BRIT LIMITED
PRESS RELEASE
11 FEBRUARY 2022
UNAUDITED FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

A STRONG AND RESILIENT RESULT

Key points

- Profit on ordinary activities before the impact of FX and tax of $247.1m (2020: loss of $235.5m).
- Combined ratio of 95.7%[1] (2020: 112.7%[2]), including 15.5[1] percentage points (pps) of major losses (2020: 23.7pps[2]), a resilient result.
- Gross written premiums of $3,238.3m (2020: $2,424.4m), an increase of 31.8% over 2020 at constant FX rates.
- Risk adjusted premium rates increases on renewal business of 12.9% (2020: 10.6%), bringing the total increase since 1 January 2018 to 33.1%.
- Attritional ratio of 47.7%[1], an improvement of 4.8 pps (2020: 52.5%[2]).
- Return on invested assets[3] after fees of $171.9m or 3.3% (2020: $44.6m or 1.0%).
- Gain on sale of two subsidiaries of $22.0m (2020: nil).
- Return on net tangible assets of 19.4%[4] (2020: negative 20.1%[4]).
- Balance sheet remains strong: adjusted net tangible assets[5] of $1,740.6m (2020: $1,436.8m).
- Capital surplus increased by 81.2% to $617.9m (2020: $341.0m). Strong capital ratio[6] of 139.1% (2020: 122.1%).
- A highly successful first year of trading for Ki, receiving a very positive reception from its broking partners and recording GWP of $395.6m.
- Continued focus on our 'Leadership, Innovation, Distribution' strategy, including:
  - Combined our US operations under our Ambridge brand to create a single leading MGA;
  - Acquired the remaining shares of Camargue Underwriting Managers (Proprietary) Limited;
  - Continued to focus on our customers with the launch of our algorithm to enable a faster claims response to catastrophe events and our Direct Pay claims solution;
  - Piloted the first continuous binder at Lloyd's; and
  - Launched the Keel Marine Consortium.

Martin Thompson, Interim Group Chief Executive Officer, commented:

'In early October I was asked to step into Brit as Interim CEO, following the announcement that Matthew Wilson was to take a leave of absence due to health reasons. All of us at Brit and Fairfax wish Matthew well and look forward to his return.

I am pleased to report a positive 2021 for Brit, with our underwriting performance and investment return delivering a strong overall result. Underpinning this performance was continued successful execution against our strategy of Leadership, Innovation and Distribution, with the progression of our business testament to the dedication of our people and the unique culture Matthew and his team have created at Brit.

Our clear strategy saw us deliver a combined ratio for the year of 95.7%. This reflected the combination of an excellent attritional ratio, prior year reserve releases and increased income from our third party capital management and MGA businesses. That we delivered this performance despite exposure to a number of major loss events and the continued impact of COVID-19 was particularly encouraging, demonstrating the increased resilience of our business and our firm focus on disciplined underwriting.

As well as delivering a good underwriting result, we grew our written premium by 31.8% to $3,238.3m. This reflects strong, targeted growth in our core direct and reinsurance books, and a very successful first year of trading for Ki.

Championing the potential of data and technology is central to Brit's future success. Ki is an embodiment of this, but we also made strong progress across the whole of Brit in delivering on our innovation agenda. This includes significant milestones in how we use technology in Claims, investment in how we use data to empower our lead underwriters and, in January 2022, the appointments of a Chief Technology Officer and a Chief Data Officer.

Looking ahead to 2022, while uncertainty remains around COVID-19, rising inflation and the potential of increased frequency and severity of major loss events, we remain optimistic. Ongoing rate rises, continued improvement in our attritional claims ratio and our clear strategy give us confidence that Brit is well placed to respond to the opportunities and challenges ahead.'

Notes

1 The calculation of underwriting ratios contains an adjustment whereby the premium paid for the loss portfolio reinsurance ($344.1m) is added back to premium earned net of reinsurance, with an equal and opposite adjustment to net claims incurred. The benefit of a $35.0m reserve release resulting from the additional protection afforded by the contract is included in the calculation. The Directors believe that the ratios when calculated after these adjustments present a more consistent and understandable view of the Group's performance.

2 Ratios have been represented, and include FX movements on non-monetary items, the impact of gains/losses on other financial liabilities but exclude any adjustment for non-controlling interests.

3 Inclusive of return on investment related derivatives, return on associates and after deducting investment management expenses and third-party share of investment return.

4 Return on net tangible assets (RoNTA) shows the return generated by our operations for the owners of Brit Limited before foreign exchange movements, compared to the adjusted net tangible assets deployed in our business attributable to them. The impact of the Group's defined benefit pension schemes are excluded from the calculation. The 2020 figure is represented on this basis.

5 Adjusted net tangible assets are defined as total equity, less intangible assets net of the deferred tax liability on those intangible assets, less non-controlling interest.

6 The capital ratio is calculated as total available resources divided by management entity capital requirements. The management entity capital requirement is the capital required for business strategy and regulatory requirements.

For further information, please contact:

Antony E Usher, Group Financial Controller, Brit Limited	+44 (0) 20 3857 0000
Edward Berry, FTI Consulting	+44 (0) 20 3727 1046
Tom Blackwell, FTI Consulting	+44 (0) 20 3727 1051

About Brit Limited

Brit is a market leader in global specialty insurance and reinsurance, writing a broad range of commercial insurance. Brit is a reputable and influential name in the Lloyd's market and we pride ourselves on our specialist underwriting and claims expertise.

We operate globally via a combination of our own international distribution network that benefits from Lloyd's global licences and our broker partners, and underwrite a broad class of commercial specialty insurance. Our underwriting capabilities are underpinned by a strong financial position, our underwriting expertise and discipline, and customer service.

We have a strong track record and are passionate about our business, our people and our clients, and we have focused on cultivating a franchise that is built on delivering exceptional service. Our culture is centred on achievement and we have established a framework that identifies and rewards strong performance.

Brit is a member of the Fairfax Financial Holdings Limited group of companies (Fairfax). The Fairfax financial result for the year ended 31 December 2021, which included the Brit Limited financial result, was published on 10 February 2022.

www.britinsurance.com

Disclaimer

Officer statements

In early October I was asked to step into Brit as Interim CEO, following the announcement that Matthew Wilson was to take a leave of absence due to health reasons. All of us at Brit and Fairfax wish Matthew well and look forward to his return.

I am pleased to report a positive 2021 for Brit, with our underwriting performance and investment return delivering a strong overall result. Underpinning this performance was our continued successful execution against our strategy of Leadership, Innovation and Distribution. Against the ongoing backdrop of COVID-19, and the impact it continues to have on our lives, the progression of our business is testament to the dedication of our people and the unique culture Matthew and his team have created at Brit.

Our strategy delivered a strong combined ratio for the year of 95.7%. This reflected the combination of an excellent attritional ratio, strong prior year reserve releases and increased income from our third party capital management and MGA businesses. That we delivered this performance despite exposure to a number of major loss events and the continued impact of COVID-19 was particularly encouraging, demonstrating the increased resilience of our business and our firm focus on disciplined underwriting.

As well as delivering a strong underwriting result, we grew our written premium by 31.8% at constant exchange rates, to $3,238.3m. This reflects a very successful first year of trading for Ki, together with strong growth in our core direct and reinsurance books, reflecting strong market conditions and targeted growth, partly offset by planned contractions across a number of less attractive classes. Strong risk adjusted rate increases have continued with 12.9% achieved in 2021. Cumulative rate increases since 1 January 2018 now stand at 33.1%.

