flectat 2 Limited (continued)

The transaction has been accounted for in accordance with the pooling of interest method for business combinations under common control. The assets and liabilities of Flectat 2 have been transferred at their carrying amounts. Goodwill of $56.7m was recognised by CGL, which equals the amount of goodwill that was recognised by FHL on the acquisition in 2019. The goodwill reflects the Company's expected synergies across underwriting, reinsurance, expenses and capital as well as growth opportunities through wider product offering. The goodwill is not deductible for tax purposes. The valuation difference on consideration transferred represents the difference between the purchase consideration of $98.5m and the sum of net assets acquired and goodwill recognised by CGL of $105.2m.

The transaction took place on 7 January 2020 and the Group's result consolidates Flectat 2's result for the period from the date of acquisition. Flectat 2 contributed a loss of $117.0m to the Group's loss before tax for the financial year and $537.8m to the Group's gross premium.

The net cash on acquisition is $176.5m which represents the cash and cash equivalents of Flectat 2 on the date of acquisition.

The costs in relation to the acquisition of Flectat 2 from FHL were immaterial.

3.3 Subsidiaries

The principal subsidiaries of Canopius Group Limited, which are consolidated in these financial statements, are listed below. The Group holds no investments in joint ventures or associates.

Subsidiary	Country of incorporation	Principal activities	% equity interest 2020	2019
Canopius Holdings UK Limited	England and Wales	Holding company	100%	100%
Canopius US Holdings, Inc.	USA (Delaware)	Holding company	100%	100%
Canopius Underwriting Agency Inc.	USA (Delaware)	Insurance company	100%	100%
Canopius US Insurance, Inc.	USA (Delaware)	Insurance company	100%	100%
Canopius Reinsurance Limited	Bermuda	Reinsurance company	100%	100%
Canopius Services Limited	England and Wales	Service company	100%	100%
Canopius Managing Agents Limited	England and Wales	Managing agent at Lloyd's	100%	100%
Canopius Asia Pte. Ltd.	Singapore	Syndicate service company	100%	100%
Canopius Europe Limited	England and Wales	Syndicate service company	100%	100%
Canopius Underwriting Bermuda Limited	Bermuda	Syndicate service company	100%	100%
Canopius ILS Limited	Bermuda	Reinsurance company	100%	100%
Canopius Underwriting Limited	England and Wales	Syndicate service company	100%	100%
Canopius Capital Four Limited	England and Wales	Lloyd's corporate member	100%	100%
Canopius Capital Seven Limited	England and Wales	Lloyd's corporate member	100%	100%
Canopius Capital Nine Limited	England and Wales	Lloyd's corporate member	100%	100%
Canopius Capital Ten Limited	England and Wales	Lloyd's corporate member	100%	100%
Canopius Capital Twelve Limited	England and Wales	Lloyd's corporate member	100%	100%
Flectat Limited	England and Wales	Lloyd's corporate member	100%	100%
Flectat 2 Limited	England and Wales	Lloyd's corporate member	100%	-
Multi-Strat Holdings Limited ("MSH")	Bermuda	Holding company	65%	-
Multi-Strat Reinsurance Ltd	Bermuda	Reinsurance company	65%	-

4. Net premiums

$'000	2020	2019
a) Gross premiums on insurance contracts		
Gross premiums written	1,949,356	1,537,766
Change in unearned premiums provision	180,701	(260,278)
Total gross premiums	2,130,057	1,277,488
b) Premiums ceded to reinsurers of insurance contracts		
Reinsurance premiums ceded	(470,482)	(270,470)
Change in unearned premiums provision	(133,128)	47,708
Total premiums ceded to reinsurers	(603,610)	(222,762)
c) Reinsurance to close	17,925	(63,401)
Net premiums	1,544,372	991,325

5. Fees and commission income

$'000	2020	2019
Lloyd's underwriting agencies:		
Management fees	1,355	2,182
Profit Commission	1,236	-
Insurance services – commission and service fees	1,730	4,207
	4,321	6,389

6. Investment income

$'000	2020	2019
Interest income on financial assets	28,001	19,978
Dividend income	5,653	5,661
Interest income on cash and cash equivalents	11,116	16,468
Gross investment income	44,770	42,107
Investment fees & expenses	(1,768)	(2,129)
Net investment income	43,002	39,978

7. Net realised gains and losses

$'000	2020	2019
Realised gains	44,265	32,437
Realised losses	(14,187)	(22,098)
	30,078	10,339

8. Fair value gains and losses

$'000	2020	2019
Fair value gains on other financial assets	25,955	62,812
Fair value losses on other financial assets	(48,093)	(24,662)
	22,138	38,150

9. Net benefits and claims

$'000	2020	2019
a) Gross benefits and claims		
Gross benefits and claims paid	(1,205,797)	(901,532)
Change in contract liabilities	(605,617)	238,768
	(1,811,414)	(662,764)
b) Reinsurance		
Claims ceded to reinsurers	402,982	169,707
Change in contract liabilities ceded to reinsurers	220,299	(105,066)
	623,281	64,641
c) Reinsurance to close	(17,925)	63,401
Net benefits and claims	(1,206,058)	(534,722)

10. Finance costs

$'000	Note	2020	2019
Fees for letters of credit		(4,563)	(4,702)
Interest on lease liabilities	34	(347)	(305)
Interest expense		(1,337)	(24)
Trustee fees and bank charges		(503)	(159)
		(6,750)	(5,190)

Finance costs of $6,981k (2019: $4,085k) have been paid during the year.

Interest expense of $1,337k in 2020 is mainly made up of loan interest paid to CGL's immediate parent, FHL.

11. Other operating and administrative expenses

$'000	Note	2020	2019
Direct commission		(459,997)	(330,238)
Employee benefit expenses	12	(106,257)	(95,482)
Amortisation of intangible assets	14	(5,400)	(3,145)
Depreciation of property and equipment	15	(1,222)	(538)
Depreciation of right-to-use assets	34	(5,211)	(4,383)
Premises expenses		(10,235)	(3,497)
Auditor's remuneration - audit & related services		(2,054)	(1,193)
Auditor's remuneration - other services		(445)	(289)
Syndicate personal expenses and Lloyd's charges		(37,553)	(27,404)
IT costs		(17,081)	(18,045)
Other expenses		(24,545)	(6,461)
Expenses before exchange adjustments		(670,000)	(490,675)
Net foreign exchange adjustments		13,332	(4,053)
		(656,668)	(494,728)
Underwriting expenses		(632,613)	(449,827)
Non-underwriting expenses		(24,055)	(44,901)
		(656,668)	(494,728)

Other expenses include professional and advisory fees, marketing costs and irrecoverable VAT expenses.

12. Employee benefit expenses

$'000	2020	2019
Salaries and wages	(83,691)	(79,229)
Social security costs	(9,691)	(8,584)
Pension costs – defined contribution plans	(6,020)	(4,587)
Other benefits	(6,855)	(3,082)
	(106,257)	(95,482)

Employee benefits include termination payments of $3.3m (2019:$3.2m).

13. Income tax

The Company is incorporated in Jersey and registered for tax in the United Kingdom.

The subsidiary companies are registered for tax in various jurisdictions, including the United Kingdom, United States, Singapore, Malaysia and Bermuda. The subsidiary companies in the UK are the main operating and tax-paying companies in the Group. Therefore, as in prior years, it is appropriate to reconcile the Group tax charge to the UK Statutory rate.

Overseas tax primarily relates to recognition of deferred tax assets on prior year losses incurred by the Group's US subsidiary.

The major components of income tax credits for the years ended 31 December 2020 and 31 December 2019 are:

a) Consolidated statement of profit or loss

$'000	2020	2019
UK tax:		
Current tax - prior year	172	(109)
Deferred tax - origination and reversal of temporary differences	15,199	233
Overseas taxes	1,095	2,872
Effect of deferred tax rate change	(1,458)	-
Foreign exchange and other adjustments	(104)	(4)
Total income tax credit	14,904	2,992

b) Reconciliation of tax charge

$'000	2020	2019
(Loss)/profit before tax	(257,154)	63,880
Tax at 19%	48,859	(12,137)
(Losses)/profits not subject to UK tax	(10,813)	12,304
Overseas taxes	1,095	2,872
Prior year adjustments	172	(109)
Effect of losses not recognised	(24,781)	(1,353)
Effect of deferred tax rate change	(1,458)	-
Other	1,830	1,415
	14,904	2,992

13. Income tax (continued)

c) Income tax (payable)/receivable

$'000	2020	2019
At 1 January	111	12,850
UK current tax recorded in the statement of profit or loss	172	(109)
Overseas taxes recorded in the statement of profit or loss	1,054	(1,425)
Payments made on-account during the year	1,412	525
Tax received	(3,082)	(11,739)
Foreign exchange adjustments	(156)	11
Other	(80)	(2)
At 31 December	(569)	111

d) Deferred tax, net

$'000	2020	2019
Excess of book over tax depreciation	589	354
Tax on deferred underwriting losses	25,325	10,486
Tax on intangible asset	(20,000)	(2,893)
Other deferred tax balances	495	113
Total deferred tax asset	6,409	8,060

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

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

The Group has tax losses and gross temporary differences in respect of underwriting losses in the corporate members and other tax losses in group entities which total approximately $407m (2019 (restated): $214m which includes $70m of additional crystallised tax losses previously incorrectly not included) which have no expiry date and have not been recognised for deferred tax purposes. An amount of $25.3m of deferred tax asset has been recognised in relation to the crystallised underwriting losses (2019: $10.5m).

In the current period, the enacted UK Corporation tax rate applicable to the company from 1 April 2020 was increased from 17% to 19%. The closing deferred tax assets and liabilities have been calculated at 19% and accordingly a rate change adjustment has arisen as the opening deferred tax balance had been calculated taking into account the previously enacted rate of 17%.

Since the balance sheet date, it was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase to 25% from 1 April 2023. This change has not yet been substantively enacted as at the end of 31 December 2020. As a result, existing temporary differences on which deferred tax has been provided may unwind in periods subject to the 19% or 25% rate. The estimated impact on the deferred tax asset using a rate of 25% from 1 April 2023 is immaterial.

13. Income tax (continued)

e) Reconciliation of deferred tax assets, net

$'000	2020	2019
Balance at 1 January	8,060	3,516
Transferred on Flectat 2 acquisition	(15,668)	-
Differences relating to recognition of underwriting results and depreciation:		
- arising during the year	14,594	4,127
- utilised during the year	643	402
Foreign exchange and other adjustments	(1,220)	15
Balance at 31 December	6,409	8,060

14. Intangible assets

$'000	Goodwill	Syndicate participation rights	Insurance contract intangible asset	Distribution channels intangible asset	Managing agency contract	IT Software and licences	Total
Cost							
At 1 January 2019	-	22,650	25,905	-	-	8,698	57,253
Acquired on acquisition	-	-	-	-	10,000	10,000	20,000
Additions	-	-	-	-	-	1,238	1,238
Disposals	-	-	-	-	-	(3,103)	(3,103)
Exchange	-	48	-	-	233	394	675
At 31 December 2019	-	22,698	25,905	-	10,233	17,227	76,063
Acquired on acquisition	58,662	63,184	-	28,983	-	-	150,829
Disposals	-	-	-	-	(10,000)	-	(10,000)
Exchange	-	-	-	-	(233)	615	382
At 31 December 2020	58,662	85,882	25,905	28,983	-	17,842	217,274
Accumulated amortisation							
At 1 January 2019	-	-	17,549	-	-	8,006	25,555
Amortisation in the year	-	-	2,364	-	250	531	3,145
Disposals	-	-	-	-	-	(3,103)	(3,103)
Exchange	-	-	-	-	6	185	191
At 31 December 2019	-	-	19,913	-	256	5,619	25,788
Amortisation in the year	-	-	1,954	1,964	-	1,482	5,400
Disposals	-	-	-	-	(250)	-	(250)
Exchange	-	-	-	-	(6)	362	356
At 31 December 2020	-	-	21,867	1,964	-	7,463	31,294
Carrying amount							
At 31 December 2019	-	22,698	5,992	-	9,977	11,608	50,275
At 31 December 2020	58,662	85,882	4,038	27,019	-	10,379	185,980

14. Intangible assets (continued)

Intangible assets with an indefinite useful life

Goodwill and syndicate participation rights are deemed to have indefinite useful life as they are expected to have value in use that does not erode or become obsolete over the course of time. Consequently, they are not amortised but annually tested for impairment in relation to the business units from where or for which they were acquired.

