

COMPANY NO. 06384071

REGISTERED OFFICE: Park Gate, 161-163 Preston Road, Brighton, East Sussex, United Kingdom, BN1 6AU

# **GAI Indemnity Limited**

## **2021 Annual Report**

**GAI Indemnity Limited (Company No. 06384071)**  
**For the year ended 31<sup>st</sup> December 2021**

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**GAI Indemnity Limited (Company No. 06384071)**  
**Directors and Administration**  
**For the year ended 31<sup>st</sup> December 2021**

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**Address**

Park Gate  
161 – 163 Preston Road  
Brighton  
East Sussex  
United Kingdom  
BN1 6AU

**Directors**

A. R. Creed  
L. R. Tanzer  
R. E. Heppell (Resigned 30<sup>th</sup> June 2021)  
M. S. D. Washington (Resigned 30<sup>th</sup> June 2021)

**Independent Auditors**

Deloitte LLP  
1 New Street Square  
London  
EC4A 3HQ

**Website**

<https://www.rsml.co.uk>

# **GAI Indemnity Limited (Company No. 06384071)**

## **Strategic Report**

### **For the year ended 31<sup>st</sup> December 2021**

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The directors of GAI Indemnity Limited ("the Company") present their strategic report for the year ended 31<sup>st</sup> December 2021.

#### **Ownership**

On 23<sup>rd</sup> August 2021 CVC Capital Partners ("CVC") completed the acquisition of RiverStone Europe from Fairfax Financial Holdings Limited ("Fairfax") and the Ontario Municipal Employees Retirement Scheme ("OMERS"). The RiverStone Europe Group will now operate under the name RiverStone International. Pursuant to this transaction, Gatland Bidco Limited ("BidCo"), a wholly-owned subsidiary of Gatland Holdings Jersey Limited ("Gatland"), completed the acquisition of all the outstanding shares of Riverstone Barbados Limited ("RBL"). The Company is indirectly wholly owned by Gatland.

#### **Principal activity**

The Company is a corporate member of Lloyd's of London ("Lloyd's"). The principal activity of the business is participating in the Lloyd's insurance market on a limited liability basis. The Company participates on Syndicate 2468 (the Syndicate), which is managed by Riverstone Managing Agency Limited ("the Managing Agent", "Riverstone Managing Agency"). The management of the Syndicate was novated from Neon Underwriting Limited on 1<sup>st</sup> July 2021. The Company's immediate parent company is GAI Holding Bermuda Limited (GAIHBL). There have been no other significant changes in the Company's principal activities in the year. RiverStone Managing Agency delegates most of its day-to-day management functions under an outsource agreement with RiverStone Management Limited ("RiverStone Management"), a fellow subsidiary of RiverStone Holdings Limited ("RiverStone Holdings"). Provision of services under this agreement is monitored by regular reporting to the board of directors of RiverStone Managing Agency.

The Company is only liable for its own share of underwriting liabilities of the Syndicate. All of the funds required to meet the Company's Lloyd's capital requirements (over and above the Company's share of Syndicate Solvency II net assets) are held as funds at Lloyd's ("FAL").

#### **Participation in underwriting of Syndicate 2468**

Corporate members participate on each underwriting year of account separately and are individually responsible for their share of underwriting profits and losses. It is only the Company's share of assets and liabilities, profits and losses which are disclosed by the Company. The classes underwritten were Property Reinsurance, Property Insurance, Professional Indemnity, Personal Accident, Directors and Officers, Bloodstock, Marine Liability, Hull, Cargo, War, Political Violence and Political Risk business.

The Company's participation and capacity by year of account, for those years that were open during the financial year, is shown below:

<b>Year of Account</b>	<b>Participation</b>	<b>Capacity</b>
2019	29%	88,450,000
2020	29%	97,730,000

#### **Business Review**

##### ***Results and Performance***

The results for the year set out in the profit and loss account show a profit for the financial year of £1.5 million (2020: loss of £40.2 million).

The balance on the technical account for general business for the year was a profit of £3.3 million (2020: loss of £37.6 million). This comprises net earned premiums of £(5.8) million, allocated investment gain of £0.1

# **GAI Indemnity Limited (Company No. 06384071)**

## **Strategic Report**

### **For the year ended 31<sup>st</sup> December 2021**

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million, partially offset by favourable net incurred claims of £12.6 million and net operating expenses of £3.6 million.

The total profit for the year of £1.5 million (2021: loss of £40.2 million) comprises the gain on the technical account for general business, net investment gains of £3.3 million (2020: loss of £37.6 million), other income and expenditure losses of £0.8 million (2020: £2.1 million) and foreign exchange losses of £1.0 million (2020: £0.5 million).

Total shareholder's funds increased to £2.3 million at 31<sup>st</sup> December 2021 (2020: deficit of £10.2 million) due to an increase in issued shares and profit for the year.

Total outstanding claims, gross of reinsurance, were £90.6 million as at 31<sup>st</sup> December 2021 (2020: £135.9 million). Total cash, deposits and investments were £69.6 million at 31<sup>st</sup> December 2021 (2020: £91.4 million).

Effective 31<sup>st</sup> December 2021, Syndicate 2468 entered into a Loss Portfolio Transfer ("LPT") reinsuring the 2020 year of account to Syndicate 3500.

#### ***Performance Measurements and Key Performance Indicators***

Total shareholder's funds is considered the key performance indicator for the Company and has increased to £2.3 million at 31<sup>st</sup> December 2021 (2020: deficit of £10.2 million) due to an increase in issued shares and profit for the year.

#### ***Strategy and Future Developments***

GAI Indemnity Limited's strategy for Syndicate 2468 is to continue to manage the run-off of the existing liabilities until the 2020 year of account naturally closes.

On 1<sup>st</sup> January 2022 Syndicate 2468 completed the reinsurance to close of the 2019 & Prior years of account into Syndicate 3500. It is anticipated that the 2020 year of account will close into Syndicate 3500 at 1<sup>st</sup> January 2023.

#### ***Principal Risks and Uncertainties***

The key risks to which GAI Indemnity Limited is exposed relate to its participation in Syndicate 2468. The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to approval by the Board and ongoing review by the Board, executive committees, risk management and internal audit. Compliance with regulatory, legal and ethical standards is a high priority for Syndicate 2468 and RiverStone Managing Agency. The compliance, legal and finance departments of RiverStone Management take on an important oversight role in this regard. The Board is responsible for ensuring that a proper internal control framework exists to manage financial risks and that controls operate effectively; it is assisted in discharging these responsibilities by the RiverStone Holdings UK Risk Committee.

The risks that Syndicate 2468 is exposed to and their impact on economic capital have been assessed. This process is risk based and uses Solvency II based principles to manage capital requirements and to ensure that there is sufficient financial strength and capital adequacy to support the obligations to policyholders, regulators and other stakeholders.

