

**Company No: 1958863**

**ATRIUM UNDERWRITERS LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2020**

# **ATRIUM UNDERWRITERS LIMITED**

## **DIRECTORS**

CM Stooke (Chairman)  
JM Cox  
TD Drysdale  
AGK Hamilton  
RdWW Harries  
JRF Lee  
BRA Merriman  
SJ Riley  
S Shah  
KH Steward

## **SECRETARY**

M Bruce  
Bruce Wallace Associates Limited  
118 Pall Mall  
London SW1Y 5ED

## **AUDITOR**

KPMG LLP  
15 Canada Square  
London E14 5GL

## **BANKER**

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Level 11  
1 Churchill Place  
London E14 5HP

## **REGISTERED OFFICE**

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1 Lime Street  
London EC3M 7DQ

# ATRIUM UNDERWRITERS LIMITED

## STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2020.

### Results

The profit for the year, after taxation, amounted to £7,126,870 (2019: £2,613,825).

### Principal activities and review of the business

Atrium Underwriters Limited (AUL or the Company) is a wholly owned subsidiary of Atrium Underwriting Group Limited (AUGL). AUL is a registered Lloyd's Managing Agency, managing Syndicate 609 (the Syndicate), and is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority and the PRA.

The managed Syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's. The 2021 allocated capacity for Syndicate 609 is £625,287,740 (2020: £523,824,477).

The Board measures a number of Key Performance Indicators (KPIs) as shown in the table below.

	2020 £	2019 £	Change %
Turnover	15,196,291	6,449,833	135.6 %
Operating profit	8,774,856	3,160,397	177.7 %
Profit before tax	8,793,913	3,235,777	171.8 %
Capacity under management	523,824,477	449,780,091	16.5 %

The Directors of AUL (the Board) have reviewed the results of the Company and are pleased that the KPIs demonstrate continued profitability, the main contributor being the profit commission earnings from the managed Syndicate.

The profit commission earnings in 2020 are significantly higher those recognised during 2019. In 2020 the Company benefited from the profitable results of the 2018 and 2019 years of account. The 2019 earnings of the Company were impacted by the 2017 catastrophe losses resulting in a lower level of profitability when the 2017 year of account of Syndicate 609 closed on 31 December 2019.

### Strategy

The Company's strategy is to:

- deliver high quality, timely and focused services to its managed Syndicate;
- be a highly effective, agile and efficient organisation, seeking to deliver scalable services;
- create a culture of learning and continuous improvement, optimising processes and systems; and
- operate a highly motivated workforce.

The Company has a number of strategic priorities for 2021 which can be summarised as follows:

- We will continue to proactively grow the business in a controlled and profitable fashion
- We will facilitate this growth through the constant evaluation of our operational policies and procedures to ensure maximum productivity and minimum friction
- We will focus on Personal Development, Wellbeing and Career Development and ensure our new joiners feel part of Atrium
- We will optimise our working practices, framework and environment
- We will ensure our culture and behaviours best reflect the needs and wishes of our employees, shareholders and society

**STRATEGIC REPORT** *(continued)*

- We will communicate regularly and effectively internally and promote Atrium externally
- We will ensure the smooth transition of Shareholders and maximise the benefits and opportunities from having Stone Point Capital LLC (Stone Point) as the new majority owners.

**Principal risks and uncertainties**

The performance of the Company is inherently linked to the performance of the Syndicate because the Company derives its income from the Syndicate. The risk management framework discussed below is therefore predominately from the perspective of the Syndicate.

**Governance**

The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not eliminate them entirely. The Board has developed its Own Risk and Solvency Assessment (ORSA), comprising the entirety of the processes that it uses to identify, assess, monitor and report the risks faced by the Syndicate and to evaluate the amount of funds necessary to cover these risks taking into consideration the business profile and risk appetite of the Syndicate. Critical to the efficacy of the ORSA is the effective operation of the Risk Management Framework (RMF), the Governance Structure and Atrium's Internal Model. The RMF incorporates the so-called "Three Lines of Defence" approach to risk management and reporting.

The RMF is the mechanism through which Atrium ensures it is implementing effective and enterprise wide risk management practices across its business. Key to Atrium's business is the management of risk, return and capital, against which all significant strategic and operational business decisions are evaluated. Atrium has established systems of governance and risk management that enable it to manage its business prudently. The RMF is the articulation of these systems of risk management and governance and how the various elements interact.

The RMF encompasses the broad range of activities undertaken across the organisational hierarchy to ensure that risks are managed appropriately, spanning from the high level strategy set by the Board to the day to day underwriting decisions being made by Syndicate staff and the controls in place to govern these. The RMF can be illustrated as follows:

**Strategy:** This describes Atrium's strategy setting process and explains how this filters down through the organisation; incorporating the Syndicate's Business Strategy, Risk Strategy, Business Plan, Risk Policy Statement and Risk Policies.

**Business Activities:** The individual Syndicate and agency business units are responsible for implementing the strategy and business plans in accordance with the framework set out in the risk policies. The people, controls, management information, processes and senior management oversight in place across the business units serve as the "First Line of Defence" in the RMF.

**Risk Governance Structure:** The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the RMF is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee (ERC), which fulfils the role of Atrium's Risk Management Function, and its three Risk Sub-Committees, discussed further below.

**STRATEGIC REPORT** *(continued)*

**Independent Assurance:** Atrium has in place a Compliance Function and an Actuarial Function in addition to the Risk Management Function (fulfilled by the ERC and the Risk Management Team). These functions have specific responsibilities documented in their terms of reference and are staffed by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the Board with assurance as to the appropriateness and effectiveness of the various elements of the RMF, the internal control environment, and the calculation of capital. There are a number of risk management tools which support independent assessment and reporting of risk. Taken together this Independent Assurance comprises the “Second Line of Defence”.