The syndicate participation rights intangible was allocated to the syndicates at Lloyd's CGU. The recoverable amount of the syndicate participation rights was established with reference to its fair value less costs to sell. The recent capital raise provides a current and observable input into the fair value measurement, which is classed as level 2 within the fair value hierarchy.

In prior periods and in the absence of a current fair value measurement, the recoverable amount of this asset was established based on its value in use by discounting projected cash flows, expected profitability and an internal assessment of business retention.

The key assumption on which the fair value measurement is established is the price of the Group based on the recent capital raise. This indicates sufficient headroom such that reasonably alternative assumptions are not anticipated to result in a potential impairment of syndicate participation rights.

Goodwill has been allocated to the syndicates at Lloyd's CGU and tested for impairment using an estimate of its recoverable amount. This has been assessed by valuing the Group at fair value less cost to sell. Fair value has been established with reference to the recent capital raise, which indicates sufficient headroom such that reasonably alternative assumptions are not anticipated to result in a potential impairment.

Intangible assets with a finite useful life

The distribution channels, insurance contract intangible and IT software and licences are amortised over their finite economic lives and the charge is included in other operating and administrative expenses in the consolidated statement of profit or loss.

The time value of money, risk margin to unearned premium reserve and other related components of the insurance contract intangible asset run-off at different rates and are amortised according to their respective useful economic lives. The useful economic life of the time value of money component is estimated as eight to twenty three years based on the expected run-off period of the claims arising from the portfolio of business when acquired. There was no impairment in 2020 (2019: $0m).

Assets with a finite useful life were assessed for indicators of impairment at the respective year ends and no indicators of impairment have been identified. As such, no impairment has been performed.

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15. Property and equipment

$'000	Note	Computer equipment	Motor vehicles	Fixtures, fittings and equipment	Leasehold improvements	Total
Cost						
At 1 January 2019		4,854	115	2,427	1,376	8,772
Additions		2,915	-	605	-	3,520
Exchange		158	34	27	25	244
At 31 December 2019		7,927	149	3,059	1,401	12,536
Additions		847	-	409	1,490	2,746
Disposals		(90)	(163)	(402)	-	(655)
Exchange		326	14	9	25	374
At 31 December 2020		9,010	-	3,075	2,916	15,001
Accumulated depreciation						
At 1 January 2019		4,704	17	2,057	1,258	8,036
Charge for the year	11	209	27	285	17	538
Exchange		149	9	31	23	212
At 31 December 2019		5,062	53	2,373	1,298	8,786
Charge for the year	11	922	16	265	19	1,222
Disposals		(90)	(57)	(263)	-	(410)
Exchange		323	(12)	28	23	362
At 31 December 2020		6,217	-	2,403	1,340	9,960
Carrying amount						
At 31 December 2019		2,865	96	686	103	3,750
At 31 December 2020		2,793	-	672	1,576	5,041

16. Deferred acquisition costs

$'000	2020	2019
Insurance contract deferred acquisition costs at 1 January	268,301	184,962
Movement in deferred acquisition costs	62,212	83,339
Insurance contract deferred acquisition costs at 31 December	330,513	268,301

17. Reinsurance assets

$'000	Note	2020	2019
Non-life:			
Reinsurers' share of outstanding claims provision	27 i	406,504	185,619
Reinsurers' share of incurred but not reported provision	27 ii	817,811	215,668
Reinsurers' share of claims outstanding		1,224,315	401,287
Reinsurers' share of unearned premiums	27 iii	282,298	113,728
		1,506,613	515,015

18. Financial assets

a) Financial assets at fair value through profit or loss

$'000	2020	2019
Fair value (designated as such upon initial recognition)		
Debt securities and other fixed income securities	1,431,425	1,066,983
Holdings in collective investment schemes	971,446	601,045
Equity shares	105,735	115,008
Total financial assets at fair value through profit or loss	2,508,606	1,783,036

Financial assets which are subject to restrictions are referred to in Note 35(a). Financial assets that are classified as loans and receivables are disclosed in Note 22 Trade and Other Receivables.

b) Carrying value of financial instruments other than derivatives

$'000	2020	2019
Fair value (designated as such upon initial recognition)		
At 1 January	1,783,036	1,989,790
Transferred on Flectat 2 acquisition	334,464	-
Purchases	2,317,292	1,192,751
Disposals	(1,933,988)	(1,447,195)
Fair value (losses)/gaims	(22,276)	37,351
Realised gains	30,078	10,339
At 31 December	2,508,606	1,783,036

19. Derivative financial instruments

The Group utilises derivative financial instruments as part of its asset/liability risk management practice.

The derivative financial instruments represent the fair value of exchange traded bond futures contracts used to hedge duration risk, and forward contracts used to hedge excess foreign currency exposures. The derivative financial instruments held by the Group have not been designated for hedge accounting during the current and previous financial years as permitted by IAS 39.

The following table shows the fair value through profit or loss ("FVPL") of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying assets, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	2020			**2019**		
$'000	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Derivatives at FVPL:						
Interest rate futures	11	-	5,264	9	(24)	10,910
Forward exchange contracts	15,724	(1,785)	679,426	17,905	(1,274)	753,195
Interest rate options	-	-	-	162	-	474,849
	15,735	(1,785)	684,690	18,076	(1,298)	1,238,954

At their inception, derivatives often involve only a mutual exchange of promises, with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group. Over-the-counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position. The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

20. Fair value measurement

i) Valuation

The Group has classified its financial instruments as at 31 December 2020 using the fair value hierarchy required by IFRS 13 'Fair value measurement'. The fair value hierarchy classifies financial instruments into Level 1 to Level 3 based on the significance of the inputs used in measuring their fair value, with Level 1 considered the most reliable. The levels within the fair value hierarchy are defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Valuation techniques for which inputs are not based on observable market data.

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date and are included in Level 1.

The Group 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 available and reflect appropriate adjustments for credit and liquidity risks. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The valuation techniques include broker dealer quotes, reported trades, issuer spreads and available bids. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. There have been no transfers between level 1 and level 2 financial instruments during the year (2019: $nil).

20. Fair value measurement (continued)

i) Valuation (continued)

If one or more significant inputs are not based on observable market data, the instrument is included in Level 3. These assets are normally infrequently traded and fair values can only be calculated using estimates or risk-adjusted value ranges and there is a material use of judgement in deriving the price.

ii) Fair value measurement of assets

$'000	Level 1	Level 2	Level 3	Total
Valuation at 31 December 2020				
Debt securities & other fixed income securities	528,168	903,257	-	1,431,425
Holdings in collective investment schemes	638,351	333,095	-	971,446
Equity	74,882	-	30,853	105,735
Derivative assets	11	15,724	-	15,735
Financial assets	1,241,412	1,252,076	30,853	2,524,341
Other assets – overseas deposits	33,436	82,657	-	116,093
	1,274,848	1,334,733	30,853	2,640,434

$'000	Level 1	Level 2	Level 3	Total
Valuation at 31 December 2019				
Debt securities & other fixed income securities	553,045	513,938	-	1,066,983
Holdings in collective investment schemes	377,931	223,114	-	601,045
Equity	110,851	-	4,157	115,008
Derivative assets	137	17,939	-	18,076
Financial assets	1,041,964	754,991	4,157	1,801,112
Other assets – overseas deposits	15,182	37,729	-	52,911
	1,057,146	792,720	4,157	1,854,023

The level within the hierarchy that a financial instrument is placed is based on the lowest level of any input that is significant to its fair value measurement.

Values for assets which have no market value have been valued at cost less impairment and are considered level 3 assets. The exception is the Group's share of the syndicates' loans to the Lloyd's central fund. These are not tradeable and are fair valued based on a discounted cash flow model to which a fair value adjustment has been applied to appropriately reflect the credit and illiquidity risk of the instrument. These loans are deemed to be equity on the basis that the repayment of the loan and interest is at the discretion of the Corporation of Lloyd's. The syndicate loans have been classified as level 3 assets because the valuation approach includes significant unobservable inputs and an element of subjectivity in determining appropriate credit and illiquidity spreads within the discount rates used in the discounted cash flow model.

Any transfers between levels in the fair value hierarchy is deemed to have taken place by assessing categorisation at the end of the reporting period. There were no transfers to and from level 3 assets for the period ended 31 December 2020 when compared with the comparative prior period end.

20. Fair value measurement (continued)

ii) Fair value measurement of assets (continued)

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

$'000	2020	2019
At 1 January	4,157	-
Transferred on Flectat 2 acquisition	2,684	-
Total net (loss)/gain through profit or loss	(2,243)	128
Purchases	26,255	4,029
At 31 December	30,853	4,157

The $2,243k net loss (2019: $128k net gain) recognised in the profit or loss on level 3 investments includes an unrealised loss of $2,320k (2019: nil) for a fair value adjustment applied to appropriately reflect the credit and illiquidity risk of level 3 assets.

21. Insurance receivables

$'000	2020	2019
Debtors arising out of insurance operations	675,015	592,881
Debtors arising out of reinsurance operations	389,149	97,847
	1,064,164	690,728
Amounts due within 1 year	1,063,674	690,368
Amounts due in over 1 year	490	360
	1,064,164	690,728

Debtors arising out of insurance operations are receivable within one year and relate to business transacted with brokers and intermediaries. Debtors arising out of reinsurance operations comprise amounts receivable from reinsurers in respect of paid claims and brokers' balances receivable on inwards reinsurance business. All insurance receivables are designated as loans and receivables and their carrying values approximate fair value at the reporting date.

Insurance receivables include $641m (2019: $383m) of pipeline premium which is estimated using expert judgement, relevant underwriting input and management review.

In 2019, $165.8m of accepted reinsurance pipeline debtors were included in debtors arising out of direct insurance operations which have been presented appropriately within debtors arising out of reinsurance operations in the current year. The comparatives have not been restated as we do not believe the reclassification would influence the economic decisions of users and is therefore not considered material.

22. Trade and other receivables

$'000	2020	2019
Loan	16,788	10,800
Other debtors	152,733	12,625
Accrued income	15,001	9,228
Amounts due from parent undertakings	2,532	22,132
	187,054	54,785
Amounts due within 1 year	173,286	46,685
Amounts due in over 1 year	13,768	8,100
	187,054	54,785

The fair value of trade and other receivables approximate to their carrying value.

The loan principal of $16.8m comprises a business loan of $8.1m and US property bridge loans of $8.7m which are classified as loans and receivables in accordance with IAS 39 and are carried at amortised cost.