The principal risks faced by Syndicate 2468 arise from fluctuations in the severity of claims compared with expectations, late reporting of claims, inadequate reserving and inadequate reinsurance protection (including the credit worthiness of major reinsurers). Syndicate 2468's assets and liabilities are also exposed to market risk, including the impact of changes to interest rates, and adverse changes in exchange rates.

# **GAI Indemnity Limited (Company No. 06384071)**

## **Strategic Report**

### **For the year ended 31<sup>st</sup> December 2021**

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Much like 2020, 2021 has been dominated by the impact on society of the novel coronavirus, COVID-19. This disease has forced numerous economies to impose significant restrictions on free movement, with the UK requiring large numbers of workers to remain at home at various points throughout the year. Syndicate 2468, RiverStone Managing Agency and RiverStone Management have continued to perform business as usual activities efficiently and effectively despite these restrictions and will continue to remain fully operational while these conditions remain in force. Syndicate 2468 does not have material insurance exposure to COVID-19 related claims and its 2021 financial results have not been meaningfully impacted by this pandemic, this is consistent with the 2020 financial results.

#### **Section 172(1) of the Companies Act 2006**

The Board of directors of GAI Indemnity Limited (“the Board”) consider, in good faith, that they have had appropriate regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172.

#### ***Consequences of any Decision in the Long Term***

The Board is focussed on ensuring that sufficient capital is available to support Syndicate 2468, the management of which is performed by RiverStone Managing Agency.

#### ***Employees***

The Board acknowledges people are essential to the delivery of our strategy. While the Company has no immediate employees, the Board ensures that the interests of the employees of RiverStone Management, the groups outsources services provider, are appropriately considered when taking decisions. The Board is aware through its engagement with RiverStone Management, that there exists a well-established structure through which RiverStone Management supports engagement regularly with its employees. During 2021, a year heavily influenced by the impact of the COVID-19 pandemic, this engagement has included quarterly staff presentations and frequent direct email communication and updates. Other activity in 2021 included the completion of the Great Place to Work Survey, an opportunity for employees to provide anonymous feedback on their views of the organisation, as well as regular training for our employees

#### ***Business relationship Including Regulators***

The Board recognises that relationships with our stakeholders are key to the delivery of our strategy. During 2021, all members of the Board have had the opportunity to meet with representatives of Lloyd’s, which continues to refresh and facilitate an understanding of their needs and expectations.

#### ***Community and Environment***

The Board engages actively with RiverStone Management, the outsource services provider to Riverstone Managing Agency, to encourage, support and foster a positive relationship with the community and the environment. In the current year, through this engagement, the Board has supported charitable giving, infrastructure improvements to leased offices to support a reduction in our carbon footprint and an open forum steering group in 2019, to consider and make recommendations on matters pertaining to diversity and inclusion at Riverstone International. The Board note that while it has no employees that it supports RiverStone Management’s policy of matching employee charitable donations and of allowing time to be available to support others in our communities.

**GAI Indemnity Limited (Company No. 06384071)**  
**Strategic Report**  
**For the year ended 31<sup>st</sup> December 2021**

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***Business Conduct***

The Board recognises that a commitment to a high standard of business conduct is critical to the delivery of our strategy and aspires to complete honesty and transparency in all activity.

***Shareholder Engagement***

The Board is committed to an open engagement with our shareholders and has had the opportunity to regularly meet with the directors of the immediate holding company throughout the year.

By Order of the Board

Park Gate  
161-163 Preston Road  
Brighton, East Sussex  
United Kingdom BN1 6AU



**F Henry**  
Company Secretary  
23<sup>rd</sup> September 2022

# **GAI Indemnity Limited (Company No. 06384071)**

## **Directors' Report**

### **For the year ended 31<sup>st</sup> December 2021**

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The Directors have pleasure in presenting their report and the audited financial statements for GAI Indemnity Limited (Company No. 06384071) for the year ended 31<sup>st</sup> December 2021.

#### **Directors**

Directors holding office from the period from 1<sup>st</sup> January 2021 to the date of this report were:

A. R. Creed  
L. R. Tanzer  
R. E. Heppell (Resigned 30th June 2021)  
M. S. D. Washington (Resigned 30th June 2021)

GAI Indemnity Limited has provided an indemnity for its directors which is a qualifying third party indemnity provision for the purposes of Section 234 of the Companies Act 2006. This indemnity was in force during the financial year and also at the date of this report.

#### **Future Developments**

Likely future developments in the business of GAI Indemnity Limited are discussed in the Strategic Report.

#### **Dividends**

GAI Indemnity Limited did not pay out any interim dividends during the year (2020: nil). The Directors do not recommend the payment of a final dividend (2020: nil).

#### **Financial Instruments**

As described in Note 5 to the financial statements, GAI Indemnity Limited is exposed to financial risk through the financial assets and liabilities held by the Syndicate 2468, including its reinsurance assets and policyholder liabilities. In particular, a key financial risk is that the proceeds from financial and reinsurance assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity risk and currency risk), credit risk and liquidity risk.

GAI Indemnity Limited and Syndicate 2468 manage this risk within their overall risk management framework.

#### **Independent Auditors**

During 2021, in accordance with Section 485 of the Companies Act 2006, Deloitte LLP ("Deloitte") were appointed, and have expressed their willingness to continue, as the company's registered auditor.



**GAI Indemnity Limited (Company No. 06384071)**  
**Directors' Report**  
**For the year ended 31<sup>st</sup> December 2021**

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**Statement of Directors' Responsibilities in Respect of the Financial Statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Directors' Confirmations**

In the case of each director in office at the date the Directors' Report is approved:

so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and  
they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By Order of the Board

Park Gate  
161-163 Preston Road  
Brighton, East Sussex  
United Kingdom BN1 6AU



**F Henry**  
Company Secretary  
23<sup>rd</sup> September 2022

# **GAI Indemnity Limited (Company No. 06384071)**

## **Independent Auditors' Report**

### **For the year ended 31<sup>st</sup> December 2021**

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#### **Independent auditor's report to the members of GAI Indemnity Limited**

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

##### **Opinion**

In our opinion the financial statements of GAI Indemnity Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31<sup>st</sup> December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

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

##### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Emphasis of matter – Financial statement prepared other than on a going concern basis**

We draw attention to note 3(b) in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

##### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

# **GAI Indemnity Limited (Company No. 06384071)**

## **Independent Auditors' Report**

### **For the year ended 31<sup>st</sup> December 2021**

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We have nothing to report in this regard.