**Independent Oversight:** The RMF provides for independent oversight and challenge via the operation of the Internal Audit Function as well as the Audit Committee and Risk Committee, both of which are Committees of the Board with membership comprised of Non-Executive Directors. Together these three groups provide the “Third Line of Defence”. The Risk Committee is charged with providing independent oversight and review of Atrium’s RMF and its constituent parts whilst the Audit Committee, along with its broader responsibilities for the financial statements and financial reporting process, has oversight of internal controls and the Internal Audit Function.

**Executive Risk Committee (ERC):** Atrium’s risk governance structure is comprised of the ERC and its three Risk Sub-Committees.

The ERC fulfils the Risk Management Function, in conjunction with the Risk Management Team, and coordinates the risk management activities conducted for the Agency’s managed Syndicate. It is responsible for ensuring that the RMF, and Internal Model, operates effectively, and for maintaining an aggregated and holistic view of risks to the Syndicate and reporting on them to the Board, Committees and management as appropriate. It also ensures that there is robust and effective management, governance and oversight of Atrium’s Internal Model which is used to set capital and is also widely used within the business.

To support delivery of the ERC’s responsibilities, there are three Risk Sub-Committees, each being responsible for oversight, review and challenge of the activities of the Syndicate and in particular ensuring that activities are within risk policies, that risks are suitably identified, monitored and reported, and that appropriate contingency plans are in place.

The principal risks to which the Syndicate is exposed are discussed below together with the mitigation techniques adopted. For clarity, the risks are analysed by reference to the Risk Sub-Committees that have responsibility for the relevant risk area.

*Insurance Risk Sub-Committee (IRSC)*

The IRSC is responsible for oversight of insurance risk which includes underwriting, claims, reserving, and reinsurance.

Underwriting risk is the risk that future losses are greater than allowed for within premiums. This could be due to natural fluctuations in claims frequencies and severities, changes in economic and judicial environments, anti-selection, inappropriate premium estimation or catastrophic loss activity.

Underwriting risk is mitigated through numerous controls including underwriter peer review, authority limits, independent review of risks written, and purchase of an appropriate reinsurance programme. The Syndicate Business Forecast is completed annually and stipulates those classes of business and concentration by class that will be written during the forthcoming year. It is reviewed by the IRSC and approved by the Board prior to being submitted to Lloyd’s for approval. Actual performance during the year is monitored by reference to the Syndicate Business Forecast.

**STRATEGIC REPORT** *(continued)*

The risk of catastrophic claims is mitigated by the Syndicate having a defined risk appetite which determines the net loss that it intends to retain for major catastrophe events and where deemed appropriate reinsurance is purchased to limit the impact of losses. Although the likelihood of occurrence is considered to be remote, there may be circumstances where the loss from a particular catastrophe event exceeds the net risk appetite perhaps due to the occurrence of a loss that has not been considered or where the reinsurance purchased proves to be insufficient. In addition climate change can affect the occurrence and severity of weather related events. Whilst we do research the impact of these there is significant uncertainty to the impact climate change has on events in the tail of distributions which increases uncertainty in this area.

Reserving risk is that there is insufficient provision for losses that have already occurred.

Reserving risk is mitigated by the robust reserve adequacy exercise that is performed on a quarterly basis by the Actuarial Function and approved by the Board. The quarterly exercise involves a review of the paid and outstanding claims and an assessment of the appropriate provision for incurred but not reported (IBNR) claims. The reserves are considered by the IRSC and approved by the Board. The reserving is carried out based on historical development data, the claims environment and information provided by lawyers and third party claims adjusters. Although a thorough review is carried out the reserves carried may be more or less than adequate to meet the final cost of claims.

The IRSC also reviews the proposed reinsurance programme that is used to protect capital from frequency and severity of losses that may be sustained through underwriting the varied lines of business written. The review includes analysis of the reinsurance cover being purchased and assessment of the proposed counterparties.

*Financial Risk Sub-Committee (FRSC)*

The FRSC is responsible for oversight of financial risks and the steps taken to mitigate them as they arise from investments, asset/liability management, credit, liquidity and concentration risks. These risks are discussed further below.

Investment risk is the risk that the Syndicate's earnings are affected by changes in the value of the investment portfolio; such changes in value may be driven by changes in the economic and political environment and by movements in interest and foreign exchange rates. Atrium manages the Syndicate's investments in accordance with investment guidelines established by the Board that are reviewed on a regular basis. The FRSC monitors the performance of the external investment manager and the custodians responsible for the safekeeping of the investments, and reports regularly to the Board.

Asset/liability mismatch is the risk that the Syndicate could incur a loss through inadequate matching of its investments with its insurance liabilities. Due to the short-tail nature of the majority of these liabilities, the Syndicate does not seek to achieve a precise matching with the investment portfolio, instead developing an investment duration guideline that is broadly in line with the average payment profile of the liabilities. However, the Syndicate substantially mitigates exposures to currency mismatch by investing premiums in the currency in which subsequent claims are most likely to be incurred and periodic rebalancing to ensure that these remain appropriate for the liabilities. The majority of the Syndicate's business is denominated in USD and accordingly the substantial part of the investment portfolio is in US dollar denominated investments.

**STRATEGIC REPORT** *(continued)*

The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers, their investment counterparties, or insurance intermediaries. Reinsurance is placed with security that adheres to the Atrium reinsurance policy. The exposure to credit risk in the investment portfolio is mitigated through adherence to the investment guidelines which require the Syndicate's core investment portfolios to be held in government and corporate debt with a high credit quality rating and with a relatively short duration, thus substantially mitigating the risk of sustaining losses from default. Exposure to intermediaries is mitigated by rigorous review of new intermediaries, contractual terms of business, regulated or segregated client accounts, monitoring of balances and credit control procedures.

Liquidity risk is the risk that the Syndicate will not be able to meet its short term liabilities as they fall due, owing to a shortfall in cash. This risk is mitigated through holding invested funds in high credit quality and short duration investments, and cash-flow projections are also reviewed on a regular basis. The need for overdraft facilities in case of unprojected cash flow deficit is also reviewed regularly.