Championing the potential of data and technology is central to Brit's future success and Ki is the embodiment of this. Its launch has been an important focus for us and it gained excellent traction in its first year of trading writing $395.6m of premium, having received a very positive reception from its broking partners. Working closely with those partners, Ki has continued to update and enhance its underwriting platform, including the development and release of its broker API, a landmark in the Lloyd's market.

In 2021, we combined our US operations to create a single operation under the Ambridge brand. It now operates as a global MGA, managing over $600m of premium in the US and internationally. Our clients have the benefit of the well-recognised Ambridge MGA model giving them better access to products and enhanced service, and our underwriting teams are better able to capitalise on business opportunities.

Delivering a best-in-class claims service is an important focus for Brit. We have continued to support our clients when they need it most, with innovation at the heart of our Claims approach. In 2021 this has included deploying our machine learning algorithm to enable a faster claims response to catastrophe events and launching Brit Direct Pay, the first direct-to-bank card account claims payment solution in the London Market.

We continue to develop and launch new innovative products and expand our underwriting offering. We launched the Keel Marine Consortium, to transform the writing of marine war and breach call risks. We also continued to expand our e-trading portal, which provides a more efficient and convenient method of placing business. We have also been working closely with Lloyd's on the continuous binder, which went live in January 2022.

During 2021 we made a number of important appointments. We welcomed Gavin Wilkinson as Group CFO, taking over from Mark Allan who is now focused on his Ki CEO and Brit Executive Director roles. We appointed Wayne Page as our first Head of Inclusion and Diversity. Under Wayne's guidance, we have made good progress in implementing our I&D vision, introducing a number of policies, actively raising awareness amongst our colleagues and launching a number of initiatives. We also appointed of Bilge Mert as Chief Technology Officer and Kanika Chaganty as Chief Data Officer, reflecting the importance of digital and data to our strategy.

We have an important role in fighting climate change, and we believe firmly that insurance is a social good. In 2021 we published our ESG strategy and made solid progress in its implementation. This included Ki entering into a $130m sustainability linked letter of credit agreement with its banking partners.

Looking ahead to 2022, uncertainty still surrounds COVID-19, as well as wider market and inflationary concerns. Insurance markets also face other challenges, such as the potential for increased frequency and severity of major loss events. However, strong compound rate rises, a continued improvement in our attritional claims ratio from underwriter actions and our clear strategy gives us continued optimism and positions us well to respond to the opportunities and challenges ahead.

Martin Thompson
Interim Group Chief Executive Officer

After a challenging 2020, it is very pleasing to report a strong result, reflecting the continued commitment of all our staff, the support of our majority shareholder, Fairfax, and the increasing resilience of our business. During 2021, Brit delivered a profit on ordinary activities before FX and tax of $247.1m and a profit after tax of $236.9m. Our return on net tangible assets was 19.4%.

Underwriting contributed $90.6m to the result, with a combined ratio of 95.7%. The attritional ratio for the period improved by 4.8pps to 47.7%, reflecting our good underwriting discipline, rigorous risk selection, and healthy compound rate increases.

Major losses of $324.4m contributed 15.5pps to the combined ratio, comprising Hurricane Ida ($200.5m), the Texas winter storms ($77.7m), the European floods ($18.0m) and current year COVID-19 related losses ($28.2m). The overall impact of COVID-19 related claims on our 2021 performance, after a release of $12.3m from our 2020 year loss estimates, reduced to $15.9m.

We have maintained our long-standing track record of prior year reserve releases, and as part of our reserving process, we released $100.1m, the equivalent of a combined ratio reduction of 4.8pps. These releases reflect increased certainty across a number of portfolios in both our direct and reinsurance books, together with overall net loss estimate reductions on the 2017 to 2020 catastrophe events and the reduction in our 2020 COVID-19 related loss estimates.

Our release also reflects the additional reinsurance protection afforded by a loss portfolio reinsurance we completed with RiverStone Managing Agency Limited (RiverStone) in late 2021. The agreement provides protection against potential adverse development on predominantly legacy years of account underwritten by Brit Syndicate 2987, thereby providing Brit with certainty on discontinued lines and reducing its exposure to US Casualty claims inflation.

Our investment return was $171.9m (net of fees), providing a return of 3.3%. This was driven by the strong performance across our main equity and fund portfolios as markets responded to additional stimulus measures and vaccine rollouts.

We have continued to benefit from the growth of our third party capital vehicles and our investments in MGAs. Working with our capital and distribution partners is an important part of Brit's strategy, enhancing our leadership position, strengthening our client proposition and making our expense base more efficient.

In 2021, we sold two subsidiaries, the Commonwealth Insurance Company of America and Scion Underwriting Services, realising a gain of $22.0m. Brit founded Scion, a US casualty MGA, in 2018 and it has grown to over $80m of premium in three years. In 2021, we also completed the purchase of the remaining shares in our South African coverholder Camargue Underwriting Managers (Proprietary) Limited. As part of this acquisition we revalued our initial 50% investment, made in 2016, recognising a gain of $6.1m. These gains generated by our corporate activity illustrate the embedded value we are generating from such relationships.

Our balance sheet remains strong, with adjusted net tangible assets increasing to $1,740.6m (31 December 2020: $1,436.8m). As a result, the capital surplus we hold increased by 81.2% to $617.9m or 39.1% over the Group's management capital requirement. During the period, our capital requirements increased from $1,540.3m to $1,581.6m, primarily reflecting increased requirements resulting from growth in our 2022 underwriting plans, offset by reduction in capital requirements due to increases in interest rates.

Our investment portfolio remains conservatively positioned, with a large allocation to cash and cash equivalents ($1,549.3m or 27.9%) and fixed income securities ($3,213.8m or 57.9%). Brit's equity and fund allocation stands at $778.0m, or 14.0%. At 31 December 2021, 83.2% of our invested assets were investment grade and the duration of the portfolio was 1.5 years.

We have seen some positive market developments in 2021 and we look forward to 2022 with optimism. Challenges and uncertainty remain, but we believe that our strategy, discipline and financial strength, position us well to take advantage of opportunities as they arise.

Gavin Wilkinson
Group Chief Financial Officer

Brit at a Glance

We are a market-leading global specialty (re)insurer and one of the largest businesses that trades primarily on the Lloyd's of London platform, the world's leading specialist commercial insurance market. We provide highly specialised insurance products to support our clients across a broad range of complex risks.

We care deeply about our clients' needs, ensuring that we not only surround them with the best talent in the industry, but also combine the depth of our experience with the latest technology to deliver innovation. Acting in open, honest partnership, our clients can be sure that with Brit by their side the future is not something to be feared, it is something to be seized.

We operate globally via a combination of our own international distribution network that benefits from Lloyd's global licences and our broker partners. Our underwriting capabilities are underpinned by a strong financial position and our commitment to deliver superior returns to our shareholders.

At Brit, LEADERSHIP, INNOVATION and enhancing our product DISTRIBUTION are at the heart of our strategy, underpinned by our strong underwriting and claims expertise.

We are passionate about our business, our people and our customers and we have focused on cultivating a franchise that is built on delivering exceptional service. Our culture is centred on achievement with four key tenets: delivering on commitments and ensuring the same from others; actively managing risk to optimise reward; focusing efforts to maximise results; living a distinct ethos. In addition, we encourage enthusiasm for improvement, be it changes to process, policy or working practices, we encourage new thinking, and we encourage collective working and open and honest communication.