Details about the maturity of these loans can be found in Note 33(c).

Other debtors in 2020 include $142m of unsettled investment trades, resulting from trading activity over the year end date. This amount was settled in January 2021.

Amounts due from parent undertakings of $2.5m in 2020 mainly relate to CGL Group costs allocated to FTL. The prior year amount of $22.1m mainly represents Group costs allocated to Flectat 2.

23. Other assets

Other assets include overseas deposits of $116.1m (2019: $52.9m) which are lodged as a condition of conducting underwriting business in certain countries.

24. Cash and cash equivalents

$'000	2020	2019
Cash at bank and in hand	132,027	67,300
Cash equivalents	558,470	308,639
	690,497	375,939

The cash and cash equivalents include $644.1m (2019: $320.0m) that are held in Lloyd's Premium and other trust funds supporting insurance liabilities. These assets are subject to restrictions under the relevant trust deeds and bank facilities.

25. Share capital and share premium

Authorised, issued and fully paid:	At 1 January 2019	Changes in issued capital	At 31 December 2019	Changes in issued capital	At 31 December 2020
	Number	Number	Number	Number	Number
Ordinary shares					
Ordinary shares of 1CHF par	100,000	-	100,000	(100,000)	-
Ordinary shares of 1USD par	-	-	-	341,868,295	341,868,295
Ordinary shares total	**100,000**	**-**	**100,000**	**341,768,295**	**341,768,295**

Issued share capital	At 1 January 2019	Changes in issued capital	At 31 December 2019	Changes in issued capital	At 31 December 2020
	$	$	$	$	$
Ordinary shares					
Ordinary shares of 1CHF par	105,719	-	105,719	(105,719)	-
Ordinary shares of 1USD par	-	-	-	341,868,293	341,868,293
Share capital total	**105,719**	**-**	**105,719**	**341,762,574**	**341,868,293**

On 7 January 2020, following the re-domiciliation of CGL from Switzerland to Jersey on 6 August 2019, a special resolution was passed for the issued and unissued share capital of CGL to be redenominated from Swiss Franc (CHF) to US dollars (US$) at a rate of exchange (CHF 1.00 to US$ 0.99999). The 100,000 authorised and issued shares in the Company were consolidated as 99,999 ordinary shares of US$1.00.

On 23 November 2020, 341,768,294 ordinary shares, with a nominal value of $1.00 were issued for $1.00 each, in exchange for a capital injection received from FHL of $341.8m.

Issued share premium	At 1 January 2019	Changes in issued share premium	At 31 December 2019	Changes in issued share premium	At 31 December 2020
	$	$	$	$	$
Ordinary shares					
Ordinary shares of 1USD par	-	-	-	279,879,008	279,879,008
Share premium total	**-**	**-**	**-**	**279,879,008**	**279,879,008**

On 7 January 2020, one ordinary share with a nominal value of $1.00 was issued to FHL in exchange for $88.5m of shares of Flectat 2.

On 15 June 2020, one ordinary share with a nominal value of $1.00 was issued in exchange for a capital injection received from FHL Limited of $171.4m and the transfer of assets of $20m.

26. Insurance contract liabilities

$'000	Note	2020	2019
Non-life:			
Outstanding claims provision	27 i	1,418,595	1,047,207
Incurred but not reported provision	27 ii	1,796,948	781,737
Claims outstanding		3,215,543	1,828,944
Provision for unearned premiums	27 iii	1,182,530	822,875
		4,398,073	2,651,819

27. Insurance contract liabilities and reinsurance assets

i. Outstanding claims provision

$'000	2020 Insurance contract liabilities	2020 Reinsurance of liabilities	2020 Net	2019 Insurance contract liabilities	2019 Reinsurance of liabilities	2019 Net
Non-life:						
At 1 January	1,047,207	(185,619)	861,588	1,285,387	(269,227)	1,016,160
Transferred on acquisition	262,898	(227,910)	34,988	-	-	-
Movement during the year	60,771	25,791	86,562	(182,593)	68,806	(113,787)
Reinsurance to close	22,236	(5,313)	16,923	(82,598)	19,425	(63,173)
Exchange and other adjustments	25,483	(13,453)	12,030	27,011	(4,623)	22,388
At 31 December	1,418,595	(406,504)	1,012,091	1,047,207	(185,619)	861,588

The comparative has been represented to split out reinsurance to close, from exchange and other adjustments, on a consistent basis with the current year.

ii. Incurred but not reported provision

$'000	2020 Insurance contract liabilities	2020 Reinsurance of liabilities	2020 Net	2019 Insurance contract liabilities	2019 Reinsurance of liabilities	2019 Net
Non-life:						
At 1 January	781,737	(215,668)	566,069	861,848	(276,200)	585,648
Transferred on acquisition	439,455	(352,006)	87,449	-	-	-
Movement during the year	544,846	(246,090)	298,756	(56,175)	36,260	(19,915)
Exchange and other adjustments	30,910	(4,047)	26,863	(23,936)	24,272	336
At 31 December	1,796,948	(817,811)	979,137	781,737	(215,668)	566,069

It is estimated, using historical settlement trends, that $1,029m (2019: $617m) of the gross claims outstanding and incurred but not reported provision and $146m (2019: $136m) of the corresponding amount recoverable from reinsurers included in the above analyses, will settle in the next 12 months.

iii. Provision for unearned premiums

$'000	2020 Insurance contract liabilities	2020 Reinsurance of liabilities	2020 Net	2019 Insurance contract liabilities	2019 Reinsurance of liabilities	2019 Net
Non-life:						
At 1 January	822,875	(113,728)	709,147	563,067	(66,206)	496,861
Transferred on acquisition	455,181	(299,386)	155,795	-	-	-
Movement during the year	(180,700)	133,128	(47,572)	260,278	(47,708)	212,570
Reinsurance to close	1,654	(199)	1,455	(431)	112	(319)
Unwind of acquired fair value adjustment	77,589	-	77,589	-	-	-
Exchange and other adjustments	5,931	(2,113)	3,818	(39)	74	35
At 31 December	1,182,530	(282,298)	900,232	822,875	(113,728)	709,147

The comparative has been represented to split out reinsurance to close, from exchange and other adjustments, on a consistent basis with the current year.

28. Insurance payables

$'000	2020	2019
Creditors arising out of insurance operations	153,676	141,197
Creditors arising out of reinsurance operations	706,695	167,109
	860,371	308,306

Creditors arising out of reinsurance operations comprise principally premiums payable for reinsurance, including reinstatement premiums in both the managed syndicates and other Group operations. In 2020 creditors arising out of reinsurance operations included $368.0m (2019: $nil) in relation to the quota share arrangements for the 2018 and prior years of account of Syndicate 1861.

29. Trade and other payables

$'000	2020	2019
Other creditors including taxation and social security	161,707	25,792
Accruals and deferred income	54,844	79,314
Amounts due to parent undertakings	-	4,166
	216,551	109,272

Other creditors in 2020 include $142m of unsettled investment trades, resulting from trading activity over the year end date. This amount was settled in January 2021.

30. Pension benefit obligations

The Group operates defined contribution pension plans for its employees in the United Kingdom as well as a closed defined benefit pension scheme for certain of its former employees. The assets of the plans and the scheme are held separately from those of the Group companies in independently administered funds. Pension entitlements of employees outside the United Kingdom are provided through state schemes, to which the Group contributes in accordance with local regulations.

i) Defined benefit scheme

The defined benefit pension scheme ("the scheme") was closed with effect from 30 June 2010 and all active members were treated as having left pensionable service under the scheme with effect from that date. A valuation of the scheme was undertaken at 31 December 2020 by a qualified independent actuary.

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were as follows:

	2020 % per annum	2019 % per annum
Discount rate	1.3	2.1
Expected long-term rate of return of scheme assets	2.4	2.2
Increase in salaries	n/a	n/a
Inflation assumptions	2.9	2.9
LPI pension increases (capped at 5% per annum)	2.9	2.9

The underlying mortality assumption is based upon the standard table known as S2LPA on a year of birth usage with CMI 2019, subject to a minimum annual rate of future improvement of 1% per annum.

The scheme is operated by Canopius Services Limited, a subsidiary of the Group and current sponsor of the scheme. At 31 December 2020 the present value of the scheme liabilities was $15.9m (2019: $14.0m) and the market value of scheme assets was $17.0m (2019: $14.9m), giving a surplus of $1.1m (2019: surplus of $1.0m) calculated in accordance with the requirements of accounting standards.

30. Pension benefit obligations (continued)

i) Defined benefit scheme (continued)

The surplus was calculated based on the above assumptions in compliance with the requirements of accounting standards. The surplus is not recognised in the accounts on the basis that it is not considered probable that it will be recovered by the scheme. The latest triennial valuation prepared by the scheme Actuary on behalf of the Trustees of the scheme was as at 1 January 2019, the next triennial valuation will be as at 1 January 2022. As the scheme is considered not material in the context of the Group, reduced disclosure is given in this note.

ii) Defined contribution plans

The level of contributions for the defined contribution plans generally varies between 10% to 20% of salaries. Contributions of $0.5m (2019: $0.4m) in respect of the plans were outstanding at the year end and are included in other creditors including taxation and social security. These were settled in the month following the year end.

31. Cash generated from operating activities

$'000	2020	2019
Net change in operational assets		
Net change in reinsurance assets	(106,357)	96,618
Net change in insurance receivables	107,375	(72,216)
Net change in other assets	(127,279)	(50,073)
Total	(126,261)	(25,671)
Net change in operational liabilities		
Net change in non-life insurance contract liabilities	579,878	(58,483)
Net change in insurance payables	(245,868)	43,538
Net change in other liabilities	43,038	52,795
Total	377,048	37,850

32. Risk management framework

(a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Management recognises the critical importance of having efficient and effective risk management systems in place.

The Group has established a risk management function with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management groups and senior managers. A Group policy framework, which sets out the risk policies for the Group, risk management, control and business conduct standards for the Group's operations, is in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Group.

The Board of directors approves the Group's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the Group's identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

32. Risk management framework (continued)

(b) Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- Maintaining the required level of stability of the Group thereby providing a degree of security to policyholders;
- Allocating capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders;
- Retaining financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- Aligning the profile of assets and liabilities taking account of risks inherent in the business;
- Maintaining financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders; and
- Maintaining strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

(c) Regulatory framework

The operations of the Group are also subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseeable liabilities as they arise. The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements, including any additional amounts required by the regulator.

For the syndicates, through which the Group writes business, the Prudential Regulation Authority ("PRA") and Lloyd's oversee a capital regime that requires companies to calculate their own capital requirements under Solvency II through a Solvency Capital Requirement ("SCR"). Capital models are maintained in accordance with this regime.

Canopius Reinsurance Limited ("CRL") is domiciled in Bermuda and regulated by the Bermuda Monetary Authority ("BMA"), who oversee the capital adequacy of CRL. CRL is required to demonstrate capital adequacy to the BMA through the annual submission of the Bermuda Solvency Capital Requirement ("BSCR") calculation, which models the risk profile of CRL and determines the amount of capital which is required to support it.

Canopius US Insurance, Inc. ("CUS") is domiciled in the state of Delaware and is required to maintain capital and surplus determined by the minimum under the Delaware Insurance Code of $500,000. In Delaware, CUS is eligible to write on an admitted basis and a surplus lines basis as it is licensed as a Domestic Surplus Lines Insurer. In addition to its Delaware licence, CUS is eligible to write business on a non-admitted or surplus lines basis in the other 49 states and the District of Columbia. These jurisdictions have varying minimum capital and surplus requirements to maintain eligibility. The state of New York has the largest minimum requirement at $47 million.