Concentration risk is the exposure to loss that could arise if the bulk of the amounts recoverable by the Syndicate were dependent on a limited number of reinsurers, or if investments were restricted to limited numbers of counterparties or sectors. The risk is mitigated by restricting the permitted cessions to individual reinsurers for any one underwriting year and through the investment guidelines which limit exposure to individual investment counterparties and sectors.

*Operational Risk Sub-Committee (ORSC)*

The ORSC is responsible for oversight of the Syndicate's exposures to operational, group, conduct and regulatory risks.

Operational risk is the risk of loss due to inadequate or failed processes and procedures, people and systems, or external events. The agency seeks to manage these risks by operating a control based environment which consists of documented procedures, segregation of duties and appropriate levels of review.

Conduct risk is the risk that as part of writing and servicing insurance policies the Syndicate fails to pay due regard to the interests of its customers. This is mitigated through the application of Atrium's conduct risk policy and procedures and through staff's adherence to Atrium's Code of Business Principles and Ethics. Atrium is committed to conducting its activities and stakeholder relationships in a fair and honest manner and the highest standard of conduct, professionalism and integrity is expected from all of its employees, with due regard paid at all levels of the organisation to ensuring fair outcomes for customers. Key controls include training of staff, embedding of the consideration of conduct risk as part of the business planning process and through the product life-cycle and Board and governance oversight and reporting. The ORSC fulfils the role of a "product oversight group" providing customer challenge and perspective to Atrium's products.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Managing Agency has a Compliance Officer and team who monitor regulatory developments and assess the impact on agency policy and maintain an ongoing open dialogue with both regulators and Lloyd's. They also carry out a compliance monitoring programme.

Regular reviews are performed by the Internal Audit department to ensure that deviations from the agency's policies and control weaknesses, are identified and reported to the appropriate level of management and the Audit Committee when considered necessary.

**STRATEGIC REPORT** *(continued)*

**Compliance with Section 172 of the Companies Act**

A Director of the Company must act in accordance with a set of general duties. These duties are detailed in Section 172 of the Companies Act 2006, summarised as follows:

“A director of a Company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so have regard (amongst other matters) to the following:

***The likely consequences of any decisions in the long-term.***

The Board has set a number of key strategic priorities for 2021, as detailed earlier in this report.

These priorities reflect the need to consider the interests of our staff and the need to keep pace with market initiatives and technological changes so the business is appropriately positioned to take best advantage of market conditions. The strategic priorities are cascaded down to individuals within the business through the Performance and Development Review process.

***The interests of the Company's employees.***

Engaged, enabled, empowered employees who contribute to the best of their potential are fundamental to the long-term success of the business. We employ and develop high calibre staff. We maintain oversight of their performance through an annual performance and development review process. We seek to offer appropriate levels of remuneration which we benchmark using market surveys. We value our employees' thoughts and ideas and two-way communication is actively sought and encouraged. Various staff engagement surveys were conducted during the year, the results of which have been considered in detail by management and have helped inform and guide subsequent strategic decisions that were made. Our expected standards of behaviour are set out in our Code of Business Principles and Ethics which all staff are expected to adhere to.

***The need to foster the Company's business relationships with customers, supplier and others.***

Atrium's customers, our (re-)insureds, are key to the long-term success of our business. We seek to grow and maintain our customer base. Our reputation needs to be preserved to protect our position as the specialist insurance and reinsurance business of choice and achieve our growth ambitions. Business is sourced through Lloyd's Brokers and Coverholders. They are key business partners and we set out our relationship in terms of business or service level agreements. We maintain oversight of these arrangements as well as making sure our customers receive appropriate level of disclosure.

***The impact of the Company's operations on the community and environment.***

Atrium is a responsible member of its community as it reflects our culture and matters to our staff and local community. Atrium has a strong culture of supporting staff in both individual and group volunteering and fundraising initiatives. To maintain direction and drive momentum we have a Corporate Social Responsibility (CSR) Committee to coordinate CSR activities within Atrium. Prior to all staff working remotely, these encompassed working with an educational charity partner and partnerships with a CSR presence in the London Market; encouraging staff to volunteer at local community projects and participate in local events; and providing corporate sponsorship of charitable activities. During lockdown staff have taken part in a number of CSR initiatives raising money for different charities.



**STRATEGIC REPORT** *(continued)*

***The desirability of the Company maintaining a reputation for high standards of business conduct.***

As a registered Lloyd's Managing Agency, authorised and regulated by the PRA and regulated by the Financial Conduct Authority (FCA), AUL must comply with regulatory rules and minimum standards in order to maintain its licence to operate. Over and above this Atrium seeks to achieve and maintain a reputation for demonstrating a high standard of business conduct as this has a positive impact on interactions with and reviews required by Regulators. We maintain an open dialogue with all regulators and seek to maintain a strong and trusted reputation.

We get the majority of our capital to support Syndicate 609 from third party members of Lloyd's whose affairs are managed by Members Agents. We therefore have a duty to ensure all capital providers are treated fairly and equitably. We maintain an open and regular dialogue with those agents to ensure that the members can make an informed decision about continued support of our business.

***The need to act fairly as between shareholders of the Company.***

AUL is a wholly owned subsidiary of AUGL and at the balance sheet date was ultimately owned by Enstar Group Limited (Enstar). We have a on-going dialogue with both AUGL and Enstar. Formal communication of financial results is provided on a quarterly basis. We engage with AUGL to ensure that the strategic direction of the business is aligned with group objectives.

***Material decisions impacting stakeholders which took place in the year ended 31 December 2020***

During the year the Board considered its strategic priorities for 2020 which included continuing to grow the gross written premium of the Syndicate and to underwrite a demonstrably more profitable book of business. The Board approved the business plan for the 2021 year of account for Syndicate 609 which included significant premium income growth and led to the Board increasing the stamp capacity for the Syndicate from £524m for the 2020 year of account to £625m for the 2021 year of account. This received full support from our capital providers. The business plan, and actual financial results for the Syndicate for 2020, both show increased profitability compared to the prior year with underlying lines of business forecasting premium growth due to improving market conditions, as well as taking advantage of new opportunities, at lower loss ratios than the prior year.