The Fairfax Group

Since June 2015, Brit has been a member of the Fairfax Financial Holdings Limited group (Fairfax), a Canadian company whose shares are listed on the Toronto Stock Exchange (www.fairfax.ca). At the start of 2021, Brit was 100% owned by Fairfax. On 27 August 2021, Brit issued 92,364,532 new Class A shares to OMERS Administration Corporation (OMERS), the defined benefit pension plan for municipal sector employees in the Province of Ontario, Canada, for a net contribution of $375.0m. At 31 December 2021, Fairfax owned 86.2% of Brit Limited while the remaining 13.8% was owned by OMERS. Fairfax has the option to purchase OMERS' interest in Brit at certain dates commencing in October 2023.

We believe that Fairfax is an excellent partner for Brit, enabling us to enhance our global product offering. It provides us with expanded underwriting opportunities and distribution channels, and supports our ability to be a leading global specialty (re)insurer.

2021 underwriting review

COVID-19

COVID-19 continues to have a significant impact on the insurance industry.

During 2021, our priorities have remained the safety of our employees and continuity of our service to our clients and brokers. We have maintained a high level of service to our clients and our collaborative culture has shown itself at its best. Our underwriters have been actively engaging with clients and brokers, delivering market-leading responsiveness. Our Claims team continues to service our policyholders in these challenging circumstances, proactively working with our third party adjusters to ensure claims continue to be handled promptly and to our usual high standards.

The financial impact of COVID-19 on Brit in 2021 was lower, with an overall net impact of $15.9m, or 0.8pps of the combined ratio (2020: $271.4m / 15.9pps). This $15.9m loss, which was driven by Contingency (event cancellation) and Property Treaty, arose as follows:

- $28.2m (1.3pps) of net claims incurred in respect of current year losses recorded within current year claims; and
- $12.3m (0.5pps) of reserve releases in respect of 2020 year losses, recorded within prior year releases.

COVID-19 is a highly unusual insurance event, 'earning' over a prolonged period. Estimating the overall cost is highly subjective and there remains uncertainty around losses from COVID-19. We would expect the level of uncertainty around Contingency to reduce over time, however, within areas of the account such as Casualty Treaty, Property Treaty and Open Market Property the ultimate loss outcome is still to emerge and will be influenced by factors such as coverage issues and the interpretation of contract wording.

We also continue to monitor our wider business, which may be impacted by claims arising directly or indirectly from the events unfolding, and we continue to consider the potential impact on medium-term claims from a global recession, which typically brings increased moral hazard, fraud and a more litigious environment generally.

In 2020, investment markets were also significantly impacted by COVID-19. In 2021, while volatility remains, the market rebound has continued. Brit's investment return for the twelve months to 31 December 2021 was a positive $171.9m (2020: $44.6m).

Major loss activity

2021 also saw a high level of non-COVID-19 related major loss activity, with an estimated $112bn of global insured losses arising from natural catastrophes and man-made events, a 13% increase over 2020, and the fourth-costliest on record. Natural catastrophes, including a winter freeze, floods, thunderstorms, heatwaves and a major hurricane accounted for $105bn of the estimate, as well as having a devastating impact on people's lives, homes and businesses. The estimated global economic loss arising from natural catastrophes and man-made events in 2021 is approximately $259bn (2020: $216bn). (Source: Swiss Re)

The main events impacting Brit in 2021 were Hurricane Ida, the Texas winter storms and the European floods. The net impact to Brit of the claims incurred from these events, before reinstatements, was $296.2m, or 14.2pps on the combined ratio (2020: $133.4m/7.8pps). They accumulate to a significant total, well above average expectations.

Rate increases

The market has continued to benefit from strengthening premium rates during 2021. Brit achieved an overall risk adjusted rate increase of 12.9% (2020: 10.6%). All Divisions achieved rate increases, with the largest increases achieved in Professional Lines, Ambridge Transactional, Ambridge Specialty Casualty, Property Open Market, Specialist Liability and Marine.

Risk adjusted rate increases since 1 January 2018 now total 33.1%, analysed across portfolios as follows:

	2018 %	**2019 %**	**2020 %**	**2021 %**	**TOTAL %**
London - Direct	3.6	7.1	10.7	15.3	36.7
London - RI	3.1	2.4	7.2	7.3	20.0
Overseas Distribution	4.5	6.4	14.6	13.6	39.1
TOTAL	**3.7**	**5.9**	**10.6**	**12.9**	**33.1**

Our customers
Our customers are our priority. When a customer has a claim, we understand they are facing difficult and unexpected challenges. They expect the insurance they have purchased to respond and deliver when they need it most. We see each and every claim as an opportunity to deliver the claims service our customers need to move forward with their lives.

The Brit claims team have maintained a focus on responding to our customers and pursuing opportunities to reduce claims lifecycle and bring claims to resolution at every opportunity through innovation and technology:

- **Launch of machine learning algorithm to enable faster claims response to catastrophe events**

  Brit continues to lead the London Market in its use of geospatial technology to advance property claims adjusting capabilities post catastrophe and in normal course claims response. By capturing high resolution images of Brit-insured properties, we can expedite the adjusting process. In 2021, we expanded the capability by deploying a proprietary machine-learning algorithm, developed by the Company's data science team, which assesses ultra-high-resolution aerial images and data to further improve our claims service and expedite payments for customers. The algorithm allows Brit's claims team and its delegated claims adjusters to identify, triage and assign response activity even before claims are reported. It was used successfully in the wake of Hurricane Ida and the US tornados.

- **Direct Pay solution**

  We expanded adoption of the Direct Pay solution in the UK, with very favourable feedback from customers, coverholders and brokers. Direct Pay offers end customers the ability to receive claims payments securely and instantly to their bank cards. The technology and concept for Direct Pay is expected to be deployed more widely as a Future of Lloyd's solution for the market.

Our underwriting
Our overall GWP for 2021 was $3,238.3m, an increase of 33.6% over 2020 ($2,424.4m), or 31.8% at constant rates of exchange. Of this, $395.6m was generated by Ki in its successful first year of trading.

We experienced strong growth in our core London Market Direct (Financial and Professional Liability, Property, and Ambridge Transactional) and Reinsurance classes (Property Treaty), reflecting the strong rating environment and targeted growth. Growth was also strong in Overseas Distribution (Ambridge Specialty Casualty and Ambridge Re), reflecting rate increases and new business opportunities.

Our retention ratio, the proportion of our premium that renews, improved to 83.7% (2020: 76.1%). Across all lines, we have retained our underwriting discipline and are prepared to discontinue accounts that we believe are inadequately priced or outside of our appetite.

Distribution remains central to our strategy, and we continue to build our network. In 2021 we combined our Ambridge and Brit Global Specialty USA (BGSU) operations under the Ambridge brand (see below). We also disposed of our Scion US MGA, but have retained an underwriting relationship with the team.

Our overseas offices made a significant contribution to the Group, providing 16.0% of GWP, and allowing us to access business not generally available in London. In 2021 they generated $516.7m of premium (2020: $400.6m).

- Ambridge Partners LLC, our New York based MGA, generated $420.8m of premium for Brit (2020: Ambridge and BGSU combined: $317.5m). This reflects the increase in corporate transactional activity which was impacted in 2020 COVID-19 and other factors such as Brexit uncertainty. The remodelled BGSU portfolio, now rebranded Ambridge Specialty Casualty and Ambridge Re, has also benefited from improved market conditions and increased traction.