#### **Responsibilities of directors**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

#### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

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

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

We discussed among the audit engagement team including relevant internal specialists such as IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

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

**GAI Indemnity Limited (Company No. 06384071)**  
**Independent Auditors' Report**  
**For the year ended 31<sup>st</sup> December 2021**

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

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

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

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

We have nothing to report in respect of these matters.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Adam Ely FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
27 September 2022

**GAI Indemnity Limited (Company No. 06384071)**  
**Profit and Loss Account**  
**For the year ended 31<sup>st</sup> December 2021**

	Note	2021 £'000	2020 £'000
<b>Technical Account – General Business</b>			
Gross premiums written	6	(635)	20,931
Outward reinsurance premiums		<u>(10,698)</u>	<u>(16,272)</u>
<b>Net premiums written</b>		<b><u>(11,333)</u></b>	<b><u>4,659</u></b>
<b>Change in provision for unearned premium</b>			
Gross amount		6,055	(48,944)
Reinsurers' share		<u>(536)</u>	<u>(8,225)</u>
<b>Change in net provision for unearned premium</b>		<b>5,519</b>	<b>40,719</b>
<b>Written and earned premiums net of reinsurance</b>		<b><u>(5,814)</u></b>	<b><u>45,378</u></b>
Allocated investment return transferred from the non-technical account		95	423
Gross claims paid	7	(31,236)	(53,873)
Reinsurers' share	7	<u>12,527</u>	<u>22,442</u>
<b>Net claims paid</b>		<b><u>(18,709)</u></b>	<b><u>(31,431)</u></b>
Change in the gross provision for claims		44,494	(25,489)
Reinsurers' share		<u>(13,218)</u>	<u>7,435</u>
<b>Change in the net provision for claims</b>		<b><u>31,276</u></b>	<b><u>(18,054)</u></b>
<b>Claims incurred, net of reinsurance</b>		<b>12,567</b>	<b>(49,485)</b>
Net operating expenses	6,8	<u>(3,582)</u>	<u>(33,879)</u>
<b>Total technical credit / (charges), net of reinsurance</b>		<b><u>8,985</u></b>	<b><u>(83,364)</u></b>
<b>Balance on the technical account for general business</b>		<b>3,266</b>	<b>(37,563)</b>
Investment income	9	341	421
Unrealised gains on investments		-	63
Unrealised losses on investments		(243)	(60)
Allocated investment return transferred to general business technical account		(95)	(423)
Investment expenses and charges	10	(3)	(1)
Foreign Exchange loss	11	(1,036)	(495)
Other charges		<u>(705)</u>	<u>(2,111)</u>
<b>Profit / (Loss) for the financial year before taxation</b>		<b>£ <u>1,525</u></b>	<b>£ <u>(40,169)</u></b>
Tax on profit / (loss) on ordinary activities	12	<u>-</u>	<u>-</u>
<b>Profit / (Loss) for the financial year before taxation</b>		<b>£ <u>1,525</u></b>	<b>£ <u>(40,169)</u></b>
The results above are all derived from continuing operations.			

**GAI Indemnity Limited (Company No. 06384071)****Balance Sheet****For the year ended 31<sup>st</sup> December 2021**


	Note	2021 £'000	2020 £'000
<b>Assets</b>			
<b>Investments</b>			
Other financial investments	13	27,441	31,085
Deposits from ceding undertakings		729	-
<b>Reinsurers' share of technical provisions</b>			
Claims outstanding	7	27,423	40,759
Provision for unearned premium		1,096	1,646
		<b>28,519</b>	<b>42,405</b>
<b>Debtors</b>			
Debtors arising out of direct insurance operations	14	3,685	9,705
Debtors arising out of reinsurance operations	15	8,181	8,027
Other debtors	16	1,308	5,435
		<b>13,174</b>	<b>23,167</b>
<b>Other assets</b>			
Cash at bank and in hand	5	20,429	33,550
Other assets	5	21,011	26,758
		<b>41,440</b>	<b>60,308</b>
<b>Prepayments and accrued income</b>			
Accrued interest		210	264
Deferred acquisition costs		730	2,823
		<b>940</b>	<b>3,087</b>
<b>Total assets</b>		<b>£ 112,243</b>	<b>£ 160,052</b>

**GAI Indemnity Limited (Company No. 06384071)**  
**Balance Sheet**  
**For the year ended 31<sup>st</sup> December 2021**

	Note	2021 £'000	2020 £'000
<b>Capital, Reserves and Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital		161,630	150,630
Profit and loss account		(159,304)	(160,829)
		<u>2,326</u>	<u>(10,199)</u>
<b>Technical provisions</b>			
Claims outstanding	5	90,623	135,907
Provision for unearned premium		4,141	10,352
		<u>94,764</u>	<u>146,259</u>
Deposits received from reinsurers		6,759	-
<b>Creditors</b>			
Creditors arising out of direct insurance operations	17	2,157	3,804
Creditors arising out of reinsurance operations	18	3,720	4,562
Other creditors including taxation and social security	19	2,550	15,174
		<u>£ 8,427</u>	<u>£ 23,540</u>
Accruals and deferred income		33	452
		<u>£ 112,243</u>	<u>£ 160,052</u>
<b>Total member's balances and liabilities</b>			

The financial statements on pages 13 to 36 were approved by the Board of Directors on 23<sup>rd</sup> September 2022 and were signed on its behalf by the Directors on 23<sup>rd</sup> September 2022:

  
**L. R. Tanzer**  
 Chief Executive Officer

  
**A. R. Creed**  
 Chief Financial Officer

**GAI Indemnity Limited (Company No. 06384071)**  
**Statement of Changes in Equity**  
**For the year ended 31<sup>st</sup> December 2021**

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	<b>Called up Share Capital Gross £'000</b>	<b>Retained Earnings £'000</b>	<b>Total Share Capital and Reserves £'000</b>
At 1 January 2021	150,630	(160,829)	(10,199)
Issue of share capital	11,000	-	11,000
Profit for the financial year	-	1,525	1,525
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2021	<b>£ 161,630</b>	<b>£ (159,304)</b>	<b>£ 2,326</b>

	<b>Called up Share Capital Gross £'000</b>	<b>Retained Earnings £'000</b>	<b>Total Share Capital and Reserves £'000</b>
At 1 January 2020	88,043	(120,660)	(32,617)
Issue of share capital	62,587	-	62,587
Loss for the financial year	-	(40,169)	(40,169)
	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2020	<b>£ 150,630</b>	<b>£ (160,829)</b>	<b>£ (10,199)</b>



**GAI Indemnity Limited (Company No. 06384071)**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2021**

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**1. General Information**

GAI Indemnity Limited is a private company limited by shares and is incorporated and domiciled in the United Kingdom.

**2. Statement of compliance**

The financial statements have been prepared in compliance with United Kingdom Accounting Standards including Financial Reporting Standard 102, The Financial Reporting Standard Applicable in the UK and the Republic of Ireland ("FRS 102"), Financial Reporting Standard 103, Insurance Contracts ("FRS 103"), and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

**3. Summary of Significant Accounting Policies**

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

**(a) Basis of Preparation**

The preparation of financial statements in conformity with FRS102 and FRS103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of GAI Indemnity Limited. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed further below.