The Board gave active consideration as to how we maintain the highest standards of conduct and ensure that the Atrium culture is strong, inclusive and trusted by all. These matters are important as they affect all stakeholders and have been particularly important during the prolonged period of remote working during 2020. The Board believes that employees should consider Atrium to be an employer who treats them fairly, listens to them and makes them feel valued. During the year the Board engaged with staff on numerous initiatives covering Diversity & Inclusion, Working Practices and Wellbeing. Positive feedback was received from staff and helped to inform how the Board addressed two other strategic priorities for 2020, namely the desire to constantly monitor and adapt working practices for the benefit of all stakeholders and committing to providing a more modern and dynamic workplace environment. Whilst COVID-19 accelerated efforts in some aspects of the provision of a flexible working environment, the Board had already approved the rollout of technology at the start of 2020 in order to ensure that employees could benefit from flexible working and creating an improved environment with increased productivity, staff retention and to remain an employer of choice when recruiting new staff.

The Board gave active consideration as to how the change in ownership from Enstar to Stone Point, through the Trident Funds, would impact the business and operations of the Company.

The Board carries out a detailed financial review each year which includes revenue streams in the form of fees and profit commission, and a detailed expenses review where requirements of all stakeholders are considered. The output of this exercise determines how much dividend the Company is able to pay to its shareholder.

**STRATEGIC REPORT** *(continued)*

**Brexit**

The UK left the European Union (EU) on 31 January 2020 and the associated transitional arrangements ended on 31 December 2020, with Lloyd's Underwriters officially ceasing to have trading rights in the European Economic Area (EEA) for Direct Insurance and cross border German Reinsurance business. Lloyd's members will continue to be able to provide reinsurance to cedants in the EEA (with the exception of Germany) on a cross-border basis, provided relevant local requirements are complied with.

In order to provide this continued access to Lloyd's for policyholders within the EEA, Lloyd's established a subsidiary insurance and reinsurance company incorporated in Belgium, Lloyd's Insurance Company S.A. (LIC). Atrium worked closely with Lloyd's on this contingency arrangement. LIC is authorised in Belgium by the National Bank of Belgium (NBB) and regulated by the NBB and the Financial Services and Markets Authority (FSMA) of Belgium. It is capitalised according to the Solvency II standard formula and benefits from the same financial ratings as the Lloyd's market, which are provided by A.M.Best (A "excellent"); Standard & Poor's (A+"strong"); and Fitch Ratings (AA- "very strong"). LIC has 18 branches across the EEA and a branch in the United Kingdom (UK).

LIC writes all classes of non-life insurance business and non-life reinsurance business from EEA countries. The establishment of LIC ensures that Lloyd's European intermediaries and policyholders still have access to the combined scale, expertise, capacity and claims service of the Lloyd's market through a single insurance company based at the heart of Europe. Whilst it is only a small proportion of its overall business, the Syndicate has incorporated the essential changes required by Lloyd's throughout the organisation, enabling us to uphold the Syndicate's reputation by providing the best possible service to brokers, coverholders and ultimately policyholders.

From 1 January 2019 onwards, with a few minor exceptions, all new EEA non-life direct insurance policies have been written by Atrium on behalf of LIC (under the terms of an outsourcing agreement) and 100% reinsured back to the Syndicate. All renewing EEA non-life direct insurance policies have transferred to LIC on their renewal under the same structure. It continues to be Lloyd's policy that all non-life EEA insurance risks are written by LIC and not Lloyd's Syndicates.

**Part VII**

To achieve contract continuity, Lloyd's have transferred all affected policies (comprising all relevant non-life direct EEA insurance and inwards German reinsurance business that has been written by the Lloyd's market between 1993 and 2020) to LIC.

On 30 December 2020, the Members and former Members of the Syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to LIC, in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby LIC reinsured all risks on the same policies back 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.

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the Syndicate transferred the impacted EEA policies and related liabilities to LIC, together with cash of \$32.0m. On the same date, under the Reinsurance Agreement, LIC reinsured the same risks back, together with an equal amount of cash of \$32.0m.

The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there is no net impact on the Syndicate's statement of comprehensive income or balance sheet.

**STRATEGIC REPORT** *(continued)*

**COVID 19**

COVID-19 and the subsequent societal, Government and market response to the global pandemic had a substantial impact on the world in 2020. The impact on the Syndicate affected multiple risk categories.

The Syndicate has established reserves of \$74.5m in relation to COVID-19. \$70.9m was recognised as earned reserves as at 31 December 2020. There were contributions from several classes of business, but the largest impact relates to event cancellation exposures. As with any event, particularly with one that is unprecedented, there is uncertainty around what the ultimate loss will be. The uncertainties that exist include impending or existing litigation. The Syndicate does not have material anticipated reinsurance recoveries for our COVID-19 claims so are spared that uncertainty. The Board believe that the Syndicate is robustly reserved for extended business interruption (BI) claims in the UK, Australia and New Zealand. On 15 January 2021, the UK Supreme Court delivered its judgement on the FCA's business interruption test case. The aim of the test case was to obtain clarity on insurance contract wording and determine whether certain Business Interruption clauses were triggered by the COVID-19 pandemic. For the insurance industry, this means that in certain instances, policyholders will now have their COVID-19 related business interruption claims paid where previously these claims may have been denied. It may also impact the reinsurance industry as insurers will seek to recover from the reinsurance protection they have in place. In light of the UK Supreme Court ruling, the Syndicate has performed a detailed review of the business interruption clauses in its insurance and reinsurance contracts and concluded that there is no material impact on the COVID-19 best estimate loss booked for the year ended 31 December 2020.