- Our Bermuda operation continues to selectively write reinsurance business in lines and markets that we believe are well rated. Premiums generated by our Bermuda office in 2021 equated to $86.0m (2020: $83.1m).

- Camargue Underwriting Managers (Proprietary) Limited, our South African coverholder, generated $9.9m of premium for Brit in 2021.

Ki, the first algorithmically driven Lloyd's of London syndicate

Ki, the first algorithmically driven Lloyd's of London syndicate, has successfully delivered a transformational business model in Lloyd's and represents a major breakthrough in how brokers work with underwriters in the market with its digital, data driven approach. As a result, Ki has the opportunity to grow profitably.

Ki's platform has marked a step change for an industry that is yet to face significant technology-driven disruption. Google Cloud has brought to Ki enterprise-grade cloud solutions powered by innovative technologies that enable rapid transformation at scale. Ki's algorithm, developed with support from University College London and its Computer Science department, is able to evaluate Lloyd's policies and automatically quote for business through a digital platform which brokers can access directly.

Ki truly embraces all that is represented in 'The Future at Lloyd's' by bringing data, technology, innovation and artificial intelligence to the fore in the complex world of corporate and specialty underwriting. Ki is backed by its capital partners, Blackstone Tactical Opportunities (Blackstone) and Fairfax. This support will enable the business to grow rapidly to significant scale.

In its first year of trading, Ki has gained excellent traction, with GWP recorded during 2021 of $395.6m. Its full year combined ratio of 113.6% reflects first year earnings drag as it grows to scale and includes 16.0pps of catastrophe claims. Ki returned its first quarterly profit in the fourth quarter of the year.

It has had a very positive reception from the Lloyd's broking community since launch and has transacted with each of its broking partners and in all of its planned classes of business. It has also significantly expanded its market presence by onboarding the reinsurance divisions of its partner brokers.

Further information can be found at www.ki-insurance.com.

Our business developments during 2021

During 2021 we continued to focus on our strategy of Leadership, Innovation and Distribution. Key developments have included:

- **Loss portfolio reinsurance (LPR) agreement with RiverStone Managing Agency Limited**

  In November, Brit completed a LPR with RiverStone Managing Agency Limited (RiverStone). The agreement was effective from 1 October 2021, and is for predominantly legacy years of account underwritten by Brit Syndicate 2987. Under the agreement, RiverStone's Syndicate 3500 has indemnified Brit against potential adverse development in respect of net liabilities for a premium of $344.1m, thereby providing Brit with certainty on discontinued lines and reducing its exposure to US Casualty claims inflation. RiverStone will assume all claims handing responsibility for the transferring business. As a result of the additional reinsurance protection afforded by this contract, Brit was able to release $35.0m of net reserves established for prior year claims.

- **US strategy**

  During the period, Brit combined BGSU with Ambridge to create a single operation under the Ambridge brand. It will operate as a global MGA, managing 14 products and over of $600m of premium in the US and internationally.

  In considering our future strategy for the US, the rationale for bringing these two businesses together was compelling, allowing an increased focus on underwriting profit and fee generated income. By leveraging the well-recognised Ambridge MGA model to source potential third party underwriting capacity and utilise its strong market reputation, clients will benefit from better access to products and enhanced service, and our underwriting teams will be better able to capitalise on business opportunities. The additional capacity will provide the ability to offer larger line sizes, drive a reduction in operating expenses and ultimately allow the US operations to be more opportunistic and competitive in the long-term.

- **Continuous contracts for coverholders**

  In December Brit announced that, working closely with Lloyd's, it had piloted the first continuous binder at Lloyd's, which will go live in January 2022. Continuous contracts form a key part of the Future at Lloyd's vision for delegated underwriting. The new forms of contract aim to improve efficiencies by replacing the traditional annual renewal cycle, which can often be time and labour intensive and prove highly disruptive to a coverholder's business. The continuous contracts will be powered by a regular, data driven, review process throughout the life of the contract, this will also increase overall visibility of performance.

- **Product innovation**

  We have continued to develop and launch new products. This has included:

  - **Keel Marine Consortium:** In June, Brit launched 'Keel', a new marine consortium, to revolutionise the writing of Marine War and breach call risks. Keel is an innovative compliance and placement platform that provides instant, fully sanctioned screened and fully supported quotes for breach calls, where vessels enter high risk areas excluded from their annual protection. The new trading platform has transformed the placement of such cover, which is traditionally a time-consuming process. The platform has been well received by brokers and should allow the class to grow market share in this historically profitable segment.

  - **E-trading portal:** Brit has continued to expand its e-trading portal. The e-trading portal provides a more efficient and convenient method of placing business than traditional placement methods.

- **Camargue Underwriting Managers (Proprietary) Limited** (Camargue)

  In October, Brit completed the acquisition of the second 50% of Camargue, the South African coverholder and long standing partner of Brit, at a cost of $12.6m. Brit acquired the initial 50% of Camargue in 30 August 2016.

- **Scion Underwriting Services Inc**.

  In June, Brit completed the sale of Scion, recognising a gain on sale of $18.3m. Brit founded Scion, a US casualty MGA, in 2018 and it has grown to over $80m of premium in three years. Following the purchase of 100% of Ambridge and the subsequent restructuring of BGSU under the Ambridge brand, together we felt that a sale of Scion to an MGA aggregator would be a better fit for their strategy and ambitions. Brit will continue to provide lead capacity to Scion and as such will retain a strong coverholder relationship with the team going forward.

- **Commonwealth Insurance Company of America (CICA)**

  The sale of CICA completed in February for a consideration of $19.7m. CICA is a US admitted carrier that holds a number of licences to operate as an insurance company. Brit originally acquired CICA in April 2018 at a cost of $16.4m.

- **Continued portfolio management**

  Where classes remain challenging, we have continued to take action to improve our performance and maintained our rigorous risk selection criteria. During 2021, we ceased writing Kidnap for Ransom and the Legal Expenses account was put into run-off.

- **New in-house broker facilities**

  We have re-modelled our 40th floor to provide a broker facility. The Brit Broker Sky Lounge is a new environment with a variety of collaboration areas where we can host our brokers and clients, in an environment where they will want to meet and do business.

- **2022 business planning**

  In 2022, Lloyd's market GWP is expected to grow to £43.7bn, an increase of c.13% over planned 2021 levels. Lloyd's will also permit growth in net exposure for the first time in four years. Aggregate market stamp capacity is set to increase by 7.3%, with 58% of established Syndicates allowed to grow.

  For 2022, Brit (Syndicates 2987, 2988 and 1618 collectively) has a stamp capacity of £2,513m, a 17.3% increase over 2021. This makes Brit one of the fastest growing large managing agents in the market, demonstrating the value and strength of Brit to the Lloyd's Market.

  Syndicate 2987's GWP is planned to grow by 11.8% over its current 2021 year of account forecast. As in previous years, we continue to actively manage the portfolios by segmenting classes into 'high performing', 'core growth', 'core new initiatives', 'core opportunistic' and 'portfolio management'. Growth (excluding RARC) is driven primarily by the 'high performing', 'core growth' and 'core opportunistic' segments, while the largest increases in RARC are targeted on the weakest performing segments of the portfolio.

Syndicate 2988's GWP is planned to grow by 26.3% over its current 2021 year of account forecast. The 2022 plan promotes continued diversification of the Syndicate's portfolio, by growing the 'high performing', 'core growth' and 'core opportunistic' segments in such a way as to generate a better balance between Property, Specialty and Casualty lines. Growth in Syndicate 2988 premium is largely a function of greater penetration into Syndicate 2987's business plus selective growth of existing business.