The assets and liabilities at the balance sheet date have been recognised under the historical cost convention except for certain financial assets which are measured at fair value, using the annual basis of accounting in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard Applicable in the UK and republic of Ireland" ("FRS 102") and Financial Reporting Standard 103, "Insurance contracts" ("FRS 103").

**(b) Going Concern**

These financial statements have been prepared on the basis that GAI Indemnity Limited ceased to write new business on the 6<sup>th</sup> January 2020. Its final year of account is 2020 which has a 100% whole account reinsurance into Syndicate 3500. The 2019 and Prior underwriting years have reinsured into Syndicate 3500 as of 1<sup>st</sup> January 2022. Therefore, these accounts have been prepared on a basis other than going concern. No adjustments arose as a result of ceasing to apply the going concern basis.

There are no other assets or liabilities recognisable as a consequence of not preparing these financial statements on a going concern basis. Therefore, no adjustments are necessary to the amounts at which the net assets are included in these financial statements. FRS 102 and 103 have been consistently applied to all years presented. There have been no material changes in accounting policies compared to the 2020 financial statements.

**GAI Indemnity Limited (Company No. 06384071)**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2021**

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**(c) Insurance Contracts**

**i) Premiums Written**

Gross premiums written comprise amounts due for contracts commencing in the financial year, together with any differences between booked premiums for the prior years and those previously accrued, and estimates of premiums due but not yet receivable or notified to GAI Indemnity Limited.

Premiums written also relate to adjustments made in the year to estimates of premiums written in prior years. Premiums are shown gross of commission payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, including amounts due to GAI Indemnity Limited not yet notified.

Premiums are accreted to the income statement on a pro-rata basis over the term of the related policy, except for those contracts where the period of risk differs significantly from the contract period. In these cases, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided.

Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date. The unearned premium reserve is translated to Sterling at closing rates of exchange.

Acquisition costs, which represent commission and other related expenses, are allocated over the period in which the related premiums are earned.

**ii) Claims Incurred and Reinsurers' Share**

Claims incurred comprise claims and related claims handling expenses paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, reductions are made for salvage and other recoveries.

Provisions for outstanding claims and related reinsurance recoveries are established based on estimates of the ultimate net cost of settlement along with actuarial and statistical projections. Claims provisions are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, levels of unpaid claims, judicial decisions and economic conditions.

Provisions for unexpired risks are established based on estimates of the cost of all claims and expenses in connection with insurance contracts in force after the end of the financial year where these costs are estimated to be in excess of the related unearned premiums and any premiums receivable on those contracts.

Whilst the board of directors of Riverstone Managing Agency Limited believes that the provisions for outstanding claims and related reinsurance recoveries including bad debt provisions are fairly stated, these estimates inevitably contain inherent uncertainties because significant periods of time may elapse between the occurrence of an incurred loss, the reporting of that loss to GAI Indemnity Limited, GAI Indemnity Limited's payment of the loss and the receipt of reinsurance recoveries. These uncertainties are inherent in much of the business previously underwritten and assumed by GAI Indemnity Limited. The estimates made are based upon current facts available to GAI Indemnity Limited and the prevailing legal environment and are subjected to continual

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**For the year ended 31<sup>st</sup> December 2021**

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review, with any resulting adjustments reported in current earnings. Anticipated reinsurance recoveries are disclosed separately as assets on the balance sheet.

**(d) Operating Expenses**

All costs relating to the administration and handling of claims are shown as part of gross claims paid. All other administrative costs of GAI Indemnity Limited, including acquisition costs and any members' expenses, are shown as net operating expenses.

**(e) Distribution of Profits and Collection of Losses**

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses accrue to members according to their membership of a year of account. Normally profits and losses are settled between Syndicate 2468 and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. Syndicate 2468 may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

**(f) Translation of Foreign Currencies**

The financial statements are presented in Pounds Sterling (GBP) and, unless otherwise stated, are rounded to thousands. Items included in GAI Indemnity Limited's financial statements are measured using the currency of the primary economic environment in which it operates. GAI Indemnity Limited's functional currency is GBP.

Foreign currency transactions are translated into the functional currency using the average rate of exchange during the year. At each year end foreign currency monetary items are translated using the year end rate of exchange. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the year. All exchange differences arising from the translation from functional currency to presentation currency are recognised through the Statement of Comprehensive Income as a separate component of equity.

**(g) Tax**

No amount has been provided in these financial statements for tax on trading income. Under Schedule 19 of the Finance Act 1993, managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings.

No provision has been made for any other overseas tax payable by members on underwriting results.

**GAI Indemnity Limited (Company No. 06384071)**  
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**For the year ended 31<sup>st</sup> December 2021**

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**(h) Investment Return**

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current year.

**(i) Other Financial Investments**

GAI Indemnity Limited has chosen to apply the recognition and measurement provisions of IAS 39 and the disclosure requirements of FRS 102 in respect of the financial statements.

GAI Indemnity Limited classifies all of its investments as financial assets at fair value through profit and loss. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

A financial asset is classified as fair value through profit and loss at inception if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities. All derivatives are classified as at fair value through profit and loss.

Financial assets designated as at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to GAI Indemnity Limited's key management personnel. GAI Indemnity Limited's investment strategy is to invest in listed and unlisted equity securities and fixed interest rate debt securities and derivatives designated upon initial recognition at fair value through profit and loss.

The fair values of listed investments are based on current bid prices on the balance sheet date. Unlisted investments for which a market exists are also stated at the current bid price on the balance sheet date or the last trading day before that date.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit and loss are presented in the Profit and Loss Account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the year in which they arise.

GAI Indemnity Limited discloses its investments in accordance with a fair value hierarchy with the following levels:

- i) Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;
- ii) Level 2 – inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
- iii) Level 3 – inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

**GAI Indemnity Limited (Company No. 06384071)**  
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**For the year ended 31<sup>st</sup> December 2021**

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**(j) Related Party Transactions**

GAI Indemnity Limited discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

**4. Critical Accounting Judgements and Estimation Uncertainty**

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

GAI Indemnity Limited makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimation of the ultimate liability arising from claims made under insurance contracts is GAI Indemnity Limited's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that GAI Indemnity Limited will ultimately pay for such claims. Some of these claims are not expected to be settled for several years and there is uncertainty as to the amounts at which they will be settled. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims and case law.

The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in adjustments to the amount provided. Adjustments to the amounts of provision are reflected in the financial statements for the year in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. No other material critical judgements have been identified.