In addition, the lockdowns and recessionary impacts have led to some reduction in premiums over 2020 across multiple classes.

The operational impact caused by Governmental responses to COVID-19 presented significant challenges to all of society. Atrium transitioned smoothly to remote working and was able to continue servicing its clients and continued to pay claims in an expeditious manner over this period. Atrium has paid particular attention to the wellbeing of its staff and has made significant investment in trying to support its staff. It has undertaken regular surveys over the period to proactively identify any concerns. The Risk Management and Internal Audit Functions carried out assess the impact of COVID-19, and remote working conditions, on the Syndicate's risks and internal controls. These reviews did not raise any issues or material concerns to the Board.

The Syndicate's investment portfolio is a conservative portfolio primarily comprising cash and high credit quality fixed income investments. As a result, the Syndicate's portfolio performed well during 2020. Whilst the investment strategy remains unchanged, we would expect future returns to be lower due to the global decline in yield curves.

The Directors of the Managing Agent have reviewed the impact of COVID-19 on the Syndicate and have concluded that the Syndicate will be able to operate as a going concern under multiple future scenarios relating to the ongoing impacts of COVID-19. The Syndicate continues to closely monitor the impact on its operations, employees, customers, underwriting, investments and capital requirements.

The Syndicate's growth plans are not materially impacted by COVID-19.

By order of the board



JRF Lee  
Agency Managing Director  
1 March 2021

**DIRECTORS' REPORT**

The Directors present their report for the year ended 31 December 2020.

**Dividends**

The Directors do not recommend a final dividend, making the total of dividends paid in the year £4,758,740 (2019: £8,619,856).

**Directors and officers of the Company**

The current Directors of the Company are disclosed on page 1. None of the Directors have any financial interest in the Company.

On the 31 March 2020, Andrew Elliott stepped down from the Board of the Company.

On the 31 December 2020, Steven Cook, Atrium's Non-Executive Chairman, stepped down from the Board of the Company and was replaced by Christopher Stooke on 1 January 2021.

**Future developments**

The Directors intend that the Company continues to be a Managing Agent at Lloyd's.

**Events since the balance sheet date**

The ultimate holding company as at the balance sheet date was Enstar. On 13 August 2020, Enstar entered into a Recapitalisation Agreement, whereby Enstar agreed to exchange a portion of its indirect interest in Northshore Holdings Limited (Northshore) for all of the Trident V Funds indirect interest in Starstone U.S. The transaction completed on 1 January 2021 when ultimate ownership of the Company transferred to Northshore, with the Trident V Funds becoming the majority shareholder in Northshore.

**Going concern**

Following consideration, the Directors of the AUL have reasonable expectation that the Company has adequate resources to continue in operational existence for at least a twelve month period from the date of the issue of these financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

COVID-19 and the subsequent societal, government and market response to the global pandemic had a substantial impact on the world in 2020. The impact on the Syndicate affected multiple risk categories.

The Syndicate has established reserves of \$74.5m in relation to COVID-19. There were contributions from several classes of business, but the largest impact relates to event cancellation exposures. As with any event particularly with one that is unprecedented there is uncertainty around what the ultimate loss will be. However, there we are not aware of any particular uncertainties such as reinsurance disputes or legal cases that present enhanced uncertainty.

In addition, the lockdowns and recessionary impacts have led to some reduction in premiums over 2020 across multiple classes.

The operational impact caused by Governmental responses to COVID-19 presented significant challenges to all of society. Atrium transitioned smoothly to remote working and was able to continue servicing its clients and continued to pay claims in an expeditious manner over this period. Atrium has paid particular attention to the wellbeing of its staff and has made significant investment in trying to support its staff. It has undertaken regular surveys over the period to proactively identify systemic concerns.

**DIRECTORS' REPORT** *(continued)*

The Syndicate's investment portfolio is a conservative portfolio primarily comprising cash and high credit quality fixed income investments. As a result, the Syndicate's portfolio performed well during 2020. Whilst the investment strategy remains unchanged, we would expect future returns to be lower due to the global decline in yield curves.

The Board have reviewed the impact of COVID-19 on the Syndicate and have concluded that the Syndicate will be able to operate as a going concern. The Board continues to closely monitor the impact on its operations, customers and underwriting, investments and capital. An assessment of plausible severe scenarios and potential range of outcomes has been undertaken across these areas, including exposure to the broader economic environment and increased volatility in financial markets. Risk appetite for the most impacted lines of business is being reviewed on a regular basis and updated, as required.

The Syndicate's growth plans are not materially impacted by COVID-19.

**Political donations**

The Company made no political donations during the year (2019: £nil).

**Financial risk management**

The risk management of the Company has been detailed within the Strategic Report on page 2.

**Disclosure of information to the auditor**

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

**Re-appointment of auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



JRF Lee  
Agency Managing Director  
1 March 2021

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under Company law the Directors must not approve the financial statements unless they are satisfied that the financial statements give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATRIUM UNDERWRITERS LIMITED**

**Opinion**

We have audited the financial statements of Atrium Underwriters Limited ("the Company") for the year ended 31 December 2020 which comprise the balance sheet, the statement of comprehensive income, the statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

**Fraud and breaches of laws and regulations – ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

## ATRIUM UNDERWRITERS LIMITED

- Enquiring of Directors, the audit committee, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for Directors and management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is composed of relatively simple income streams and has limited complexity in the nature of income earned by the Company from the Syndicate it manages.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the fraud risk management controls.

We also performed the following procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted with descriptions containing key words or phrases, those posted to unusual accounts including those related to cash and post-closing journals meeting certain criteria.

### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards) and from inspection of the Company's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.



Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines, litigation or loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: anti-bribery and regulatory capital and solvency regulations recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and Directors' report**

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required to report to you 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 these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 13, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

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.