The Group and regulated entities within it have met all of these requirements throughout the financial year.

(d) Approach to capital management

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and policyholders.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return, which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

32. Risk management framework (continued)

(d) Approach to capital management (continued)

The Group uses equity, unsecured letters of credit and reinsurance for its capital needs and seeks to optimise the mix in order to maximise profits for a level of gearing consistent with the Group's risk appetite and the regulatory and market requirements of its business.

The capital requirements are routinely forecast on a periodic basis and assessed against both the forecast available capital and the expected internal rate of return, including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

In 2020, the Group has renewed its letter of credit facility with ING and increased it from $350m to $400m, of which $400m is being utilised.

Available capital resources

$'000	2020	2019
Shareholders' equity	1,139,066	750,170
Unsecured letters of credit facilities	400,000	343,522
Available capital resources	1,539,066	1,093,692
Less: Intangible assets	(185,980)	(50,275)
Add: Deferred tax on intangible assets	20,000	2,893
Tangible financial resources	1,373,086	1,046,310

(e) Asset liability management (ALM) framework

Financial risks associated with the balance sheet arise from mismatches in our interest rate, currency and equity exposures, all of which are exposed to fluctuations in market variables. The Group's key ALM strategic objectives supported by the ALM framework are to manage asset liability mis-matches to maximise returns on capital while ensuring that adequate levels of liquidity remain at all times especially in adverse market conditions.

The ALM framework ensures the right balance of assets to liabilities is maintained to ensure solvency across several currencies. Assets and liabilities are to be matched and managed within the Group Board and entity Board approved tolerance thresholds unless the mismatch is part of a strategic decision to reduce volatility in the Group results. An integral part of the ALM framework is to ensure we hold assets that can be readily converted if required to deal with unexpected cash outflows or changes in expected cash flows to ensure financial resources are maintained to meet liabilities as they fall due.

33. Management of insurance and financial risk

Risk governance

The cornerstone of the Group's risk management process is the development and embedding into 'business as usual practice' of a strong risk management and control culture supported by an enterprise wide set of policies and practices.

The Group operates a "Three Lines of Defence" risk governance model.

The first line of defence involves everyone involved in day-to-day risk taking and comprises all underwriting and operational areas. The first line has direct responsibility for the management and control of risk.

The second line of defence includes the Risk and Compliance functions that provide oversight and challenge to the first line of defence.

33. Management of insurance and financial risk (continued)

Risk governance (continued)

The Risk Function is responsible for developing and implementing policies, processes, methodologies, standards and tools to enable business areas to identify, assess, mitigate and report on the exposure status of significant risks and to provide assurance that the risk profile is aligned with the risk appetite.

The Risk function routinely engages with individual business units and reports to the Boards and their sub-committees. Functional risk reporting is escalated through the group structure to the Boards e.g. syndicate's 4444 aggregate information is collated, analysed and reported by a central catastrophe management team to the Group Underwriting Committee. The Active Underwriter reports aggregate information to the Board of Canopius Managing Agents Limited.

The third line of defence principally involves the Group's independent Internal Audit function.

Risk appetite

Risk appetite is the articulation of the amount of risk from all sources that the Group is prepared to accept to meet its strategic objectives. It is determined with consideration of its philosophy towards risk taking and its financial and operational capacity, while at the same time recognising the need to generate returns on capital that are in line with shareholder requirements.

The Board has responsibility for ensuring the effective management and control of risk. Accordingly, the Board approves the Enterprise Risk Management Framework and risk appetite in line with the business plan.

When apportioning the overall risk appetite to different categories of risk the Group considers whether there is potential reward for the assumption of the risk and the ability to manage the quantum of the risk directly and the timeframe over which this can be achieved.

Risks are taken that are aligned to the Group's strategic objectives and it has the organisational capability to monitor and control. Risks are not taken that will expose the Group to an unacceptable level of operational risk or risk to the reputation and brand.

The Group's core business is the underwriting of (re)insurance and so the risk appetite is primarily focussed on insurance risk. However, returns on investments should also make a positive contribution to profit and so there is some appetite for market risk. Other risks are not expected to contribute to profit but are inherent in the business operations. There is therefore some limited appetite for credit, liquidity and operational risks – but for these risks the focus is primarily on risk mitigation through the control framework.

Where possible, the risk appetite has been articulated into clearly defined quantitative measures. Risks are then monitored and reported against these defined risk tolerances.

The Board receives quarterly reports highlighting where the risk profile sits relative to the risk tolerances. If at any stage a risk breaches the agreed tolerance, the Board will be informed and appropriate remedial action will be taken to bring the risk with agreed levels.

Risk control

The Group's approach to risk management is supported by risk controls, which include the development and communication of policies, establishment of formal risk assessment and approval processes, and the establishment of delegated authorities and limits. The implementation of robust risk controls is designed to enable the optimisation of risk and return on both a portfolio and a transactional basis.

33. Management of insurance and financial risk (continued)

Risk categories

In the normal course of business, the Group is exposed to many risks and differentiates between them using the following major risk categories:

Insurance Risk	Risk of loss arising from inherent uncertainties as to the occurrence, amount and timing of insurance liabilities and premiums;
Operational Risk	Risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;
Financial Risk	Risks relating to market, credit and liquidity as follows:
(a) Market Risk	Risk of loss resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments;
(b) Credit Risk	Risk of loss arising as a result of another party failing to perform its financial obligations or failing to perform them in a timely fashion;
(c) Liquidity Risk	Risk that insufficient liquid financial resources are maintained to meet liabilities as they fall due;
Strategic Risk	Risk of making wrong business decisions, implementing decisions poorly, managing capital inadequately, or being unable to adapt to changes in the operating environment;

Risk assessment

Risk identification exercises help focus attention on the highest priority risks and help minimise the likelihood of any surprises. All risks identified are assessed and reassessed on a “potential probability of occurrence and exposure impact” basis. The controls in place to mitigate risk are regularly assessed to ensure they are operating effectively.

Where control performance issues or control enhancements are identified, a remedial action plan is implemented. A self-assessment process is undertaken on a regular basis and signed off by risk and control owners. Internal Audit also reviews and tests the adequacy and effectiveness of controls documented during the self-assessment process and reports to the Audit Committee.

Reporting

Risk monitoring and reporting is considered to be a critical component of the risk management process and supports the ability of senior management and the Boards to effectively perform their risk management and oversight responsibilities.

Regular internal reporting is provided to senior management and the Boards including (but not limited to); risk appetite monitoring, key risk indicators, risk and control assessments/ Internal Control Framework, stress and scenario testing, emerging risk reporting, Own Risk and Solvency Assessments.

External reporting is provided as required by law and other relevant regulations. Regular reporting on risks is provided to stakeholders including regulators and external ratings agencies.

Insurance risk

There is a significant risk attached to ineffective management of insurance and related activities. The principal areas of risk arise from:

- Inappropriate underwriting activities and cycle management;
- Fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations;
- Inadequate or insufficient reinsurance protection;
- Inadequate catastrophe exposure management;
- Ineffective controls over coverholders; and
- Inadequate reserves.

33. Management of insurance and financial risk (continued)

Insurance risk appetite and tolerance

The taking of controlled risk and the exploring of new underwriting opportunities is encouraged, provided that the resultant exposures are within the insurance risk appetite and tolerances set by the Group. The Group looks to maximise returns throughout the underwriting cycle, which may result in increasing exposures in certain lines of business, whilst reducing exposures in others.

The Board seeks to mitigate insurance risk by analysing historical pricing and claims experience, setting a tolerance to concentration risk, monitoring performance, and conducting in-house actuarial review of claims provisions, independent of the underwriting teams.

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

Underwriting

The Group accepts insurance risk in a range of classes of business through its insurance underwriting entities: Syndicate 4444, Syndicate 1861, CRL and Canopius US Insurance, Inc. The Group owns a number of underwriting service companies and insurance intermediaries in Bermuda, Singapore, Malaysia, UK and we have branches in Switzerland, Australia and Labuan.

The Group's underwriting strategy is to seek a diverse and balanced portfolio in order to limit the variability of outcomes. This is achieved by accepting a spread of business, segmented into different classes.

The annual business plan for each underwriting team reflects the Group's underwriting strategy, and sets out the classes of business, the territories and the industry sectors in which the Group is prepared to accept exposures as well as the limits on both a per risk and per event basis. These plans are approved and monitored by the Board and Underwriting Committee of Canopius Managing Agents Limited, and the Boards of CRL and Canopius US Insurance, Inc., as applicable.

In the underwriting of insurance and reinsurance business the Group's underwriters use a variety of techniques, including applying their skill, knowledge and, where relevant, data on past claims experience to estimate the likely claims cost and therefore premium which should be sufficient (across a portfolio of risks and over a period of years) to cover claims, expenses and produce an acceptable return on capital. However, due to the nature of insurance risk there is no guarantee that the premiums charged will be sufficient to cover the cost of claims.

The Group seeks to limit exposures and the quantum and likelihood of loss that it is prepared to accept using stochastic and other modelling techniques by reference to a range of events such as natural catastrophes and specific scenarios which may result in large industry losses.

These are monitored through catastrophe modelling over a range of return periods and the regular calculation of realistic disaster scenarios. The aggregate of exposures is monitored at the time of underwriting a risk, and reports are regularly produced to highlight the aggregations.

The Group has in place personal authority limits which are binding upon all staff authorised to underwrite and are specific to underwriters and classes of business. These authority limits are enforced through a sign-off process for underwriting transactions. Exception reports are also run regularly to monitor compliance.

A proportion of the Group's insurance is written by third parties under delegated authorities. The Group has in place a delegated authority policy and control framework. The policy covers all aspects of delegated underwriting and control of coverholders including initial due diligence, frequency and monitoring of bordereaux and requirements for both internal reviews and external audits. Compliance with the policy is regularly monitored.

33. Management of insurance and financial risk (continued)

Catastrophe modelling

The greatest likelihood of significant losses to the Group arises from natural catastrophe events, such as windstorm, earthquake or flood. The Group licences leading industry modelling tools, and supplements these with the Group's knowledge of the business, historical loss information and geographic accumulations, to monitor aggregation and to simulate catastrophe losses. The range of scenarios considered includes natural catastrophe, property, marine, liability and terrorism events.

The Group's capital setting methodology enables modelling to be performed in a sophisticated, but practical, manner particularly with respect to defining the strength of correlations between the Group's catastrophe exposed classes of business. The Group's stochastic models use underlying event tables which capture directly the different geographic distributions of risk in the different lines of business.

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

A detailed analysis of catastrophe exposure by class of business is carried out monthly and a review against the Group's catastrophe risk tolerance is carried out on a quarterly basis and reported to the Board.

Reinsurance

Reinsurance risk to the Group arises when reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated. Failure of a reinsurer to pay a valid claim is considered a credit risk.

The Group's reinsurance programmes are determined from the underwriting teams' business plans and seek to protect capital from adverse severity and/or frequency of claims on both per risk and per event basis. Reinsurance is purchased to protect both current and discontinued lines of business.

The Group sets limits for reinsurance programmes regarding quality and quantity. Utilisation of the reinsurance protection is monitored on an on-going basis.