**5. Management of Insurance and Financial Risk**

**Financial Risk Management Objectives**

GAI Indemnity Limited is exposed to insurance risk through the insurance contracts that it has written and to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

GAI Indemnity Limited has established an overall risk management policy which focuses on the main risks to which it is exposed, paying particular attention to key risks which impact on the overall operation of the business. A risk register is maintained which is updated at least quarterly. All risks on the register are reviewed with key management personnel and the Board reviews the key risks on a quarterly basis.

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**Insurance Risk**

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

The principal risk that GAI Indemnity Limited faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits arising from insurance contracts will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be materially affected by a change in any subset of the portfolio. GAI Indemnity Limited has a diversified portfolio of insurance risks.

GAI Indemnity Limited mitigates insurance risk through the use of reinsurance, both in the form of third party reinsurance associated with the business originally written and reinsurance with affiliated reinsurers.

i) Process for Assessment of Technical Provisions

GAI Indemnity Limited adopts a consistent process to the calculation of an appropriate provision for the exposures arising from the business it has written. A full reserving analysis is conducted at least annually and the technical provisions recorded on the balance sheet are in line with the Board's view of the best estimate value of the underlying liabilities.

The technical provisions recorded at the reporting date comprise the estimated ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid. This is estimated based on known facts at the balance sheet date. The provision is revised as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported.

GAI Indemnity Limited uses assumptions based on a mixture of internal and market data to measure its claims liabilities. This information is used to project the ultimate number and value of claims, by major class of business, using recognised statistical estimation techniques.

Assumptions are reviewed and tested regularly in the light of actual claims development and general market movements and trends.

ii) Sources of Uncertainty in the Estimation of Future Claim Payments

The sources of estimation uncertainty in establishing the ultimate liability arising from claims made under insurance contracts is discussed in Note 4.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. GAI Indemnity Limited takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

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The liability for insurance contracts comprises a provision for claims incurred but not yet reported and a provision for reported claims not yet paid. The estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimates of claims that have already been notified, for which there is more information available.

iii) Key Assumptions and Sensitivities

The assumptions that have the greatest impact on gross and net technical provisions are those that affect the expected level of claims in the liability and professional indemnity classes. The largest sensitivities on these classes are in respect of uncertainties around future numbers and amounts of claims. The reserves for these classes will be paid out over several years.

GAI Indemnity Limited is judged not to have material insurance exposure to COVID-19 related claims and has experienced limited claims notifications in this regard during 2020 and 2021. The 31<sup>st</sup> December 2021 technical provisions make allowance for potential claims arising in relation to this pandemic based on the detailed knowledge of business written and the expert judgements of actuarial and claims subject matter experts. While the final outcome of any potential claims is subject to uncertainty and is unlikely to be known for some time, the current provisions are deemed sufficient.

iv) Claims Development Tables

The following table presents the comparison of actual claims incurred to previous estimates for the last 5 years as there are no liabilities prior 2016.

**Claims Outstanding (Gross)**

Underwriting Year	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	Total £'000
<b>Estimate of cumulative gross claims</b>						
At the end of the first year	11,996	42,375	46,448	24,991	-	125,810
- One year later	21,011	65,207	83,654	72,887	8,245	251,005
- Two years later	26,200	76,169	90,994	68,252	-	261,615
- Three years later	28,203	80,800	88,350	-	-	197,353
- Four years later	36,881	72,853	-	-	-	109,734
- Five years later	34,128	-	-	-	-	34,128
Current estimate of cumulative claims	34,128	72,853	88,350	68,252	8,245	271,828
Cumulative payments to date	(20,859)	(56,845)	(64,418)	(35,689)	(3,395)	(181,205)
<b>Liability recognised in the balance sheet</b>	<b>13,270</b>	<b>16,008</b>	<b>23,932</b>	<b>32,563</b>	<b>4,850</b>	<b>90,623</b>

**Claims Outstanding (Net)**

Underwriting Year	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	Total £'000
<b>Estimate of cumulative gross claims</b>						
At the end of the first year	9,872	24,283	26,001	19,122	-	79,278
- One year later	18,893	39,328	54,823	50,422	2,538	166,005
- Two years later	23,633	47,891	60,328	47,310	-	179,161
- Three years later	23,878	49,159	60,047	-	-	133,084
- Four years later	26,948	46,266	-	-	-	73,215
- Five years later	24,735	-	-	-	-	24,735
Current estimate of cumulative claims	24,735	46,266	60,047	47,310	2,538	180,896
Cumulative payments to date	(16,529)	(34,781)	(40,753)	(23,096)	(2,538)	(117,696)
<b>Liability recognised in the balance sheet</b>	<b>8,206</b>	<b>11,486</b>	<b>19,294</b>	<b>24,214</b>	<b>-</b>	<b>63,200</b>

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Insurance Risk Concentrations

The concentration of insurance risk before and after reinsurance by the most material classes of business is summarised below, with reference to the carrying amount of outstanding claims (gross and net of reinsurance) arising from insurance contracts,

	2021		2020	
	Gross £'000	Net £'000	Gross £'000	Net £'000
Credit and suretyship	11,043	6,581	16,459	9,821
Fire and other damage to property	16,096	6,442	23,991	9,614
General liability	45,507	35,194	67,828	52,522
Income protection	1,372	1,268	2,045	1,893
Marine, aviation and transport	8,760	7,851	13,057	11,717
Medical expenses	62	62	92	92
Miscellaneous financial loss	67	60	101	90
Property reinsurance	6,099	4,125	9,091	6,156
Claims expense reserve	1,617	1,617	3,243	3,243
<b>Total technical provisions</b>	<b>£ 90,623</b>	<b>£ 63,200</b>	<b>£ 135,907</b>	<b>£ 95,148</b>

**(b) Market Risk**

i) Interest Rate Risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk. GAI Indemnity Limited works closely with its investment manager to review the duration of the investment portfolio in relation to the estimated mean duration of the liabilities.

Given the short-term nature of the cash and investments of GAI Indemnity Limited, it is not exposed to significant interest rate risk since maturing short term investments are repriced at market interest rates on an ongoing basis.

The impact of a 100 basis point increase in interest rates on the value of GAI Indemnity Limited's investments held at 31<sup>st</sup> December 2021 is an approximate £66,410 loss (2020: loss £187,421 (50 Basis Points) to the profit and loss account). Similarly, a 100 basis point decrease in interest rates would give rise to an approximate £70,760 gain (2020: gain £187,421 (50 Basis Points) to the profit and loss account).

ii) Currency Risk

GAI Indemnity Limited manages its foreign exchange risk against its functional currency, which is the Pound Sterling. GAI Indemnity Limited has a proportion of its assets and liabilities denominated in currencies other than the Pound Sterling, the most significant being the US Dollar, Euro and Australian Dollar. GAI Indemnity Limited seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency, and by the utilisation of forward currency contracts.