**David Maddams (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

3 March 2021

# ATRIUM UNDERWRITERS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2020

	Notes	2020 £	2019 £
Turnover	3	15,196,291	6,449,833
Administrative expenses	4, 5, 6	(6,421,435)	(3,289,436)
<b>Operating profit</b>		<b>8,774,856</b>	<b>3,160,397</b>
Interest income		19,057	75,380
<b>Profit on ordinary activities before tax</b>		<b>8,793,913</b>	<b>3,235,777</b>
Tax charge on profit on ordinary activities	7	(1,667,043)	(621,952)
<b>Profit on ordinary activities after tax</b>		<b>7,126,870</b>	<b>2,613,825</b>
<b>Other comprehensive income</b>			
Currency translation differences		61,713	(284,845)
<b>Total comprehensive income for the year</b>		<b>7,188,583</b>	<b>2,328,980</b>

All results are derived from continuing activities.

The attached notes form an integral part of these financial statements.

# ATRIUM UNDERWRITERS LIMITED

## BALANCE SHEET

As at 31 December 2020

	Notes	2020 £	2019 £
<b>Current assets</b>			
Debtors: due within one year	9	<b>12,633,392</b>	5,505,277
Cash and cash equivalents		<b>3,195,382</b>	5,143,248
		<b>15,828,774</b>	10,648,525
<b>Current liabilities</b>			
Creditors: due within one year	10	<b>9,375,962</b>	4,540,593
		<b>6,452,812</b>	6,107,932
<b>Net current assets</b>			
<b>Non-current assets</b>			
Debtors: due after more than one year	9	<b>2,176,436</b>	91,473
		<b>8,629,248</b>	6,199,405
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	11	<b>400,000</b>	400,000
Retained earnings		<b>8,229,248</b>	5,799,405
		<b>8,629,248</b>	6,199,405
<b>Shareholder's funds</b>			

The attached notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 1 March 2021 and signed on its behalf by:



JRF Lee  
Agency Managing Director



KH Steward  
Director

Company No: 1958863

**ATRIUM UNDERWRITERS LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2020**

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance as at 1 January, 2019</b>	400,000	12,090,281	12,490,281
Profit for the year	—	2,613,825	2,613,825
Other comprehensive income	—	(284,845)	(284,845)
Dividends	—	(8,619,856)	(8,619,856)
<b>Balance as at 31 December, 2019</b>	<u>400,000</u>	<u>5,799,405</u>	<u>6,199,405</u>
Profit for the year	—	7,126,870	7,126,870
Other comprehensive income	—	61,713	61,713
Dividends	—	(4,758,740)	(4,758,740)
<b>Balance as at 31 December, 2020</b>	<u>400,000</u>	<u>8,229,248</u>	<u>8,629,248</u>

Represented by:

Equity interests	8,629,148
Non-equity interests	<u>100</u>
	<u>8,629,248</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2020**

**1. GENERAL INFORMATION**

The principal activity of the Company during the year remained as a registered Lloyd's Managing Agency, managing Syndicate 609.

The Company is limited by shares and is incorporated in the United Kingdom. The address of its registered office is Room 790, Lloyd's, 1 Lime Street, London, EC3M 7DQ.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

The financial statements are prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and section 396 of, and schedule 4 to, the Companies Act 2006.

The financial statements are prepared on a going concern basis under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2(m).

**(b) Change in accounting policy/prior period adjustment**

There have been no changes in accounting policies or any prior period adjustments.

**(c) Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of Enstar Group Limited which are publicly available.

As a qualifying entity, the Company has taken exemption from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102.

**(d) Going concern**

The Company produces annual forecasts which take account of possible changes to the revenue streams and expense base of the Company. These forecasts show that the Company will have sufficient financial resources in order to continue trading for the foreseeable future. Following consideration, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least a twelve month period from the date of issue of these financial statements. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

In light of the COVID-19 outbreak globally during the first quarter of 2020, the Company has undertaken detailed analysis of the potential impacts upon its forecast revenue and general financial stability.

As a managing agent to the Syndicate, the Company is reliant upon the going concern assessment of the Syndicate for its own long term existence.

**NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

The Board have reviewed the impact of COVID-19 on the Syndicate and have concluded that the Syndicate will be able to operate as a going concern. The Board continues to closely monitor the impact on its operations, customers and underwriting, investments and capital. An assessment of plausible severe scenarios and potential range of outcomes has been undertaken across these areas, including exposure to the broader economic environment and increased volatility in financial markets. Risk appetite for the most impacted lines of business is being reviewed on a regular basis and updated, as required.

Whilst reserves, and the underlying estimated level of claims arising from COVID-19, are inherently uncertain and may materially change, current estimates would indicate that the Syndicate can continue to meet liquidity requirements. COVID-19 has also caused volatility in the financial markets and to investment returns received by the Syndicate and capital providers. The Board monitor the Syndicate's investment portfolios under the guidelines in place. The Syndicate's investment portfolio is designed to be a conservative portfolio primarily comprising cash and high credit quality fixed income investments.

The Board regularly assess the impact of solvency capital in line with established risk metrics and in compliance with risk appetite, including volatility in financial markets.

In the unlikely event that the impact of COVID-19 on the Syndicate reduced available capital to the extent that a contraction of underwriting capacity was required this would ultimately reduce the income receivable by the Company.

In response to the COVID-19 outbreak, the Company and its parent, AUGL, implemented remote working in advance of any formal government guidance and restrictions. To date no significant issues have been experienced in the Company's ability to operate as a result of these measures.

Taking into account the Company's current position and the output of additional analysis performed on the Company, the current COVID-19 situation does not change the directors' view that these financial statements should be prepared on the Going Concern basis as set out above.

**(e) Foreign currencies**

i) Functional and presentation currency

The Company's functional currency is US dollars and the presentational currency is Sterling.

For presentation purposes the US dollar functional currency statement of comprehensive income items have been translated into Sterling at the average rate for the year - £1:US\$1.2819, whilst the balance sheet has been translated at the closing rate - £1:US\$1.3654 with translation differences being recognised through other comprehensive income.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the quarterly average rate in effect at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate.