There are a number of areas of uncertainty over the reinsurance assumptions. The allocation of IBNR to the reinsurance programme is an uncertain exercise as there is limited knowledge of the size or number of future claims advices. The assumption over future reinsurance recoveries may be incorrect and unforeseen disputes could arise which reduce the recoveries made. The impact on profit after tax and equity of a 1% deterioration in the total reinsurance recoveries would be a $2.3m loss (2019: $0.6m loss).

Claims management

Claims management risk may arise in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or claims leakage. The Group's claims teams seek to ensure that claims handling activities are performed with a consistent approach and that a standardised resolution and adjustment process is adopted wherever possible.

Reserving

Reserve risk occurs when claims provisions make insufficient allowance for claims, claims handling expenses and reinsurance bad debt provisions.

The Group's actuarial teams use a range of recognised actuarial techniques to project gross premiums written, monitor claims development patterns and to determine the claims provisions. The Group reviews at least quarterly, premium and claims experience by class of business and year of account and the earned and projected ultimate gross and net loss ratios.

The claims provisions established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR. The impact on profit after tax and equity of a 1% improvement/deterioration in the total net claims reserves would be an $18.8m gain/loss (2019: $13.6 m).

33. Management of insurance and financial risk (continued)

Claims development tables

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. At 31 December 2020, of the Group's gross claims reserves of $3,216m (2019: $1,829m), $2,226m (69%) (2019: $1,734m) were attributable to Flectat Ltd, $872m (27%) (2019: $nil) were attributable to Flectat 2, $63m (2%) (2019: $44m) to Canopius US Insurance, Inc., $39m (1%) (2019: $51m) to Canopius Reinsurance Limited and $16m (1%) (2019: $nil) to MSH.

The figures in the tables below are presented at the exchange rates prevailing at 31 December 2020.

Underwriting year – Gross	**2011 and prior**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
$m											
Estimate of ultimate claims costs:											
At end of period 1	728	507	512	624	707	869	1,656	1,259	1,139	1,163	9,164
At end of year 2	735	471	678	600	671	957	1,797	1,414	1,435		8,758
At end of year 3	709	691	651	600	714	1,004	1,821	1,647			7,837
At end of year 4	993	675	640	604	719	1,012	1,863				6,506
At end of year 5	980	670	638	608	726	1,037					4,659
At end of year 6	974	675	634	599	728						3,610
At end of year 7	967	672	625	600							2,864
At end of year 8	898	674	622								2,194
At end of year 9	892	669									1,561
At end of year 10	902										902
Older years	101										101
Current estimate of cumulative gross claims	1,003	669	622	600	728	1,037	1,863	1,647	1,435	1,163	10,767
Cumulative payments to date	(855)	(600)	(564)	(531)	(584)	(794)	(1,398)	(870)	(452)	(104)	(6,752)
Gross claims outstanding	148	69	58	69	144	243	465	777	983	1,059	4,015
Unearned balance											(849)
Unallocated loss adjustment expenses											50
Total liability											3,216

33. Management of insurance and financial risk (continued)

Claims development tables (continued)

Underwriting year – Net	2011 and prior	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
$m											
Estimate of ultimate claims costs:											
At end of period 1	468	430	458	547	598	713	823	636	956	889	6,518
At end of year 2	477	401	611	534	586	774	919	739	1,162		6,203
At end of year 3	458	547	591	527	603	807	947	781			5,261
At end of year 4	707	527	580	527	604	815	950				4,710
At end of year 5	628	523	581	530	614	845					3,721
At end of year 6	622	523	577	522	617						2,861
At end of year 7	618	521	572	529							2,240
At end of year 8	614	521	568								1,703
At end of year 9	611	513									1,124
At end of year 10	621										621
Older years	84										84
Current estimate of cumulative net claims	705	513	568	529	617	845	950	781	1,162	889	7,559
Cumulative payments to date	(593)	(461)	(517)	(470)	(505)	(680)	(746)	(500)	(418)	(104)	(4,994)
Net claims outstanding	112	52	51	59	112	165	204	281	744	785	2,565
Unearned balance											(619)
Unallocated loss adjustment expenses											45
Total liability											1,991

33. Management of insurance and financial risk (continued)

Operational risk

Failure to manage operational risk can result in direct or indirect financial loss, reputational damage, regulatory censure or failure in the management of other risks.

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

Financial risk

The Group is exposed to a wide range of financial risks, the key financial risk being that the proceeds from its assets are not sufficient to fund the obligations arising from its insurance contracts. The Group carries financial investments at fair value through income and actively monitors its investment portfolio and its valuation.

An asset-liability management framework sets out our approach to managing potential exposure to financial risk which could arise where the specific interdependencies between assets and liabilities are not recognised or mitigated, and where there is a correlation between the risks within different asset classes.

The Group's policies and procedures for managing its exposure to financial risk, being (a) market risk, including valuation, market price, interest rate, credit spreads and exchange rate risks; (b) credit risk; and (c) liquidity risk, are given below:

(a) Market risk

Market risk arises from fluctuations in values, including from movements in market prices, interest rates, credit spreads and exchange rates.

i) Valuation

As explained in Note 20, the Group classifies its financial instruments using the fair value hierarchy required by IFRS 13 'Fair value measurement'.

ii) Market price

The Group invests in a diversified portfolio consisting mainly of core short duration fixed income securities, money market instruments and return seeking assets. The return seeking assets include absolute return, hedge fund exposures, Collateralised Loan Obligations (CLOs) and London listed investment companies.

The cash and core fixed income portfolio as at end of December 2020 represented 94% (2019:88%) of the Group's financial assets, while the diversifying and return seeking allocation was 6% (2019: 12%).

33. Management of insurance and financial risk (continued)

(a) Financial risk – market risk (continued)

iii) Interest rate sensitivity of the fixed income portfolio

The majority of the Group's investments are held in cash, cash equivalents and fixed income securities (bonds). Although these bond holdings help to meet claims and liabilities as they fall due, their market value is related to the level of interest and the average length of time until the cash flows from these securities are due to be paid back to the investor (duration).

If interest rates change, as a result of macro-economic developments and changes in monetary policy, the market price of these fixed income securities will also change. The aggregate duration of the fixed income portfolio can provide an estimate of the extent to which the market value of these securities will change for a given change (1% or 100 basis point) in bond yields.

By way of example, the value of fixed income investments in the Group's balance sheet at 31 December 2020 was $1,431m (2019: $1,067m) with an average duration of 1.9 years (2019: 2.3 years). If interest rates were to rise or fall by 100 basis points at the balance sheet date, the market value of the fixed income securities would be expected to decrease or increase by $27.0m (2019: $23.1m).

The Group manages interest rate risk by matching the duration of its cash and fixed income portfolio to that of the liabilities and by ensuring that aggregate average duration is less than 3 years. The Investment Committee monitors the duration of the assets on a regular basis and will often make a decision to lower the duration or interest rate sensitivity of the bond portfolio if it believes that we are entering a period where interest rates are likely to rise in order to limit the impact on the market value of the portfolio.

The Group did not hold debenture loans at 31 December 2020 or 31 December 2019.

iv) Credit spreads

Fixed interest securities issued by an entity other than a sovereign government generally trade at higher yields than a similar duration sovereign government bond issued in the same currency. The excess yield (over a government bond of similar duration and currency) is referred to as the credit spread. While this spread may be influenced by the level of liquidity and demand for the corporate, it is typically taken to reflect the credit risk to the investor that the issuer may not make timely payments of capital or interest.

As with interest rate duration, there is a similar measure of credit duration that will show the relative performance of a corporate security for a given (1% or 100 basis point) change in the credit spread relative the equivalent government bond.

If credit spreads were to rise or fall by 100 basis points at the balance sheet date, the fair value of the non-government fixed income securities and therefore the profit after tax and equity would decrease or increase by $24.9m (2019: $13.2m).

The Investment Committee monitors the credit spread duration of the assets on a regular basis. It also sets and monitors limits on the amount and categories of non-government credit that our external investment managers can hold in the portfolio.

33. Management of insurance and financial risk (continued)

v) Exchange rates

The Group operates internationally and has exposure to foreign exchange risk. The Group seeks to hold its net assets primarily in US dollars. Where the risk of loss through mismatch of other currencies is deemed material, the Group will seek to mitigate the risk by buying or selling the relevant currency assets or entering into forward currency sale or purchase contracts.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's consolidated financial statements are presented in US Dollars (the "presentation currency"). Accordingly, the Group actively manages its non US dollar balance sheet exposures, which are predominantly against the Euro, Canadian Dollar and Sterling.

The net currency position at 31 December 2020 and 31 December 2019 was:

Statement of profit or loss 'at risk' exposures:

At 31 December 2020	**GBP** £'000	**EUR** €'000	**CAD** C$'000
Gross exposure	122,670	41,137	(16,549)
Hedging	(160,619)	(50,814)	27,979
Net exposure	(37,949)	(9,677)	11,430

At 31 December 2019	**GBP** £'000	**EUR** €'000	**CAD** C$'000
Gross exposure	211,999	84,074	(22,682)
Hedging	(189,326)	(90,343)	24,236
Net exposure	22,673	(6,269)	1,554

It is estimated that the effect of a 10% strengthening (or weakening) of exchange rates against US dollar would change profit after tax and equity by approximately $2.8m (2019: $1.7m) for Sterling and change profit after tax by approximately $0.8m (2019: $0.6m) for Euro.

(b) Credit risk

Credit risk arises where another party fails to perform its financial obligations or fails to perform them in a timely fashion. The primary sources of credit risk for the Group are:

- Amounts due from reinsurers;
- Amounts due from insurance contract holders;
- Amounts due from insurance intermediaries; and
- Counterparty risk with respect to investments including cash and cash equivalents.
- Counterparty risk with respect to loans and other receivables.

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

The credit risk in respect of reinsurance debtors is primarily managed by review and approval of reinsurance security, prior to the purchase of reinsurance contracts. Guidelines are set and monitored that limit the purchase of reinsurance based on Standard & Poor's or appropriate alternative ratings for each reinsurer.

33. Management of insurance and financial risk (continued)

(b) Credit risk (continued)

An analysis of the Group's major exposures to counterparty credit risk, which is based on Standard & Poor's or equivalent rating, is presented below:

At 31 December 2020	AAA	AA	A	Other and/or not rated	Total
$'000					
Reinsurance assets	-	336,504	996,971	173,138	1,506,613
Reinsurance receivables	-	-	-	389,149	389,149
Debt and fixed income securities	923,688	162,047	258,091	87,599	1,431,425
Holdings in collective investment schemes	517,047	89,466	239,139	125,794	971,446
Loans	-	-	-	16,788	16,788
Other assets – overseas deposits	70,955	8,917	21,388	14,833	116,093
Cash and cash equivalents	-	-	690,497	-	690,497
Total	1,511,690	596,934	2,206,086	807,301	5,122,011

At 31 December 2019	AAA	AA	A	Other and/or not rated	Total
$'000					
Reinsurance assets	-	179,003	264,731	71,281	515,015
Reinsurance receivables	-	-	-	97,847	97,847
Debt and fixed income securities	739,920	112,505	173,063	41,495	1,066,983
Holdings in collective investment schemes	80,513	111,809	193,645	215,078	601,045
Loans	-	-	-	10,800	10,800
Other assets – overseas deposits	30,723	4,382	8,258	9,548	52,911
Cash and cash equivalents	-	-	375,939	-	375,939
Total	851,156	407,699	1,015,636	446,049	2,720,540

The underlying investments in the 'other/not rated' holdings in collective investment schemes (that includes participation in investment pools) at 31 December 2020 comprised:

$'000	2020	2019
Absolute return funds	55,048	78,880
Bond funds	49,793	38,674
Hedge funds	10,596	97,517
Open ended funds	10,357	-
BBB and below securities	-	7
Total	**125,794**	**215,078**

The carrying values represent the maximum exposure to credit risk at the balance sheet date in respect of the above assets. Insurance and reinsurance debtors are included in loans and receivables. The analysis above does not include insurance receivables from direct insurance operations as the majority of these assets are in respect of pipeline premiums for which the credit information is not readily available. The following table, which includes loans and receivables, including insurance receivables (debtors arising out of direct insurance operations), provides information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired.