At 31<sup>st</sup> December 2021, if the US Dollar had weakened by 10% more in 2021 against the Pound Sterling with all other variables held constant, profit for the year would have been £0.1 million



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higher (2020: £1.2 million lower), mainly as a result of net foreign exchange gains on the translation of Pound Sterling denominated financial assets, and Pound Sterling denominated liabilities.

At 31<sup>st</sup> December 2021, if the Euro had weakened by 10% more in 2021 against the Pound Sterling with all other variables held constant, profit for the year would have been £0.6 million lower (2020: £1.1 million lower), mainly as a result of net foreign exchange gains on the translation of Pound Sterling denominated financial assets, and Pound Sterling denominated liabilities.

At 31<sup>st</sup> December 2021, if the Canadian Dollar had weakened by 10% more in 2021 against the Pound Sterling with all other variables held constant, profit for the year would have been £0.4 million higher (2020: £0.1 million higher), mainly as a result of net foreign exchange gains on the translation of Pound Sterling denominated financial assets, and Pound Sterling denominated liabilities.

At 31<sup>st</sup> December 2021, if the Australian Dollar had weakened by 10% more in 2021 against the Pound Sterling with all other variables held constant, profit for the year would have been £0.1 million higher (2020: £0.1 million higher), mainly as a result of net foreign exchange gains on the translation of Pound Sterling denominated financial assets, and Pound Sterling denominated liabilities.

**(c) Credit Risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where GAI Indemnity Limited is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance intermediaries;
- amounts due from corporate bond issuers;
- counterparty risk with respect to derivative transactions; and
- cash at bank and in hand.

As GAI Indemnity Limited is in runoff its exposures to other reinsurers and insurance intermediaries are determined by contracts previously written. GAI Indemnity Limited manages the levels of credit risk from reinsurers and insurance intermediaries by quarterly review of receivable balances by counterparty. Management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. It is GAI Indemnity Limited's policy to provide for reinsurer bad debts in situations where it does not expect to collect the full amount outstanding due to the financial position of the reinsurer or due to disputes over coverage. In certain circumstances, collateral is held in the form of either deposits or letters of credit from reinsurers.

GAI Indemnity Limited reduces its exposure to credit risk in relation to investments by entering into transactions with counterparties that are reputable and by settling trades through recognised exchanges. GAI Indemnity Limited maintains strict control limits on the maximum notional amount of derivative positions. The assets bearing credit risk are summarized below, together with an analysis by credit rating (AM Best or equivalent):

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	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Derivative Financial Instruments	-	28
Shares and other variable-yield securities	17,466	31,057
Debt securities	9,975	-
Deposits with ceded undertakings	729	-
Assets arising from reinsurance contracts held	31,625	48,786
Cash at bank and in hand	20,429	33,550
Overseas deposits	21,011	26,758
<b>Total assets bearing credit risk</b>	<b>£ 101,235</b>	<b>£ 140,179</b>

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
AAA	4,309	4,065
AA	32,947	9,913
A	38,143	62,334
B++ and below or not rated	25,836	63,867
<b>Total assets bearing credit risk</b>	<b>£ 101,235</b>	<b>£ 140,179</b>

Assets arising from reinsurance and insurance contracts held are further analysed as follows:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Performing	101,235	140,179
Past due	-	-
Impaired	-	-
Provision for irrecoverable amounts	-	-
	<b>£ 101,235</b>	<b>£ 140,179</b>

**(d) Liquidity Risk**

The primary liquidity risk is the obligation to pay claims to policy holders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using a combination of operational cash flow forecasting and actuarial techniques. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand. The table below analyses the maturity of GAI Indemnity Limited's financial liabilities and outstanding claims. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented in their expected cash flows.

# GAI Indemnity Limited (Company No. 06384071)

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> December 2021

	No Contractual Maturity Date £'000	< 6 months or on demand £'000	Between 6 months and 1 year £'000	Between 1 year and 2 years £'000	Between 2 years and 5 years £'000	> 5 Years £'000	Carrying Value £'000
<b>At 31<sup>st</sup> December 2021</b>							
Deposits with reinsurers	-	-	6,759	-	-	-	6,759
Creditors	-	-	8,427	-	-	-	8,427
Claims outstanding	-	-	20,032	34,158	22,891	13,542	90,623
<b>Financial liabilities and outstanding claims</b>	<b>£ -</b>	<b>£ -</b>	<b>£ 35,218</b>	<b>£ 34,158</b>	<b>£ 22,891</b>	<b>£ 13,542</b>	<b>£ 105,809</b>
<b>At 31<sup>st</sup> December 2020</b>							
Deposits with reinsurers	-	-	-	-	-	-	-
Creditors	11,640	-	11,900	-	-	-	23,540
Claims outstanding	-	-	32,048	48,527	41,413	13,919	135,907
<b>Financial liabilities and outstanding claims</b>	<b>£ 11,640</b>	<b>£ -</b>	<b>£ 43,948</b>	<b>£ 48,527</b>	<b>£ 41,413</b>	<b>£ 13,919</b>	<b>£ 159,447</b>

### (e) Capital Management

GAI Indemnity Limited maintains an efficient capital structure comprising its equity shareholders' funds, letters of credit and capital pledged by other group companies wholly owned by Riverstone Holdings Limited to support the Funds at Lloyd's requirements, this is consistent with its risk profile and the regulatory and market requirements of its business. GAI Indemnity Limited's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business
- to satisfy the requirements of its policyholders and regulators
- to retain financial flexibility by maintaining adequate liquidity

GAI Indemnity Limited is regulated by Lloyd's and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. GAI Indemnity Limited manages capital in accordance with these rules and performs the necessary tests to ensure continuous and full compliance with such regulations. GAI Indemnity Limited has complied with all of its capital requirements throughout the year.

The minimum capital required to support GAI Indemnity Limited is required to be provided by the corporate member, either by assets held in trust by Lloyd's specifically for that member ("Funds at Lloyd's"), held within, and managed within, a syndicate (Funds in Syndicate) or as the member's share of the members' balances on each syndicate on which it participates. Accordingly, all of the assets less liabilities of GAI Indemnity Limited, as represented in the member balances reported on the Balance Sheet, represent resources available to meet member and Lloyd's capital requirements.