Syndicate 1618's GWP is planned to grow in its second year of trading. The first year of trading has been a great success and its plan for 2022 reflects its rapid progress to date and the significant opportunity that the Ki model presents. Growth is planned to come from a combination of both its syndicate's renewal portfolio and greater penetration into the follow market.

Financial Performance Review

Key Performance Indicators

At Brit we monitor and measure our performance by reference to certain key performance indicators (KPIs). These KPIs are used by us to manage our business and allow us to see, at a glance, how we are performing.

Our four KPIs show the returns that we are generating, the performance of our underwriting activities, our investment portfolio and our financial strength. The development of our KPIs over the five years (set out below) reflects our focus on underwriting performance and improving underwriting market conditions, together with the challenges presented by the increased frequency and severity of catastrophe events, COVID-19, and the increase in investment market volatility.

For 2021, we have simplified our approach to calculating a number of our ratios, and have represented previous years' ratios on this basis:

- Underwriting ratios (combined ratio, claims ratios, commission and expense ratios) are now presented after FX movements on non-monetary items, after the impact of gains/losses on other financial liabilities and before any adjustment for non-controlling interests. The calculations contain an adjustment whereby the premium paid for the loss portfolio reinsurance ($344.1m) is added back to premium earned net of reinsurance, with an equal and opposite adjustment to net claims incurred. The benefit of a $35.0m reserve release resulting from the additional protection afforded by the contract is included in the calculation. The Directors believe that the ratios when calculated after these adjustments present a more consistent and understandable view of the Group's performance.

- Return on net tangible assets (RoNTA) now represents the profit/(loss) for the year after tax attributable to the owners of Brit Limited (adjusted for amortisation net of tax, defined benefit pension scheme's charges/credits net of tax, and foreign exchange movements net of tax), divided by the total equity attributable to the owners of Brit Limited at start of year (less intangible assets net of deferred tax, and pension asset net of deferred tax), adjusted on a time weighted basis for any distributions and shares issued during the year.

Business area	**KPI**	**Commentary**	**Track record**
Overall performance	Return on net tangible assets before FX movements (RoNTA)	Return on net tangible assets (RoNTA) shows the return generated by our operations for the owners of Brit Limited before foreign exchange movements, compared to the adjusted net tangible assets deployed in our business attributable to them. The impact of the Group's defined benefit pension schemes are excluded from the calculation. The 2017 to 2020 figures are represented on this basis. In 2021, our RoNTA was 19.4%, reflecting a strong attritional performance, solid prior year reserve releases, an excellent investment return and gains on disposals of two subsidiaries, partly offset by major loss activity and the continued impact of COVID-19. This return resulted in a five-year average RoNTA of 0.9%. RoNTA for 2021 after foreign exchange movements was 18.2% (2020: (19.6)%).	2021 19.4% 2020 (20.1)% 2019 18.9% 2018 (15.2)% 2017 1.3%
Underwriting	Combined ratio	The combined ratio is our key underwriting metric and measures the profitability of our underwriting. It shows how much of every $1 of premium is spent in the total costs of sourcing and underwriting the business and settling claims. A combined ratio under 100% indicates underwriting profitability. Our combined ratio in 2021 was 95.7%, including 14.2pps in respect of major losses and 1.3pps in respect of current year COVID-19 related claims, partly offset by 4.8pps of reserve releases. Over the past five years, we have delivered an average combined ratio of 103.8% despite the impact of COVID-19 and extreme catastrophe years of 2017 and 2018. Excluding COVID-19 related claims, our five-year average combined ratio was 100.5%.	2021 95.7% 2020 112.7% 2019 95.8% 2018 103.2% 2017 111.8%
Investment management	Investment return	We assess the performance of our investment portfolio by comparing the return generated by our invested assets, net of external investment related expenses, against the average value of those invested assets. Our investment strategy takes a long-term view of markets, which can lead to significant variations in our year-on-year return figures. Over the past five years, we have delivered an average investment return of 2.2%.	2021 3.3% 2020 1.0% 2019 3.6% 2018 (2.0)% 2017 4.9%

Business area	KPI	Commentary	Track record
Capital management	Capital ratio	The capital ratio measures our financial strength position by comparing our available capital resources to the capital we need to hold to meet our management entity capital requirements. Our financial position remains strong. At 31 December 2021, Group capital resources totalled $2,199.5m giving surplus management capital of $617.9m (2020: $341.0m), or 39.1% (2020: 22.1%) over our Group management capital requirement. During the period, our capital requirements increased from $1,540.3m to $1,581.6m, primarily reflecting increased requirements resulting from growth in our 2022 underwriting plans, offset by reduction in capital requirements due to increases in interest rates.	2021 139.1% 2020 122.1% 2019 128.4% 2018 130.4% 2017 136.8%

Overview of Results

The Group's income statement, re-analysed to show the key components of our result, is set out below:

	2021 $m	2020 $m	2019 $m	2018 $m	2017 $m
Gross written premium	3,238.3	2,424.4	2,293.5	2,239.1	2,057.0
Net written premium	1,998.3	1,775.6	1,656.2	1,482.4	1,530.8
Net earned premium (Note 1)	1,754.3	1,710.7	1,641.9	1,468.0	1,536.8
Underwriting result	90.6	(217.3)	69.7	(52.4)	(181.5)
Return on invested assets, net of fees	171.9	44.6	148.1	(83.3)	204.2
Gain on deconsolidation of subsidiaries	19.8	-	-	-	-
Gain on business combination	6.1	-	10.2	-	-
Corporate expenses	(44.7)	(23.6)	(20.3)	(20.0)	(24.0)
Finance costs	(18.3)	(23.6)	(23.7)	(18.8)	(17.1)
Other items	21.7	(15.6)	0.3	(3.4)	2.6
Profit/(loss) on ordinary activities before tax and FX	247.1	(235.5)	184.3	(177.9)	(15.8)
FX movements	(19.8)	5.0	2.0	(12.4)	21.3
Profit/(loss) on ordinary activities before tax	227.3	(230.5)	186.3	(190.3)	5.5
Tax	9.6	(1.5)	(6.4)	23.8	16.0
Profit/(loss) for the year after tax	236.9	(232.0)	179.9	(166.5)	21.5

Note 1: Including the effects of foreign exchange on non-monetary items.

Group performance

Our 2021 result reflected premium growth, strong attritional performance, solid prior year reserve releases, good investment return and a gain on the deconsolidation of subsidiaries, partly offset by major loss activity and the continued impact of COVID-19. We also saw a further improvement in market conditions. 2020 was dominated by COVID-19 and other major losses.

The result on ordinary activities for the year before tax and FX was a profit of $247.1m (2020: loss of $235.5m), profit before tax was $227.3m (2020: loss of $230.5m) and profit after tax was $236.9m (2020: loss of $232.0m). Return on adjusted net tangible assets (RoNTA), excluding the effects of FX, was 19.4% (2020: (20.1)%). RoNTA for 2021 after including foreign exchange movements was 18.2% (2020: (19.6)%).

Our adjusted net tangible assets at 31 December 2021 totalled $1,740.6m (2020: $1,436.8m).