33. Management of insurance and financial risk (continued)

(b) Credit risk (continued)

At 31 December 2020	Neither past due nor impaired	Past due (during range of months) 0-3	3-6	6-12	Over 12	Carrying Value
$'000						
Reinsurance assets	1,506,613	-	-	-	-	1,506,613
Debtors arising out of reinsurance operations	275,963	57,363	33,004	11,380	11,439	389,149
Debtors arising out of insurance operations	668,766	4,031	1,185	666	367	675,015
Financial assets at fair value	2,508,606	-	-	-	-	2,508,606
Loans	16,788	-	-	-	-	16,788

At 31 December 2019	Neither past due nor impaired	Past due (during range of months) 0-3	3-6	6-12	Over 12	Carrying Value
$'000						
Reinsurance assets	515,015	-	-	-	-	515,015
Debtors arising out of reinsurance operations	-	64,975	11,334	6,274	15,264	97,847
Debtors arising out of insurance operations	588,310	4,148	369	40	14	592,881
Financial assets at fair value	1,783,036	-	-	-	-	1,783,036
Loans	10,800	-	-	-	-	10,800

Debtors arising out of reinsurance operations are presented net of bad debt provision of $1.2m (2019: $0.4m).

(c) Liquidity risk

Liquidity risk arises where insufficient financial resources are maintained to meet liabilities as they fall due. The Group is exposed to daily calls on its available cash resources, principally from claims arising from its insurance activities and the payment of expenses.

The Group's policy is to manage its liquidity position so that it can reasonably meet a significant individual or market loss event. This means that the Group maintains sufficient liquid assets, or assets that can be quickly converted into liquid assets, without any significant capital loss, to meet estimated cash flow requirements. These liquid funds are regularly monitored against cash flow forecasts.

The majority of the Group's investments are in highly liquid assets which could be converted into cash in a prompt fashion and at minimal expense. Cash and cash equivalents are generally bank deposits and money market funds.

The Group manages the maturity profile of its investments having regard to the expected pay-out pattern for the claims liabilities.

33. Management of insurance and financial risk (continued)

(c) Liquidity risk (continued)

The contractual maturity profile at 31 December 2020 was as follows:

At 31 December 2020 **$'000**	**Loan**	**Debt and other fixed income securities**	**Holdings in collective investment schemes**	**Overseas deposits**	**Cash and cash equivalents**	**Total**
Less than one year	3,020	442,649	-	116,093	690,497	1,252,259
Between one and two years	13,768	175,784	-	-	-	189,552
Between two and five years	-	426,281	-	-	-	426,281
Over five years	-	386,711	-	-	-	386,711
	16,788	1,431,425	-	116,093	690,497	2,254,803
Other non-dated instruments	-	-	971,446	-	-	971,446
	16,788	1,431,425	971,446	116,093	690,497	3,226,249

At 31 December 2019 **$'000**	**Loan**	**Debt and other fixed income securities**	**Holdings in collective investment schemes**	**Overseas deposits**	**Cash and cash equivalents**	**Total**
Less than one year	2,700	75,839	-	52,911	375,939	507,389
Between one and two years	2,700	234,401	-	-	-	237,101
Between two and five years	5,400	611,176	-	-	-	616,576
Over five years	-	145,567	-	-	-	145,567
	10,800	1,066,983	-	52,911	375,939	1,506,633
Other non-dated instruments	-	-	601,045	-	-	601,045
	10,800	1,066,983	601,045	52,911	375,939	2,107,678

Loan principal of $16.8m comprises a business loan of $8.1m and US property bridge loans of $8.7m.

The business loan of $8.1m, which is repayable by an instalment of $2.7m due in 2021 and the remaining $5.4m due in 2022, and accrued interest thereon of $0.1m, was tested by management for impairment at 31 December 2020 and management concluded that no impairment is required.

The US property bridge loans of $8.7m, and accrued interest thereon of $0.1m, have been classified as loans and receivables in accordance with IAS 39, and are carried at amortised cost. The carrying amount of US property bridge loans has been tested for impairment and management concluded that it is not impaired as at 31 December 2020.

33. Management of insurance and financial risk (continued)

(c) Liquidity risk (continued)

The expected payment profile of gross insurance contract liabilities as at 31 December 2020 and 31 December 2019 are as follows::

$'000	2020	2019
Less than one year	1,516,454	1,140,282
Between one and three years	1,689,638	822,064
Between three and five years	644,072	318,218
Over five years	547,909	371,255
	4,398,073	2,651,819

Claims outstanding is reported net of discounting credit on non-life annuities liability business of $4.5m (2019 $5.4m).

The expected payment profile of lease liabilities, based on undiscounted cash flows, as at 31 December 2020 and 31 December 2019 are as follows:

$'000	2020	2019
Less than one year	2,079	4,274
Between one and two years	2,075	283
Between two and five years	15,081	599
Over five years	32,207	321
	51,442	5,477

The expected average duration of fixed income investments by currency is shown below:

	2020 Years	2019 Years
Sterling	0.5	-
US dollar	1.7	2.3
Euro	3.3	-
Canadian dollar	2.5	2.3

By taking into account the diversifying and return seeking assets within the portfolio (in addition to the fixed income investments), the average duration of the portfolio is around 0.7 years (2019:1.0 years).

34. Leases

The Group's lease accounting policy is included in note 2.3(r). This note provides additional information about the Group's lease arrangements in the reporting period.

Group as a lessee

The Group is a lessee in relation to office space (land and buildings) and various pieces of equipment used in its operations. Some of the Group's lease contracts include:

- Extension and termination options, which are considered further below; and/or
- Obligations to make variable lease payments, such as where the Group reimburses the lessor for related insurance costs that it incurs. These amounts are not material.

34. Leases (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period.

$'000	Land and buildings	Equipment	Total
At 1 January 2019	**7,318**	**762**	**8,080**
Additions	1,576	45	1,621
Cancelled lease derecognised	(369)	-	(369)
Depreciation expense	(3,923)	(460)	(4,383)
Foreign exchange	86	17	103
At 31 December 2019	**4,688**	**364**	**5,052**
Additions	38,622	3,970	42,592
Depreciation expense	(4,462)	(749)	(5,211)
Foreign exchange	100	(371)	(271)
At 31 December 2020	**38,948**	**3,214**	**42,162**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

$'000	2020	2019
At 1 January	**5,174**	**8,080**
Additions	41,328	1,621
Cancelled lease derecognised	-	(369)
Unwind of discounting (interest on lease liabilities)	347	305
Lease payments	(5,625)	(4,567)
Foreign exchange	(78)	104
At 31 December	**41,146**	**5,174**

The following are the amounts recognised in the consolidated statement of profit or loss in the period in relation to the Group's leases:

$'000	2020	2019
Depreciation expense of right-of-use assets	5,211	4,383
Interest expense on lease liabilities	347	305
Expense relating to short-term leases*	2,015	902
Expense relating to leases of low-value assets*	233	282
Variable lease payments*	111	114
Total amount recognised in profit or loss	**7,917**	**5,986**

*These items are included in other operating and administrative expenses.

The Group had total cash outflows for leases of $8.0m in 2020 (2019: $5.6m).

The Group entered into a new property lease for a new office space in London at 22 Bishopsgate in December 2020. This resulted in recognition of a right-of-use asset of $34.6m and a lease liability of $33.4m. The premises are being fitted out for a move in the middle of 2021.

34. Leases (continued)

Some of the Group's leases include extension and termination options which provide the Group with flexibility to manage leased assets in line with changing business needs. In measuring lease liabilities and right-of-use assets management exercises judgment to determine whether these options are reasonably certain to be exercised.

As at 31 December 2020, undiscounted potential future lease payments of $26.9m (2019: $1.4m) relating to periods following the exercise date of an extension option not expected to be exercised were not reflected in amounts recognised within the consolidated statement of financial position.

The Group has lease contracts that have not yet commenced but to which the Group is committed as at 31 December 2020. The undiscounted future lease payments for these non-cancellable lease contracts are $nil (2019: $0.6m) within one year, $1.0m (2019: $10.9m) within five years and $nil (2019: $32.4m) thereafter.

The maturity analysis of lease liabilities is disclosed in Note 33(c).

35. Guarantees and contingencies

(a) Assets securing insurance and other liabilities

Of the total of financial assets, cash and cash equivalents and other assets disclosed on the Group's balance sheet, $2,539m (2019: $1,540m) are held in Lloyd's Premium and other trust funds supporting insurance liabilities, or is collateralising letters of credit. These assets are subject to restrictions under the relevant trust deeds and bank facilities.

(b) Deeds of Indemnity

During 2020, the Group entered into one new Deed of Indemnity and terminated twelve existing Deeds of Indemnity with Lloyd's. There are now a total of five (2019: sixteen). Deeds remaining to cover remote potential liabilities that may arise following the release by Lloyd's of various members' FAL.

(c) Bank facilities

As at 31 December 2020, the Group had the following facility available to it for letters of credit which may be deposited in FAL:

- $400m (2019: $350m) unsecured, of which $400m (2019: $343.5m) has been utilised to support underwriting on syndicate 4444's 2019, 2020 and 2021 years of account and syndicate 1861's 2020 year of account.

In addition, CRL had the following facility:

- Letters of credit totalling $14.3m (2019: $14.4m) with various overseas cedants. Should CRL fail to meet its obligations under contracts with these cedants they would be able to drawdown on these letters of credit. The letters of credit facilities are all secured by a charge over certain of CRL's bank deposits totalling $14.5m (2019: $20.4m).

36. Related party transactions

Details of the ultimate and immediate parent companies of CGL can be found in note 3.1.

Amounts due to and from parent undertakings can be found in notes 22 and 29.

In addition to transactions disclosed elsewhere in the financial statements, the following transactions were carried out with related parties.

36. Related party transactions (continued)

Key management compensation

Key management personnel are those directors and senior managers responsible for the activities of the Group. During the year key management comprised of thirteen (2019: fourteen) persons. Seven (2019: eight) of the key management persons were directors of CGL. Details of the remuneration of the Group's key management personnel, including the directors, are shown below in aggregate for each of the categories specified by IAS 24 – 'Related party disclosures'.

$'000	2020	2019
Short-term employment benefits	7,266	7,894

Loans to related parties

Non-interest bearing season ticket loans made to directors and members of key management during the year amounted to $nil (2019: $nil) of which $nil (2019: $nil) was outstanding as at 31 December 2020. Loans in relation to share purchases in FTL amounted to $1.0m (2019: $1.9m).

Transactions with other related parties, including directors of the group companies

There are no other related party transactions to report.

37. Subsequent events

On 22 January 2021 FHL subscribed to an additional $65.5m worth of shares in CGL which was settled through the payment of $65.5m of cash to CGL.