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**For the year ended 31<sup>st</sup> December 2021**

**6. Segmental analysis**

An analysis of the underwriting result before investment return is set out below:

	Gross premiums written 2021 £'000	Gross premiums earned 2021 £'000	Gross claims incurred 2021 £'000	Gross operating expenses 2021 £'000	Re- insurance balance 2021 £'000
<b>Direct Insurance</b>					
Accident and health	(41)	(35)	444	(16)	(334)
Marine, aviation and transport	(233)	367	872	(483)	203
Credit and surety	21	49	79	(5)	(394)
Fire and other damage to property	(677)	1,987	7,104	(1,649)	(7,546)
Third party liability	(677)	898	1,457	(895)	(2,711)
	(1,607)	3,266	9,988	(3,048)	(10,782)
Reinsurance acceptances	972	2,154	3,302	(534)	(1,143)
<b>Total</b>	<b>£ (635)</b>	<b>£ 5,420</b>	<b>£ 13,258</b>	<b>£ (3,582)</b>	<b>£ (11,925)</b>

	Gross premiums written 2020 £'000	Gross premiums earned 2020 £'000	Gross claims incurred 2020 £'000	Gross operating expenses 2020 £'000	Re- insurance balance 2020 £'000
<b>Direct Insurance</b>					
Accident and health	313	384	138	(176)	-
Marine, aviation and transport	4,177	9,793	(6,109)	(4,657)	(1,374)
Fire and other damage to property	11,047	32,319	(42,873)	(15,879)	8,445
Third party liability	6,395	17,807	(26,547)	(9,170)	3,543
Credit and surety	25	37	(44)	(15)	41
	21,957	60,340	(75,435)	(29,897)	10,655
Reinsurance acceptances	(1,026)	9,535	(3,927)	(3,982)	(5,275)
<b>Total</b>	<b>£ 20,931</b>	<b>£ 69,875</b>	<b>£ (79,362)</b>	<b>(33,879)</b>	<b>£ 5,380</b>

All premiums written were in respect of insurance contracts concluded in the UK.

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**7. Technical Provisions**

The change in the provisions for claims outstanding during the year was as follows:

	2021			2020		
	Gross £'000	Reinsurers' Share £'000	Net £'000	Gross £'000	Reinsurers' Share £'000	Net £'000
Claims outstanding at 1 January	135,907	(40,759)	95,148	112,813	(34,191)	78,622
Change in estimates of technical provisions, including foreign exchange	(14,048)	809	(13,239)	76,967	(29,010)	47,957
Paid claims	(31,236)	12,527	(18,709)	(53,873)	22,442	(31,431)
Claims outstanding at 31 December	£ 90,623	£ (27,423)	£ 63,200	£ 135,907	£ (40,759)	£ 95,148

Included within reinsurers' share of technical provisions – claims outstanding are amounts recoverable from related companies of £6.8 million (2020: £Nil)

The change in the provisions for unearned premium during the year was as follows:

	2021			2020		
	Gross £'000	Reinsurers' Share £'000	Net £'000	Gross £'000	Reinsurers' Share £'000	Net £'000
Unearned premium at 1 January	10,352	(1,646)	8,706	57,854	(9,678)	48,176
Premiums written in the year	(635)	(10,698)	(11,333)	20,931	(16,272)	4,659
Premiums earned in the year	(5,420)	11,234	5,814	(69,875)	24,497	(45,378)
Foreign exchange	(156)	14	(142)	1,442	(193)	1,249
Unearned premium at 31 December	£ 4,141	£ (1,096)	£ 3,045	£ 10,352	£ (1,646)	£ 8,706

The change in the provisions for deferred acquisition costs during the year was as follows:

	2021			2020		
	Gross £'000	Reinsurers' Share £'000	Net £'000	Gross £'000	Reinsurers' Share £'000	Net £'000
Deferred acquisition costs at 1 January	2,823	-	2,823	15,900	-	15,900
Change in deferred acquisition costs	(2,164)	-	(2,164)	(13,440)	-	(13,440)
Foreign exchange	71	-	71	363	-	363
Deferred acquisition costs at 31 December	£ 730	£ -	£ 730	£ 2,823	£ -	£ 2,823

**GAI Indemnity Limited (Company No. 06384071)**  
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**8. Net Operating Expenses**

Operating expenses included within net operating expenses comprise:

	2021 £'000	2020 £'000
Acquisition costs	(1,789)	5,798
Deferred acquisition costs	2,164	13,440
Administrative expenses	3,207	14,641
	<u>£ 3,582</u>	<u>£ 33,879</u>

GAI Indemnity Limited has no employees.

No emoluments were paid by GAI Indemnity Limited to any Directors during the year (2020: nil). The emoluments of the Directors are paid by an associated company, RiverStone Management Limited. The services of the Directors to GAI Indemnity Limited are incidental and their emoluments are deemed to be wholly attributable to their services to other group companies. Accordingly, no disclosure of emoluments has been made in these financial statements.

The audit fee in respect of GAI Indemnity Limited has been borne by an associated company, RiverStone Management Limited. The amounts incurred in respect of audit services in relation to GAI Indemnity Limited are as follows:

	2021 £'000	2020 £'000
Audit of these financial statements	<u>9</u>	<u>19</u>
	<u>£ 9</u>	<u>£ 19</u>

**9. Investment Income**

	2021 £'000	2020 £'000
Income from financial assets at fair value through profit and loss	<u>£ 341</u>	<u>£ 421</u>

**10. Investment Expenses and Charges**

	2021 £'000	2020 £'000
Investment management expenses	<u>£ 3</u>	<u>£ 1</u>

**11. Profit / (Loss) for the financial year**

	2021 £'000	2020 £'000
The result for the year is stated after (charging) crediting:		
Foreign exchange loss	<u>£ 1,036</u>	<u>£ 495</u>

# GAI Indemnity Limited (Company No. 06384071)

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> December 2021

### 12. Taxation

	2021 £'000	2020 £'000
<b>Current tax:</b>		
UK corporation tax charge/(credit)	-	-
Foreign tax credits	-	-
<b>Total current tax charge/(credit)</b>	-	-
<b>Deferred tax:</b>		
Current year charge/(credit)	-	-
Effect of change in tax rate	-	-
<b>Total deferred tax charge/(credit)</b>	-	-
<b>Total tax charge/(credit)</b>	£ -	£ -
<b>Factors affecting tax charge for the year</b>		
Profit / (loss) on ordinary activities before tax	1,525	(40,169)
Tax charge at the average standard rate of UK corporation tax of 19% (2020: 19%)	290	(7,632)
Effects of:		
Disallowed expenses	-	124
Group relief	(290)	-
DTA not provided for	-	7,508
	-	-

### 13. Other Financial Investments

#### (a) Other Financial Investments by Category

	Market Value 2021 £'000	Market Value 2020 £'000	Historic Cost 2021 £'000	Historic Cost 2020 £'000
<b>Financial Assets – at fair value through profit and loss</b>				
Shares and other variable-yield securities and units in unit trusts - designated at fair value through profit and loss on initial recognition	17,466	31,057	17,466	31,057
Debt securities and other fixed interest securities designated at fair value through profit and loss on initial recognition	9,975	-	10,153	-
Derivative financial instruments - at fair value through profit and loss, held for trading	-	28	-	-
	£ 27,441	£ 31,085	£ 27,619	£ 31,057

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**For the year ended 31<sup>st</sup> December 2021**

**Financial Liabilities**

Derivative financial instruments - at fair value  
through profit and loss, held for trading

£ - £ 1,158 £ - £ -

**(b) Listed Investments**

Included in carrying values of financial assets above are amounts in respect of listed investments as follows:

	2021 £'000	2020 £'000
<b>At fair value through profit and loss</b>		
Shares and other variable yield securities and units in unit trusts	-	-
Debt securities and other fixed interest securities	9,975	-
<b>Total listed investments</b>	<b>£ 9,975</b>	<b>£ -</b>

**Derivative Financial Instruments at Fair Value through Profit and Loss**

	Market Value 2021 £'000	Market Value 2020 £'000
<b>Derivative financial instruments assets</b>		
Foreign currency forward contracts	£ -	£ 28
<b>Derivative financial instruments liabilities</b>		
Foreign currency forward contracts	£ -	£ 1,158

The foreign currency forward contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for USD: GBP.