Foreign exchange gains and losses resulting from the settlement of transactions and from the retranslation at the period-end, are recognised in the statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Foreign currency rates of exchange to the functional currency (US dollars) are shown in the table below.

	Closing rate at 31 December 2020	Average rate Quarter 1 2020	Average rate Quarter 2 2020	Average rate Quarter 3 2020	Average rate Quarter 4 2020
Sterling	1.3654	1.2785	1.2399	1.2912	1.3199
Canadian dollar	0.7832	0.7445	0.7211	0.7503	0.7671
Euro	1.2228	1.1022	1.0999	1.1684	1.1917
Singapore dollar	0.7568	0.7219	0.7079	0.7275	0.7427

**(f) Turnover**

Turnover consists of agency fees and profit commissions. Profit commissions are earned in line with the annual accounting results of the managed Syndicate, subject to the operation of a deficit clause.

Under annual accounting, underwriting results relating to a particular year of account are recognised during the three years in which that year of account is normally open, in line with the earnings pattern of the insurance business attaching to the year.

**(g) Employee benefits**

i) Short term benefits

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

ii) Pensions

The Company incurs pension costs from a defined contribution scheme, which is operated by AGSL. Certain directors and staff have personal pension arrangements to which the Company contributes. Contributions are charged to the statement of comprehensive income as they become payable in accordance with rules of the schemes.

iii) Cash Incentive Schemes

AUGL operates a long term cash based incentive scheme. Awards are made to employees, pegged to the net book value of Northshore (fellow group subsidiary in Enstar Group as at the balance sheet date). The award is cash settled by Atrium, subject to Northshore achieving certain performance conditions.

The cost of the cash settled transaction with employees is measured by reference to Northshore's net book value on the date of the award. The expense is recorded in AGSL and subsequently recharged to AUL and recognised in the statement of comprehensive income over the performance period of the cash based incentive scheme.

**(h) Investment income and expenses**

Interest income and expenses are recognised on an accruals basis.



NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**(i) Taxation**

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

*Current tax:* the current tax credit or charge is based on the taxable loss or profit for the year, respectively. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

*Deferred tax:* deferred tax is generally provided in full on timing differences arising between the tax bases of assets and liabilities and their carrying value in the financial statements. Deferred tax is measured on an undiscounted basis using tax rates enacted or substantively enacted at the balance sheet date and which are expected to apply when the related tax is payable or receivable.

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

**(j) Impairment of non-financial assets**

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the statement of comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of the impairment loss is recognised in the statement of comprehensive income.

The Company does not hold any non-financial assets.

**(k) Cash and cash equivalents**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**(I) Financial instruments**

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

**Financial assets**

Basic financial assets, including debtors and cash and cash equivalents, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. All such financial assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income immediately.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income immediately.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**Financial liabilities**

Basic financial liabilities, including trade creditors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. There were no significant accounting judgements made during the year.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. TURNOVER

The turnover of fee income and profit commission relate to the business as a managing agent in the United Kingdom in the Lloyd's Insurance Market.

Analysis of turnover by category:

	2020	2019
	£	£
Fee income	3,679,196	3,112,079
Profit commission	11,517,095	3,337,754
	<b>15,196,291</b>	<b>6,449,833</b>

4. ADMINISTRATIVE EXPENSES

	2020	2019
	£	£
These include:		
Auditor's remuneration – statutory audit	12,665	13,008
Foreign exchange loss / (gain)	836,813	(25,498)

No fees were paid to the Company's auditor for services other than for the statutory audit of the Company (2019: £nil).

5. EMPLOYEE BENEFITS

The Company does not have any employees, however it uses the services of employees of the Atrium Group, for which £25,405,784 (2019: £24,421,748) was recharged to AUL. The Company was subsequently reimbursed with £24,131,399 (2019: £23,275,614) from Syndicate 609, which it manages. The recharge to AUL included £4,486,579 (2019: £4,873,983) relating to share and cash based incentive schemes of which £4,406,782 (2019: £4,827,167) was subsequently recovered from Syndicate 609. The Company also directly incurred a further £2,993,894 of staff costs (2019: £1,563,354) comprising of a profit related bonus paid to staff and the social security cost thereon, driven by a combination of Syndicate profits, Atrium Group profit and staff personal performance.

## ATRIUM UNDERWRITERS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

#### 6. DIRECTORS' REMUNERATION

The Directors of the Company are all remunerated by AGSL, the employing company within the Atrium Group. Their remuneration is disclosed in the financial statements of AGSL. £4,509,154 was recharged to the Company for the use of these services (2019: £3,492,203). Of this recharge, £1,714,322 (2019: £1,451,971) was subsequently reimbursed from Syndicate 609.

The amount recharged from AGSL for key management personnel includes £12,975 (2019: £15,785 ) in relation to share-based payments under FRS 102.

#### 7. TAXATION

##### (a) Tax charge on statement of comprehensive income

	2020	2019
	£	£
The tax charge is made up as follows:		
Current tax:		
Group relief payment	1,670,843	614,798
Tax (over) / under provided in previous years	(162,642)	120,776
Total current tax	<u>1,508,201</u>	735,574
Deferred tax:		
Deferred tax under / (over) provided in previous years	158,842	(113,622)
Total deferred tax (note 7 (d))	<u>158,842</u>	(113,622)
Tax charge on ordinary activities	<u><u>1,667,043</u></u>	<u>621,952</u>

##### (b) Reconciliation of tax charge

	2020	2019
	£	£
Profit on ordinary activities before tax	8,793,913	3,235,777
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	1,670,843	614,798
Effects of:		
Amounts (under) / over provided in previous years	(3,800)	7,154
Total tax charge for the year (note 7(a))	<u><u>1,667,043</u></u>	<u>621,952</u>