On 18 February 2021, the Group entered into an agreement with Premia Re for the RITC of the 2017 and 2018 years of account of syndicates 1861, 5820 and 1206.

Canopius Group Limited

Company Accounts

Statement of profit or loss and comprehensive income

for the year ending 31 December 2020

$'000	Notes	2020	2019
Investment income	4	3,717	6,659
Net realised gains	5	6,738	1,958
Fair value (losses)/gains	6	(7,313)	7,021
Total revenue		**3,142**	**15,638**
Finance costs	7	(3,680)	(2,194)
Other operating and administrative expenses	8	(2,376)	(2,960)
Other expenses		**(6,056)**	**(5,154)**
(Loss)/profit before tax		(2,914)	10,484
Income tax charge	9(a)	(3)	(146)
(Loss)/profit for the year		**(2,917)**	**10,338**

The company did not recognise any other comprehensive income during the period.

The notes on pages 88 to 99 form part of these financial statements.

Statement of financial position

as at 31 December 2020

$'000	Notes	2020	2019
Assets			
Investment in subsidiary undertakings	10	911,222	662,406
Financial assets at fair value through profit or loss	11	176,538	147,385
Derivative financial instruments	12	-	162
Trade and other receivables	13	8,591	11,706
Cash and cash equivalents	14	417,592	147,392
Total assets		**1,513,943**	**969,051**
Equity and liabilities			
Equity attributable to equity holders of parent			
Issued share capital	15	341,868	106
Issued share premium	15	279,879	-
Capital reserves		759,956	759,956
Retained earnings		80,332	83,249
Total equity		**1,462,035**	**843,311**
Liabilities			
Income tax payable	9(b)	-	146
Trade and other payables	18	51,908	125,594
Total liabilities		51,908	125,740
Total equity and liabilities		**1,513,943**	**969,051**

These financial statements were approved by the Board of Directors on 31 March 2021 and signed on its behalf on 26 May 2021 by:

Michael Watson
Director

Nigel Meyer
Director

The notes on pages 88 to 99 form part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2020

	Attributable to equity holders of the parent				
$'000	**Issued share capital Note 15**	**Issued share premium Note 15**	**Capital reserves**	**Retained earnings**	**Total equity**
At 1 January 2019	**106**	**-**	**759,956**	**72,911**	**832,973**
Profit for year	-	-	-	10,338	10,338
At 31 December 2019	**106**	**-**	**759,956**	**83,249**	**843,311**
At 1 January 2020	**106**	**-**	**759,956**	**83,249**	**843,311**
Loss for year	-	-	-	(2,917)	(2,917)
Re-denomination of capital	(6)	-	-	-	(6)
Issue of new shares	341,768	279,879	-	-	621,647
At 31 December 2020	**341,868**	**279,879**	**759,956**	**80,332**	**1,462,035**

The notes on pages 88 to 99 form part of these financial statements.

Statement of cash flows

for the year ended 31 December 2020

$'000	Notes	2020	2019
Operating activities			
(Loss)/profit before tax		(2,914)	10,484
Adjustment for:			
Change in operating assets	19	3,276	2,961
Change in operating liabilities	19	(56,913)	75,637
Financial income and expense		(6,775)	(6,423)
Fair value losses/(gains)		7,313	(7,021)
Net foreign exchange differences		(131)	2,428
Income tax paid	9(b)	(149)	-
Net cash flows from operating activities		(56,293)	78,066
Investing activities			
Investment income		4,046	6,480
Investment in subsidiary undertakings	10	(160,296)	(79,000)
Purchase of financial assets		(280,040)	(35,228)
Disposal of financial assets		249,531	153,744
Net cash flows (used in)/from investing activities		(186,759)	45,996
Financing activities			
Issue of ordinary shares		341,762	-
Issue of share premium		171,359	-
Dividends received	16	-	273
Net cash flows from financing activities		513,121	273
Net increase in cash and cash equivalents		270,069	124,335
Net foreign exchange on cash and cash equivalents		131	(2,428)
Cash and cash equivalents at beginning of year		147,392	25,485
Cash and cash equivalents at end of year	14	**417,592**	**147,392**

The notes on pages 88 to 99 form part of these financial statements.

Notes to the Company Accounts

for the year ended 31 December 2020

1. Corporate information

Canopius Group Limited (the "Company") is the parent undertaking and controlling party of the Canopius Group of companies ("CGL"). A summary of the principal accounting policies applied in the preparation of these financial statements is set out below.

The Company is a wholly-owned subsidiary of Fortuna Holdings Limited ("FHL") and is incorporated and domiciled in Jersey.

2. Significant accounting policies, judgements and estimates

2.1 Basis of preparation and presentation

Canopius Group Limited ("the Company") has elected to prepare its year end financial statements in accordance with International Financial Reporting Standards ("IFRS") and in accordance with the Companies (Jersey) Law 1991. There are no valuation differences between the previously presented amounts under Swiss law and those under full IFRS, and therefore the disclosure requirements under IFRS 1, including a third statement of financial position, have not been presented.

These financial statements are prepared in accordance with IFRS issued by the IASB and presented in US dollars.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the Company's Board to exercise its judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are explained in Note 2.4 below.

2.2 Summary of significant accounting policies

(a) Operating and administrative expenses
Operating and administrative expenses are accounted for on an accruals basis.

(b) Finance costs
Finance costs reflect loan interest payable.

(c) Current Tax
Current tax is determined based on the taxable profit or loss for the year and adjustments to tax payable or recoverable on prior years' profits or losses.

The taxable profit or loss differs from the profit or loss before tax as reported in the statement of profit or loss because it excludes items of income or expense that may be taxable or deductible in other years or are expected never to be taxable or deductible. The liability or asset for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

(d) Foreign currency translation
Functional and presentation currency
The financial statements are presented in US dollars which is also the Company's functional currency.

2. Significant accounting policies, judgements and estimates (continued)

2.2 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency at average, rather than spot, rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss for the period.

(e) Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost, including any contingent consideration payable less any provision for impairment.

(f) Financial instruments

Classification

On initial recognition, financial assets are measured at fair value. Subsequently, they can be measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification depends on two criteria:

I. the business model within which financial assets are managed; and

II. their contractual cash flow characteristics (whether the cash flows represent ‘solely payments of principal and interest’ (SPPI)).

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are determined by reference to quoted market prices for similar instruments and using appropriate valuation techniques, including discounted cash flow and options pricing models. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. For derivatives not formally designated as a hedging instrument, changes in the fair value are recognised immediately in the statement of profit or loss. All derivatives are carried as assets if the fair value is positive and as liabilities if the fair value is negative.

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

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

(g) Trade and other receivables

Trade and other receivables are amounts due from associated group companies and external parties, measured at amortised cost using the effective interest method.

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term cash deposits with original maturities of three months or less. These assets are readily convertible into known amounts of cash.

Cash at bank and in hand relate to amounts which are held at a bank in the form of on demand deposits such as current accounts and savings accounts. Short term deposits with a maturity of three months or less are considered cash equivalents.

2. Significant accounting policies, judgements and estimates (continued)

2.2 Summary of significant accounting policies (continued)

(i) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. There is no scheme for employee owned shares.

(j) Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised as paid when the directors make a solvency statement before payment.

(k) Trade and other payables

Trade and other payables are made up of amounts due to associated group companies, measured at amortised cost using the effective interest method, and third party creditors accounted for on an accruals basis at fair value.

2.3 New and amended standards and interpretations

In the current year, the company has applied amendments to IFRSs issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2020. The new effective requirements are:

- **Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform**
  The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the interbank lending rate ('IBOR') reform. The reliefs mean that IBOR reform should not cause hedge accounting to terminate. Any hedge ineffectiveness should continue to be recorded in the income statement under both IAS 39 and IFRS 9. The Company does not have any hedging arrangements in place that use IBOR and, hence, these amendments had no impact on the consolidated financial statements of the Company.

- **Amendments to IFRS 3: Definition of a Business:**
  The amendments to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes required to create output. The amendments had no impact on the financial statements of the Company.

- **Amendments to IAS 1 and IAS 8 Definition of Material:**
  The amendments provide a new definition of material, which states that 'information is material if limiting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those statements, which provide financial information about a specific reporting entity'. Materially, thus, depends on the magnitude or the nature of information, either individually or in combination with other information. These amendments had no impact on the financial statements of the Company.

- **Conceptual Framework for Financial Reporting:**
  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework had no impact on the financial statements of the Company.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future reporting periods.

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

The Company's balance sheet includes significant investments in subsidiary companies, which are included at cost, including any contingent consideration payable, less any provision for impairment. The recoverability of these balances is dependent on the financial position and future prospects of the subsidiary companies. Further details can be found in Note 10 of the financial statements.

3. Company information

3.1 Ultimate parent undertaking and controlling party

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

The immediate parent of Canopius Group Limited is Fortuna Holdings Limited.

3.2 Subsidiaries

The principal subsidiaries of CGL are listed in Note 3.3 of the Group accounts on page 48. The Company holds no investments in joint ventures or associates.

4. Investment income

$'000	2020	2019
Interest income on financial assets	2,223	13
Dividend income	806	1,360
Interest income on cash and cash equivalents	744	5,406
Gross investment income	3,773	6,779
Investment fees & expenses	(56)	(120)
Net investment income	3,717	6,659

5. Net realised gains and losses

$'000	2020	2019
Realised gains	11,815	10,377
Realised losses	(5,077)	(8,419)
	6,738	1,958

6. Fair value gains and losses

$'000	2020	2019
Fair value gains on other financial assets	382	9,607
Fair value losses on other financial assets	(7,695)	(2,586)
	(7,313)	7,021

7. Finance Costs

$'000	2020	2019
Loan Interest expense	(3,679)	(2,193)
Trustee fees and bank charges	(1)	(1)
	(3,680)	(2,194)

Loan interest expense in 2020 includes $1,367k (2019: nil) paid to FHL.

8. Operating and administrative expenses

$'000	2020	2019
Professional and advisory fees	(585)	(3,488)
Other expenses	(2,088)	(417)
Expenses before exchange adjustments	(2,673)	(3,905)
Net foreign exchange adjustments	297	945
	(2,376)	(2,960)

Other expenses include an allocation of management recharges from CHUKL of $1.8m (2019: $0.4m).

9. Current Tax

The Company is tax resident in the UK. Consequently it is appropriate to report at the UK standard rate of tax.

(a) Reconciliation of tax charge

$'000	2020	2019
(Loss)/profit before tax	(2,914)	10,484
Tax at 19%	554	(1,992)
(Losses)/profits not subject to UK tax	-	1,992
Effect of group relief at nil consideration	(554)	-
Overseas taxes	(3)	(146)
Income tax charge	(3)	(146)

(b) Income tax payable

$'000	2020	2019
At 1 January	(146)	-
Overseas taxes recorded in the statement of profit or loss	(3)	(146)
Payments made on-account during the year	149	-
At 31 December	-	(146)

In the current period, the enacted UK Corporation tax rate applicable to the company from 1 April 2020 was increased from 17% to 19%.

Since the balance sheet date, it was announced in the UK Government's Budget on 3 March 2021 that the main UK corporation tax rate will increase to 25% from 1 April 2023. This change has not yet been substantively enacted as at the end of 31 December 2020.