Performance measures

In addition to our KPIs, we have other measures that offer further insight into the detail of our performance. These measures include:

- **Premium related:** Risk adjusted rate change; Retention rate;
- **Claims related:** Claims ratio; Attritional claims ratio; Major claims ratio; Reserve release ratio; and
- **Underwriting expense related:** Expense ratio; Commission expense ratio; Operating expense ratio.

The calculations of the claims and underwriting expense related measures include the adjustment for the loss portfolio reinsurance contract as referenced in the KPI section above.

Underwriting

Overview

Our underwriting result for the year was a profit of $90.6m (2020: loss of $217.3m) and our combined ratio was 95.7% (2020: 112.7%). The premiums, claims and expenses components of this result are examined below.

Premiums written

Premium growth	**2021**	**2020**	**Growth**	**Growth at constant FX rates**
	$m	**$m**	**%**	**%**
London Market Direct	1,663.9	1,344.7	23.7	21.7
London Market Reinsurance	639.6	533.4	19.9	18.8
Overseas Distribution	407.9	327.6	24.5	24.5
Discontinued underwriting	15.9	127.8	(87.6)	(88.0)
Other underwriting	115.4	90.9	27.0	25.4
	2,842.7	2,424.4	17.3	15.7
Ki	395.6	-	-	-
Group total	3,238.3	2,424.4	33.6	31.8

Note 1: The 2020 figures have been re-analysed to reflect the changes to the underwriting class monitoring structure introduced in 2021.

Gross written premium (GWP) increased by 33.6% to $3,238.3m (2020: $2,424.4m). At constant exchange rates, the increase was 31.8%. London Market Direct business increased by 23.7% to $1,663.9m (2020: $1,344.7m), London Market Reinsurance increased by 19.9% to $639.6m (2020: $533.4m), Overseas Distribution increased by 24.5% to $407.9m (2020: $327.6m) and Other Underwriting increased by 27.0% to $115.4m (2020: $90.9m). Ki, in its first year of underwriting, gained significant traction, writing $395.6m.

The drivers of the increase in Group GWP, which was in line with expectations, were as follows:

- Current year premiums: In addition to the increase attributable to Ki, we experienced growth in our core London Market Direct (Financial and Professional Liability, Property, and Ambridge Transactional) and Reinsurance classes (Property Treaty), reflected the strong rating environment and targeted growth as we capitalise on market opportunities. These increases were partially offset by our withdrawal from a number of underperforming classes, and the non-renewal of certain accounts due to poor performance or pricing inadequacy. Within Overseas Distribution, premium growth was seen in Ambridge Specialty Casualty and Ambridge Re, reflecting rate increases and new business opportunities.
- Prior year premium development: The book again experienced favourable development on prior years, at a similar rate to that experienced in 2020. This resulted in a year-on-year increase of $6.5m.
- Foreign exchange: The impact of foreign exchange resulted in a $32.7m year-on-year increase in premium, which reflects the movement during 2021 of the US dollar against a number of currencies in which the Group writes business.

Premium ratings

Measure	Commentary	Track record
Risk adjusted rate change	The risk adjusted rate change shows whether premium rates are increasing, reflecting a hardening market, or decreasing, reflecting a softening market. A hardening market is one indicator of increasing profitability. The data reflects internal estimates by Brit's underwriters, based on available year-on-year underlying renewal data after allowing for changes to terms and conditions. Generally, no adjustment is made to the figures to reflect the impact of inflation beyond the level of inflation in the underlying exposure measure used in pricing. In 2021, we achieved an overall RARC of 12.9%, bringing the RARC since 1 January 2018 to 33.1%.	2021 12.9% 2020 10.6% 2019 5.9% 2018 3.7% 2017 (1.3)%

2021 saw a continued positive rate environment, building on that of 2020, 2019 and 2018, with an overall risk adjusted premium rate increase of 12.9% across the portfolio (2020: 10.6%), bringing the total increase since 1 January 2018 to 33.1%.

In 2021, London Direct increased by 15.3% (2020: 10.7%), London Reinsurance by 7.3% (2020: 7.2%) and Overseas Distribution by 13.6% (2020: 14.6%). All Divisions achieved rate increases, with the largest increases achieved in Professional Lines, Ambridge Transactional, Ambridge Specialty Casualty, Property Open Market, Specialist Liability and Marine.

Retention rates

Measure	Commentary	Track record
Retention rate	The retention rate shows the proportion of our business that renews, on a premium weighted basis, compared to the previous year.	2021 83.7% 2020 76.1% 2019 78.0% 2018 80.2% 2017 83.6%

Our retention rate for the period was 83.7% (2020: 76.1%). The increase reflects the action we have taken to improve our performance by discontinuing underperforming business lines over the last four years and increased lines on renewals through utilisation of its broker relationships and market presence with increased lead positions.

Outwards reinsurance

Our reinsurance expenditure in 2021 was $1,240.0m or 38.3% of GWP (2020: $648.8m/26.8%), an increase of $591.2m.

This increase primarily reflects a loss portfolio reinsurance contract with RiverStone Managing Agency Limited (for and on behalf of Lloyd's syndicate 3500). Under the terms of this reinsurance, Brit ceded predominantly legacy years of account on certain classes and certain discontinued classes of business underwritten by Brit Syndicate 2987, for a premium of $344.1m.

Excluding this transaction, reinsurance expenditure was $895.9m or 27.7% of GWP, representing an increase of $247.1m over 2020. This increase reflects the impact on higher premium levels on adjustable excess of loss contracts and proportional reinsurance treaties, a new XL contract supported by the Brit-sponsored Cat Bond issued in late 2020 by a segregated cell of Sussex UK, additional Cyber protections and the reinsurance programme for Ki.

Net earned premium

Net earned premium (NEP) in 2021 increased by 2.5% to $1,754.3m (2020: $1,710.7m). At constant exchange rates, the increase was 1.2%. London Market Direct business increased by 19.8% to $1,111.2m (2020: $927.5m), London Market Reinsurance increased by 8.8% to $392.4m (2020: $360.7m), Overseas Distribution decreased by 75% to $60.0m (2020: $239.8m), Other Underwriting increased by 57.3% to $98.5m (2020: $62.6m) and Discontinued decreased by 161.1% to $(73.4)m (2020: $120.1m). Ki's first year NEP was $165.6m. These movements reflected premium growth, partly offset by the additional reinsurance spend.

Excluding the impact of the loss portfolio reinsurance contract, which impacted Overseas Distribution and Discontinued, NEP increased by 22.7%, to $2,098.4m.

Claims

Measure	Commentary	Track record
Claims ratio	The claims ratio measures the performance of the whole underwriting book, encompassing risks written in the current year and in prior years.	2021 58.4% 2020 72.4% 2019 55.7% 2018 63.7% 2017 72.1%

The claims ratio can be further analysed into its underlying components, as follows:

Measure	Commentary	Track record
Attritional claims ratio	The attritional claims ratio measures the performance of the underlying underwriting book by measuring the effect of attritional claims.	2021 47.7% 2020 52.5% 2019 54.8% 2018 56.7% 2017 56.5%
Major claims ratio	The major claims ratio measures the effect of claims arising from major losses on our performance. The 2021 ratio reflects the impact catastrophe events of 14.2pps (2020: 7.8pps) and COVID-19 related claims of 1.3pps (2020: 15.9pps).	2021 15.5% 2020 23.7% 2019 3.8% 2018 13.0% 2017 16.3%
Reserve release ratio	The reserve release ratio measures the performance of reserves held on the statement of financial position at the start of the year. A negative ratio indicates an overall net release, which means that prior year claims are performing better than estimated at the start of the year. A positive ratio indicates that over the course of the year, the amount required to meet those prior year claims has increased.	2021 (4.8)% 2020 (3.7)% 2019 (2.8)% 2018 (6.0)% 2017 (0.6)%

Our underlying claims performance in 2021 was strong, with a reduction in our attritional claims ratio of 4.8pps to 47.7% (2020: 52.5%). This reflects favourable underlying claims experience across our London Market Direct portfolio (principally Property, Specialty and Programs and Facilities) and the effect of strong compound rate increases, combined with a change in mix as we target growth on our high-performing segments while taking remedial action on more marginal business.