##### (c) Factors that may affect future tax charges

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 December 2020 has been calculated at 19% (2019: 17%).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

7. TAXATION (CONTINUED)

(d) Deferred taxation

	2020	2019
	£	£
The deferred taxation included in the balance sheet is as follows:		
At 1 January	91,473	(18,552)
Deferred taxation (charge) / credit in the statement of comprehensive income (note 7(a))	(158,842)	113,622
Currency translation difference	(2,597)	(3,597)
At 31 December	<u>(69,966)</u>	<u>91,473</u>

8. DIVIDENDS

	2020	2019
	£	£
Declared and paid during the year		
Dividends on 'B' ordinary shares:		
Dividend paid	<u>4,758,740</u>	<u>8,619,856</u>
	<u>4,758,740</u>	<u>8,619,856</u>

9. DEBTORS

	2020	2019
	£	£
Due within one year:		
Amounts owed by parent undertakings	—	82,767
Trade debtors	3,997,229	2,211,785
Other debtors	24	—
Profit commission	8,636,139	3,210,725
	<u>12,633,392</u>	<u>5,505,277</u>
Due after more than one year:		
Profit commission	2,176,436	—
Deferred taxation	—	91,473
	<u>2,176,436</u>	<u>91,473</u>

10. CREDITORS

	2020	2019
	£	£
Due within one year:		
Amounts owed to group undertakings	4,535,083	2,362,640
Amounts owed to parent undertakings	1,452,890	—
Deferred taxation	69,966	—
Other creditors	—	207,823
Accruals and deferred income	3,318,023	1,970,130
	<u>9,375,962</u>	<u>4,540,593</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

11. AUTHORISED AND ISSUED SHARE CAPITAL

	2020 No.	2019 No.	2020 £	2019 £
Authorised, issued, called up and fully paid:				
‘A’ ordinary shares of £1 each	100	100	100	100
‘B’ ordinary shares of £1 each	399,900	399,900	399,900	399,900
	<b>400,000</b>	400,000	<b>400,000</b>	400,000

The rights of the shares can be summarised as follows:

‘A’ ordinary shares confer upon the holders no rights to dividends, the right to receive notice of and to attend General Meetings of the Company and to vote at a General Meeting of the Company on any resolution for the winding up of the Company. The holders of ‘A’ ordinary shares shall have one vote per share when voting on any such resolution.

‘B’ ordinary shares confer upon the holders the right to receive dividends from the profits made by the Company which are available for distribution, the right to receive notice of and to attend General Meetings of the Company and to one vote per share at such meetings on any resolution.

On a winding-up, the assets remaining after payment of the debts and liabilities of the Company and the costs of liquidation shall be applied first in repaying the holders of ‘A’ ordinary shares in the amounts paid or credited as paid on such shares, secondly in repaying the holders of ‘B’ ordinary shares in the amounts paid or credited as paid on such shares. Any balance is to be distributed among the holders of ‘B’ ordinary shares in proportion to the number of shares held by them.

12. RELATED PARTIES

The Company and its subsidiaries are included within the consolidated accounts of Enstar Group Limited, the ultimate parent company as at the balance sheet date. The financial statements of Enstar Group Limited are publicly available. Accordingly, the Company has taken advantage of the exemption in Section 33.1A of FRS 102 ‘Related party disclosures’.

13. EVENTS SINCE THE BALANCE SHEET DATE

The ultimate holding company as at the balance sheet date was Enstar Group Limited (Enstar). On 13 August 2020, Enstar entered into a Recapitalisation Agreement, whereby Enstar agreed to exchange a portion of its indirect interest in Northshore Holdings Limited (Northshore) for all of the Trident V Funds indirect interest in Starstone U.S. The transaction completed on 1 January 2021 when ultimate ownership of the Company transferred to Northshore, with the Trident V Funds becoming the majority shareholder in Northshore.

**NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2020**

**14. ULTIMATE HOLDING COMPANY**

The Company's immediate parent undertaking and controlling party is Atrium Underwriting Group Limited, incorporated in UK. The Company's ultimate controlling party is Northshore Holdings Limited, incorporated in Bermuda.

The Company's ultimate parent undertaking as at the balance sheet date is Enstar. Enstar includes the Company in its consolidated financial statements. The consolidated financial statements of Enstar are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), are available to the public and may be obtained from the US Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)). Refer to notes 2(c) for exemptions claimed in relation to the preparation of the financial statements under FRS 102. The registered office address of Enstar is Windsor Place, 3rd Floor, 22 Queen Street, Hamilton HM JX, Bermuda.

**DETAILED PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2020**

	2020		2019	
	£	£	£	£
<b>Turnover</b>				
Fee income		3,679,196		3,112,079
Profit commission		<u>11,517,095</u>		<u>3,337,754</u>
		<b>15,196,291</b>		<b>6,449,833</b>
<b>Other income</b>				
Interest income	<u>19,057</u>		<u>75,380</u>	
		<b>19,057</b>		<b>75,380</b>
<b>Overhead expenditure</b>				
Staff costs	4,250,330		2,786,327	
Premises	48,216		49,975	
Insurance	6,426		7,089	
Subscriptions and donations	3,318		108,449	
Telephone and postage	9,639		7,582	
Printing and stationery	1,970		2,595	
Legal and professional	883,322		59,474	
Audit fee	12,665		13,008	
Travel and entertainment	4,908		13,650	
Sundry expenses	300		2,360	
Foreign exchange loss / (gain)	836,813		(25,498)	
Computer costs	234,613		186,914	
Bank charges and interest	591		856	
Irrecoverable VAT	12,235		13,741	
Charge for use of assets	7,604		8,291	
Service Company Charge	<u>108,485</u>		<u>54,623</u>	
Total overhead expenditure		<b>(6,421,435)</b>		<b>(3,289,436)</b>
<b>Profit before taxation</b>		<u><b>8,793,913</b></u>		<u><b>3,235,777</b></u>

(Unaudited)