10. Investment in subsidiary undertakings

$'000	2020	2019
At 1 January	662,406	583,406
Capital contribution Flectat Limited	-	79,000
Investment in CHUKL	248,816	-
At 31 December	911,222	662,406

On 7 January 2020, the Board of CGL's immediate parent, Fortuna Holdings Limited, agreed to transfer 100% of its shares in Flectat 2 Limited to CGL in exchange for $88.5m of additional shares in CGL. CGL subsequently passed down 100% of the Flectat 2 Limited shares to its subsidiary, Canopius Holdings UK Limited ("CHUKL") for $88.5m of additional shares in CHUKL.

On the 15 June 2020 CGL subscribed to $160.3m worth of shares in CHUKL which was settled through the payment of $140.3m of cash and transfer of $20.0m of assets to CHUKL.

CGL made a capital contribution to its subsidiary Flectat Limited on 13 and 27 June 2019 for total consideration of $79m.

The investment in subsidiary undertakings has been assessed for indicators of potential impairment at the balance sheet date, with reference to recent capital raises and other external market prices, and no indicators of potential impairment were identified.

11. Financial assets

(a) Financial assets at fair value through profit or loss

$'000	2020	2019
Fair value (designated as such upon initial recognition)		
Debt securities and other fixed income securities	88	95,199
Holdings in collective investment schemes	167,453	27,859
Equity shares	8,997	24,327
Total financial assets at fair value through profit or loss	176,538	147,385

Financial assets which are subject to restrictions are referred to in Note 14.

(b) Carrying value of financial instruments other than derivatives

$'000	2020	2019
Fair value (designated as such upon initial recognition)		
At 1 January	147,385	261,343
Purchases	280,040	35,228
Disposals	(249,531)	(153,744)
Fair value (losses)/gains	(7,117)	7,856
Realised gains/(losses)	5,761	(3,298)
At 31 December	176,538	147,385

12. Derivative financial instruments

The Group utilises derivative financial instruments as part of its asset/liability risk management practice.

The derivative financial instruments represent the fair value of exchange traded bond futures contracts used to hedge duration risk, and forward contracts used to hedge excess foreign currency exposures. The derivative financial instruments held by the Group have not been designated for hedge accounting during the current and previous financial years as permitted by IAS 39.

The following table shows the fair value through profit or loss ("FVPL") of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying assets, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	2020			2019		
$'000	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Derivatives at FVPL:						
Interest rate futures	-	-	-	162	-	474,849
	-	-	-	162	-	474,849

At their inception, derivatives often involve only a mutual exchange of promises, with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group. Over-the-counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position. The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

13. Trade and other receivables

$'000	2020	2019
Loan	8,100	10,800
Accrued income	105	595
Amounts due from group undertakings	386	311
	8,591	11,706
Amounts due within 1 year	3,191	3,606
Amounts due in over 1 year	5,400	8,100
	8,591	11,706

The fair value of trade and other receivables approximate to their carrying value.

The business loan of $8.1m, which is repayable by an instalment of $2.7m due in 2021 and the remaining $5.4m due in 2022, and accrued interest thereon of $0.1m, was tested by management for impairment at 31 December 2020 and management concluded that no impairment is required.

14. Cash and cash equivalents

$'000	2020	2019
Cash at bank and in hand	1,280	537
Cash equivalents	416,312	146,855
	417,592	147,392

The cash and cash equivalents include $402.9m (2019: $131.7m) that are held in Lloyd's Premium and other trust funds supporting insurance liabilities. These assets are subject to restrictions under the relevant trust deeds and bank facilities.

15. Share capital and premium

Authorised, issued and fully paid:	At 1 January 2019	Changes in issued capital	At 31 December 2019	Changes in issued capital	At 31 December 2020
	Number	Number	Number	Number	Number
Ordinary shares					
Ordinary shares of 1CHF par	100,000	-	100,000	(100,000)	-
Ordinary shares of 1USD par	-	-	-	341,868,295	341,868,295
Ordinary shares total	**100,000**	**-**	**100,000**	**341,768,295**	**341,868,295**

Issued Share Capital	At 1 January 2019	Changes in issued capital	At 31 December 2019	Changes in issued capital	At 31 December 2020
	$	$	$	$	$
Ordinary shares					
Ordinary shares of 1CHF par	105,719	-	105,719	(105,719)	-
Ordinary shares of 1USD par	-	-	-	341,868,293	341,868,293
Ordinary shares total	**105,719**	**-**	**105,719**	**341,762,574**	**341,868,293**

On 7 January 2020, following the re-domiciliation of CGL from Switzerland to Jersey on 6 August 2019, a special resolution was passed for the issued and unissued share capital of CGL to be redenominated from Swiss Franc (CHF) to US dollars (US$) at a rate of exchange (CHF 1.00 to US$ 0.99999). The 100,000 authorised and issued shares in the Company were consolidated as 99,999 ordinary shares of US$1.00.

On 23 November 2020, 341,768,294 ordinary shares, with a nominal value of $1.00 were issued for $1.00 each, in exchange for a capital injection received from FHL of $341.8m.

Issued Share Premium	At 1 January 2019	Changes in issued share premium	At 31 December 2019	Changes in issued share premium	At 31 December 2020
	$	$	$	$	$
Ordinary shares					
Ordinary shares of 1USD par	-	-	-	279,879,008	279,879,008
Share premium total	-	-	-	**279,879,008**	**279,879,008**

On 7 January 2020, one ordinary share with a nominal value of $1.00 was issued to FHL in exchange for $88.5m of shares of Flectat 2.

On 15 June 2020, one ordinary share with a nominal value of $1.00 was issued in exchange for a capital injection received from FHL Limited of $171.4m and the transfer of assets of $20m.

16. Dividends Received

During the year CGL did not receive any dividends from its subsidiaries (2019: $273K). No dividends were paid by CGL during the year (2019: nil).

17. Fair value measurement

i) Valuation

The Company has classified its financial instruments as at 31 December 2020 using the fair value hierarchy required by IFRS 13 'Fair value measurement'. The fair value hierarchy classifies financial instruments into Level 1 to Level 3 based on the significance of the inputs used in measuring their fair value, with Level 1 considered the most reliable. The levels within the fair value hierarchy are defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Valuation techniques for which inputs are not based on observable market data.

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date and are included in Level 1.

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 available and reflect appropriate adjustments for credit and liquidity risks. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The valuation techniques include broker dealer quotes, reported trades, issuer spreads and available bids. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more significant inputs are not based on observable market data, the instrument is included in Level 3. These assets are normally infrequently traded and fair values can only be calculated using estimates or risk-adjusted value ranges and there is a material use of judgement in deriving the price.

ii) Fair value measurement of assets

$'000	Level 1	Level 2	Level 3	Total
Valuation at 31 December 2020				
Debt securities & other fixed income securities	88	-	-	88
Holdings in collective investment schemes	167,453	-	-	167,453
Equity	8,997	-	-	8,997
	176,538	-	-	176,538

$'000	Level 1	Level 2	Level 3	Total
Valuation at 31 December 2019				
Debt securities & other fixed income securities	92,737	2,462	-	95,199
Holdings in collective investment schemes	2,884	24,975	-	27,859
Equity	24,327	-	-	24,327
Derivative assets	162	-	-	162
	120,110	27,437	-	147,547

The level within the hierarchy that a financial instrument is placed is based on the lowest level of any input that is significant to its fair value measurement. At 31 December 2020 and 31 December 2019 there were no securities classified as Level 3 under IFRS.

18. Trade and other payables

$'000	2020	2019
Amounts owed to group undertakings	51,463	123,502
Accruals and deferred income	81	1,934
Other creditors	364	158
	51,908	**125,594**

Amounts owed to group undertakings include $38m of loans payable (2019: $106m), $10m due to Syndicate 4444 (2019: $10m) and $3m due to Canopius Reinsurance Limited (2019: $4m).

19. Cash generated from operating activities

$'000	2020	2019
Net change in operational assets		
Net change in other assets	3,276	2,961
Total	**3,276**	**2,961**
Net change in operational liabilities		
Net change in other liabilities	(56,913)	75,637
Total	**(56,913)**	**75,637**

20. Management of risk

The Company is exposed to risk through its investment in CGL.CGL has established a risk management function with clear terms of reference from its board of directors. A policy framework, which sets out the risk policies for the CGL Group, risk management, control and business conduct standards for the Group's operations, are in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Group.

The Board of directors of CGL approves the Group's risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies.

In the normal course of business, the Company is exposed to the following major risk categories:

Credit Risk	Risk of loss arising as a result of another party failing to perform its financial obligations or failing to perform them in a timely fashion.
Liquidity Risk	Risk that insufficient liquid financial resources are maintained to meet liabilities as they fall due.

20. Management of risk (continued)

(i) Credit risk

An analysis of the Company's major exposures to counterparty credit risk, which is based on Standard & Poor's or equivalent rating, is presented below:

At 31 December 2020 $'000	AAA	AA	A	Other and/or not rated	Total
Debt securities and other fixed income	88	-	-	-	88
Holdings in collective investment schemes	119,581	-	47,872	-	167,453
Cash and cash equivalents	-	-	417,592	-	417,592
Total	**119,669**	**-**	**465,464**	**-**	**585,133**

At 31 December 2019 $'000	AAA	AA	A	Other and/or not rated	Total
Debt securities and other fixed income	95,199	-	-	-	95,199
Holdings in collective investment schemes	-	-	-	27,859	27,859
Cash and cash equivalents	-	-	147,392	-	147,392
Total	**95,199**	**-**	**147,392**	**27,859**	**270,450**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company uses quantitative and qualitative information in order to reach a conclusion whether there has been any significant increase in credit risk from recognition.

Trade and other receivables include amounts due from group companies measured at amortised cost using the effective interest method. It also includes prepayments and accrued income with various counterparties. The company assesses each counterparty including historic loss experiences and current market conditions.

Holdings in collective investment schemes and cash and cash equivalents are held with bank and financial institution counterparties. The company has assessed the risk and does not consider there to be any significant risk of default given the credit rating and no history of default.

The table below details the gross carrying amount and the net carrying amount post loss allowance (2019: no loss allowance).

$'000	Note	Gross Carrying Amount	Loss Allowance	Net Carrying Amount
Trade and other receivables	13	8,591	-	8,591
Cash and cash equivalents	14	417,592	-	417,592

20. Management of risk (continued)

(ii) Liquidity risk

Liquidity risk arises where insufficient financial resources are maintained to meet liabilities as they fall due. The contractual maturity profile of the Company's cash and cash equivalents at 31 December 2020 and 31 December 2019 are as follows:

At 31 December 2020 $'000	Less than one year	Between one and five years	Over five years	Other non dated instruments	Total
Debt securities and other fixed income	88	-	-	-	88
Holdings in collective investment schemes	167,453	-	-	-	167,453
Cash and cash equivalents	417,592	-	-	-	417,592
Total	**585,133**	**-**	**-**	**-**	**585,133**

At 31 December 2019 $'000	Less than one year	Between one and five years	Over five years	Other non dated instruments	Total
Debt securities and other fixed income	5,792	28,672	60,735	-	95,199
Holdings in collective investment schemes	-	-	-	27,859	27,859
Cash and cash equivalents	147,392	-	-	-	147,392
Total	**153,184**	**28,672**	**60,735**	**27,859**	**270,450**

21. Related party transactions

Details of the ultimate and immediate parent companies of CGL can be found in note 3 of the Group accounts.

Amounts due from and to Group undertakings can be found in notes 13 and 18 of the company accounts.

22. Subsequent events

On 22 January 2021 FHL subscribed to an additional $65.5m worth of shares in CGL which was settled through the payment of $65.5m of cash to CGL.