	Market Value 2021 £'000	2020 £'000
Foreign currency forward contracts	£ -	£ 28



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**(c) Disclosures of Fair Values in Accordance with the Fair Value Hierarchy**

	Level 1 2021 \$'000	Level 2 2021 \$'000	Level 3 2021 \$'000	Total 2021 \$'000
Shares and other variable yield securities and units in unit trusts	17,050	-	416	17,466
Debt securities and other fixed interest securities	-	9,975	-	9,975
Derivative financial instruments at fair value through profit or loss, held for trading	422	4,229	-	4,651
Total company financial investments	17,471	14,204	416	32,091
Loans and deposit with credit institutions	-	-	-	-
<b>Total</b>	<b>\$ 17,471</b>	<b>\$ 14,204</b>	<b>\$ 416</b>	<b>\$ 32,091</b>
	Level 1 2020 \$'000	Level 2 2020 \$'000	Level 3 2020 \$'000	Total 2020 \$'000
Shares and other variable yield securities and units in unit trusts	112	30,529	416	31,057
Debt securities and other fixed interest securities	-	-	-	-
Derivative financial instruments at fair value through profit or loss, held for trading	-	28	-	28
Total company financial investments	112	30,557	416	31,085
Loans and deposit with credit institutions	1,108	5,736	-	6,844
<b>Total</b>	<b>\$ 1,220</b>	<b>\$ 36,293</b>	<b>\$ 416</b>	<b>\$ 37,929</b>

**(d) Level 3 Pricing**

Level 3 investments are made up of loan to the Lloyd's Central Fund of £416,295 (2020: £416,295). This is valued at fair value.

**(e) Reconciliation of Movements in Level 3 Financial Investments Measured at Fair Value**

	At Fair Value Through Profit and Loss			Total
	Debt Securities 2021 £'000	Equity Shares 2021 £'000	Derivatives 2021 £'000	2021 £'000
At 1 <sup>st</sup> January	-	-	28	28
Expiry of in force forward contracts	-	-	(28)	(28)
<b>Total</b>	<b>£ -</b>	<b>£ -</b>	<b>£ -</b>	<b>£ -</b>

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	At Fair Value Through Profit and Loss			
	Debt	Equity	Derivatives	Total
	Securities	Shares		
	2020	2020		
	£'000	£'000	£'000	£'000
At 1 <sup>st</sup> January	-	-	45	45
Expiry of in force forward contracts	-	-	(17)	(17)
<b>Total</b>	<b>£ -</b>	<b>£ -</b>	<b>£ 28</b>	<b>£ 28</b>

Total losses of £1.4 million (2020: gains £Nil million as derivatives were shown as level 2 in the prior year) comprise realised losses of £1.4 million, and unrealised losses of £Nil million on Level 3 financial investments held during the year, all of which are presented in the net investment return in the profit and loss account.

**(f) Collateralised Cash and Investments**

GAI Indemnity Limited maintains Lloyd's trust funds and overseas deposits in respect of its contractual obligations under which GAI Indemnity Limited is obliged to collateralise its liabilities. The total amount of collateral provided at 31<sup>st</sup> December 2021 was £31.2 million.

**14. Debtors Arising Out of Direct Insurance Operations**

	2021 £'000	2020 £'000
Amount owed from intermediaries	£ 3,685	£ 9,705

**15. Debtors Arising Out of Reinsurance Operations**

	2021 £'000	2020 £'000
Amount owed from intermediaries	8,181	8,027
	£ 8,181	£ 8,027

**16. Other Debtors**

	2021 £'000	2020 £'000
Overseas taxation	1,300	1,105
Claims loss funds	-	4,134
Other debtors	8	196
	£ 1,308	£ 5,435

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**17. Creditors Arising out of Direct Insurance Operations**

	2021 £'000	2020 £'000
Amounts owed to cedants and intermediaries	2,157	3,804
	£ <u>2,157</u>	£ <u>3,804</u>

**18. Creditors Arising out of Reinsurance Operations**

	2021 £'000	2020 £'000
Amounts owed to cedants and intermediaries	<u>3,720</u>	<u>4,562</u>
	£ <u>3,720</u>	£ <u>4,562</u>

**19. Other Creditors Including Taxation and Social Security**

	2021 £'000	2020 £'000
Amounts owed to group undertakings	1,939	3,156
Other Creditors	611	10,860
Derivative liabilities	<u>-</u>	<u>1,158</u>
	£ <u>2,550</u>	£ <u>15,174</u>

**20. Commitments and Contingent Liabilities**

As at 31<sup>st</sup> December 2021, there were no outstanding commitments or contingent liabilities (2020: nil).

**21. Funds at Lloyd's**

Every member of Lloyd's is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are required primarily in case syndicate assets prove insufficient to meet members' underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's according to the nature and the amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of that business. FAL is not hypothecated to any specific syndicate participation by a member, therefore there are no specific funds available to a Syndicate which can be precisely identified as its capital. Consequently, no amount has been shown in these financial statements by way of capital reserves. In addition to the FAL and any additional funds a member may introduce to meet losses, there is a Central Guarantee Fund controlled by Lloyd's which they may utilise to meet any syndicate liabilities that are not met by a member.

# **GAI Indemnity Limited (Company No. 06384071)**

## **Notes to the Financial Statements**

**For the year ended 31<sup>st</sup> December 2021**

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### **22. Related Parties**

The Company is a wholly owned subsidiary of GAI Holding Bermuda Limited which is registered in Bermuda. The ultimate holding company is Gatland Holdings Jersey Limited (“Gatland”) which is registered in Jersey. The majority of the shares in Gatland are held by CVC Capital Partners Strategic Opportunities II LP. Exemption has been taken under FRS102 section 33.1A to not disclose group related balances.

### **23. Subsequent Events**

The 2019 year of account was closed into Syndicate 3500 as of 1<sup>st</sup> January 2022, this is considered a non-adjusting post balance sheet event.