The financial impact of COVID-19 on Brit was significantly lower 2021, with current year loss estimates of $28.2m (2020: $271.4m) being reported within major losses in the period. In 2021, COVID-19 predominantly impacted our Contingency (Event Cancellation) book. These losses have driven an increase of 1.3pps (2020: 15.9pps) in our combined ratio.

Major losses	**2021 $m**	**2020 $m**
Texas winter storms	77.7	-
Hurricane Ida	200.5	-
European floods (Bernd)	18.0	-
Nashville tornado	-	13.7
US civil unrest	-	11.7
Hurricane Laura	-	65.4
Hurricane Sally	-	27.1
Hurricane Zeta	-	15.5
Total before COVID-19 related losses	296.2	133.4
COVID-19 related losses	28.2	271.4
Total	**324.4**	**404.8**
CoR	**15.5%**	**23.7%**

As part of our standard reserving process, we released a $100.1m of net reserves established for prior year claims, the equivalent of a combined ratio reduction of 4.8pps (2020: $63.4m/3.7pps), maintaining trend of reserve releases since we started disclosing them in 2004.

The 2021 release reflected:

- Favourable claims experience across recent underwriting years within London Market Direct (principally Property, Specialty and Ambridge Transactional) and London Market Reinsurance (across both Casualty and Property Treaty);
- A release of $12.3m in respect of 2020 COVID-19 related claim estimates;
- Continued overall net favourable development of other prior year catastrophe events; and
- A release of $35.0m reflecting the additional reinsurance protection afforded by the loss portfolio reinsurance with RiverStone.

Our financial position remains strong and we continue to operate a robust reserving process.

Underwriting expenses

Our expense ratio was 37.3% (2020: 40.3%).

Measure	Commentary	Track record
Expense ratio	The expense ratio measures the cost we incur to acquire every $1 of premium. There are two key components to this - commission costs and operating expenses.	2021 37.3% 2020 40.3% 2019 40.1% 2018 39.5% 2017 39.7%

The expense ratio can be further analysed into its underlying components, as follows:

Measure	Commentary	Track record
Commission expense ratio	The commission expense ratio measures our distribution costs and shows how much of every $1 of premium is paid to acquire our business.	2021 25.2% 2020 26.5% 2019 27.1% 2018 27.6% 2017 27.6%
Operating expense ratio	The operating expense ratio helps us understand how much it costs us to support the underwriting activities. This ratio shows how much of every $1 of premium we spend supporting our underwriting activities.	2021 12.1% 2020 13.8% 2019 13.0% 2018 11.9% 2017 12.1%

Commission costs were $528.4m and the commission expense ratio was 25.2% (2020: $453.3m/26.5%). This $75.1m increase was driven by the increase in NEP, including Ki ($42.8m), while the decrease in the ratio principally reflects a change in business mix towards lower commission business and a continued drive to reduce overall acquisition costs.

Our expenses are analysed below.

Operating expense ratio

Our operating expense ratio decreased to 12.1% (2020: 13.8%). The ratio consists of the following components, each of these is discussed in the sections below.

- Underwriting related operating expenses for 2021 were $312.8m and contributed 14.9pps to the operating expense ratio (2020: $259.3m/15.2pps).
- Underwriting related fee and commission income totalled $56.6m, reducing the operating expense ratio by 2.7pps (2020: $29.7m/1.7pps). These amounts are included in the operating expense ratio as the expenses incurred in generating these fees are included within underwriting expenses.
- Gains on other financial liabilities were $2.5m, reducing the operating expense ratio by 0.1pps (2020: losses of $6.0m, increasing the ratio by 0.4pps). These amounts are included in the operating expense ratio as they represent the underwriting result in Brit's consolidated income statement attributable to third party capital providers.

Expenses

Total expenses during 2021 increased by 26.4% to $357.5m (2020: $282.9m). At constant rates of exchange, the increase was 20.4%, reflecting that the majority of our expense base is in Sterling. The main contributors to this increase were staff costs, reflecting headcount growth, bonus accrual, and regulatory charges and levies. These increases also include the costs resulting from the launch of Ki.

At 31 December 2021, Group headcount was 854 (2020: 748). The increase was primarily due to the launch of Ki, targeted underwriting expansion in favourable market conditions, the acquisition of Camargue and the related growth of support functions. These were partly offset by reductions resulting from the withdrawal from certain classes of business and the sale of Scion.

The allocation of expenses within the Consolidated Income Statement and the Segmental Information is as follows:

Disclosure of expenses	**2021 $m**	**2020 $m**
Acquisition costs	179.9	145.4
Other insurance related expenses	132.9	113.9
Total insurance related operating expenses	312.8	259.3
Other expenses	44.7	23.6
Total expenses	357.5	282.9

Other income

Other income totalled $78.3m (2020: $14.1m), as set out below:

Other income	**2021 $m**	**2020 $m**
Fee and commission income (Note 1)	56.6	29.7
Change in value of ultimate parent company shares (Note 2)	21.7	(15.6)
Total other income	78.3	14.1

Note 1: Total fee and commission income is included within our underwriting result and our combined and expense ratios.
Note 2: Change in value of ultimate parent company shares is included within our corporate result.

Fees and commissions generated by the Group's underwriting management activities increased in 2021 by 90.6% to $56.6m (2020: $29.7m). The increase reflects increased business written by our MGA Ambridge Partners LLC, increased third party fee income in respect of Syndicate 2988 and consortia, and the inclusion of income generated by Camargue following its acquisition in 2021.

The generation of such underwriting-related income, derived from the management of third party underwriting capital and from our MGAs placing business with third parties, remains an important part of Brit strategy and has the benefit of assisting Brit in managing its expense base.

Included in other income was a gain of $21.7m in respect of the change in value of shares held by Brit in its ultimate parent.

Gains on other financial liabilities

The statement of financial position of the Group includes liabilities representing third party investors' share in structured undertakings consolidated by the Group. In 2021, the structured undertaking is Sussex Capital and in 2020 were Sussex Capital and Versutus II. Changes in the value of these liabilities during the year are recorded in the Group's consolidated income statement as '(losses)/gains on other financial liabilities'.

In 2021, the income statement impact was a gain of $2.5m (2020: loss of $6.0m). Brit allocates these gains/losses to its underwriting result.

Return on invested assets

The investment portfolio is managed, for the most part, by Hamblin Watsa Investment Counsel Limited, a Fairfax subsidiary with an excellent long-term track record, whose sole business is managing investment portfolios of Fairfax group companies. They are supported by a number of external managers with multi-asset, core fixed income and specialised credit mandates.

The return on our invested assets was $171.9m or 3.3% (2020: $44.6m/1.0%). This result is analysed below:

Investment return	**2021 $m**	**2020 $m**
Income	58.4	73.2
Realised gains	59.4	7.5
Unrealised gains/(losses)	63.6	(11.6)
Investment return before fees	181.4	69.1
Investment management fees	(14.2)	(12.6)
Investment return, net of fees	167.2	56.5
Investment related derivative return	3.0	(13.9)
Return on associated undertakings	1.7	2.0
Total return	171.9	44.6
Total return	3.3%	1.0%

	2021 %	**2020 %**	**2019 %**	**2018 %**	**2017 %**
Return on invested assets, net of fees	3.3	1.0	3.6	(2.0)	4.9

Equities rallied over the year, generating $125.9m (2020: loss of $42.5m) of return as markets responded to additional stimulus measures and the COVID-19 vaccine rollout. The return on funds was also positive for the year, with a gain of $59.8m (2020: loss of $32.8m).

The fixed income portfolio generated a small loss of $4.8m (2020: gain of $141.5m), as income was offset by capital losses. The short duration position benefitted the portfolio as yields rose towards the end of the year. The US government bond yield curve rose by up to 90 basis points across the yield curve over the year. Investment grade credit spreads widened marginally while high yield spreads narrowed as investors responded positive growth early in the period amid the vaccine rollout, higher inflation expectations and the more hawkish tone from the US Federal Reserve Bank towards year end.

Cash and cash equivalents generated $0.5m (2020: $2.9m). Our approach to cash management during the year has, and continues to be, to limit the amount of operational cash and to maximise amounts held within short-term government bills.

At 31 December 2021, the running yield (expressed as yield as a percentage of invested assets) of our total portfolio was 0.9% (2020: 0.6%). This has increased over 2021 in line with the increase in the yield curve in the US and continues to represent a challenging environment for insurance groups.

Our share of our associated undertakings' net profit was $1.7m (2020: $2.0m).

- Sutton Special Risk Inc., a leading Canada-based managing general underwriter specialising in Accident & Health business in which Brit acquired a 49% share on 8 January 2019, contributed $1.2m (2020: $1.0m) to this return; and
- Camargue Underwriting Managers (Proprietary) Limited, a leading managing general underwriter of a range of specialised insurance products and specialist liability solutions in South Africa in which Brit held a 50% share, contributed $0.5m to this return (2020: $1.0m). On 4 October 2021, Camargue became a 100% subsidiary of the Group and ceased to be an associated undertaking.

Gain on deconsolidation of subsidiaries

	2021 $m	2020 $m
Commonwealth (CICA)	**3.7**	-
Scion Underwriting Services Inc	**18.3**	-
North America Property Insurance Series 2017 Account A-3	**(2.2)**	-
Total	**19.8**	-

- **Commonwealth (CICA):** On 5 February 2021, Brit completed the sale of CICA, realising a gain on disposal of $3.7m. Brit originally acquired CICA in April 2018.

- **Scion Underwriting Services Inc. (Scion):** On 28 June 2021, Brit completed the sale of Scion, recognising a gain on sale of $18.3m.

- **North America Property Insurance Series 2017 Account A-3 ('Account A3') (a segregated account within Versutus Limited):** From 25 March 2021**,** Account A3 was deconsolidated by virtue of Brit no longer having an economic interest in it. A loss on deconsolidation was realised of $2.2m.

Gain on a business combination
On 4 October 2021 the Group acquired the remaining 50% of the share capital of Camargue. At the acquisition date the investment in associate was derecognised from the balance sheet of the Group and remeasured at fair value for the purposes of acquisition accounting under IFRS 3. This process resulted in the recognition of a gain of $6.1m (2020: nil).

Foreign exchange

We manage our currency exposures to mitigate the impact on solvency rather than to achieve a short-term impact on earnings. We experienced a foreign exchange loss of $19.8m in 2021 (2020: gain of $5.0m), reflecting the movement of the US dollar against other currencies in which we trade and hold assets, and the impact of FX related derivatives purchased by the Group.

The allocation of the FX result within the Consolidated Income Statement is as follows:

Foreign exchange gains and (losses)	2021 $m	2020 $m
Net foreign exchange (losses)/gains	**(1.1)**	(7.8)
(Losses)/Gains on derivative contracts - FX related instruments	**(18.7)**	12.8
	(19.8)	5.0

Tax

Our tax on ordinary activities for 2021 resulted in a tax credit of $9.6m (2020: tax charge of $1.5m), based on a Group profit before tax of $227.3m (2020: loss before tax of $230.5m). This credit comprised a current tax charge of $10.0m and a deferred tax credit of $19.6m. The deferred tax credit reflects the change in the UK tax rate from 19% to 25% from 1 April 2023 in accordance with the Finance Act 2021 which was substantially enacted on 24 May 2021.

The Group is liable to taxes on its corporate income in a number of jurisdictions where its companies carry on business, most notably the UK, Germany and the US. Corporate profits and losses in Bermuda are exempt from tax. The tax charge is calculated in each legal entity across the Group and then consolidated. Therefore, the Group effective rate is sensitive to the location of taxable profits and is a composite tax rate reflecting the mix of tax rates in those jurisdictions.

The 2021 Group rate varies from the weighted average rate in those jurisdictions due to a number of factors. The principal factors are an increase of $27.4m in the unrecognised deferred tax asset in respect of undeclared Lloyd's syndicate years of account, and the impact of the change in the UK tax rate used for the calculation of deferred taxes, from 19% for brought forward balances to 25% for carried forward balances due to the increase in the UK corporation tax rate to 25% from 1 April 2023 which was substantively enacted on 24 May 2021. The rate is further influenced by the impact of utilisation of US losses which were previously unrecognised, exempt income such as dividend income, disallowable expenses and by non-UK taxes arising in our Lloyd's syndicates.

Financial position and capital strength

Overview

Our business is underwritten principally through our wholly-aligned Lloyd's Syndicate 2987, which benefits from Lloyd's ratings of A (Excellent) from A.M. Best, AA- (Very Strong) from Fitch and A+ (Strong) from Standard & Poor's.

Our capabilities and ambition are underpinned by our strong financial position and our capital surplus increased by 81.2% in the year. At 31 December 2021, Group capital resources totalled $2,199.5m (2020: $1,881.3m), giving surplus management capital of $617.9m (2020: $341.0m), or $39.1% (2020: 22.1%) over our Group management capital requirement of $1,581.6m (2020: $1,540.3m).

Brit has in place a $450m revolving credit facility (RCF), the expiration date of which was extended by two years during 2021 to 31 December 2025. Under our capital policy we have identified a maximum of $250.0m (2020: $250.0m) of this facility to form part of our capital resources, with the balance available for liquidity funding.

At 31 December 2021, the cash drawings on the facility were $45.0m (2020: $130.0m) and a $130.0m uncollateralised letter of credit (LoC) was in place (31 December 2020: $130.0m/uncollateralised) to support our underwriting activities.

At 31 December 2020, Ki Financial Ltd was party to a $50m LoC facility to provide a proportion of the FAL for Syndicate 1618 through a segregated account of Sussex Re. This was fully utilised and uncollateralised at 31 December 2020. During 2021, this facility was increased to $130m and at 31 December 2021 it was fully drawn and uncollateralised.

In addition, we have in issue £135.0m of 3.6757% subordinated debt with a carrying value of £135.0m/ $182.9m (31 December 2020: £135.0m/$184.5m). This instrument, which is listed on the London Stock Exchange, was issued in December 2005, matures on 9 December 2030.

At 31 December 2021, our gearing ratio was 20.0% (2020: 28.0%).

Brit's invested assets (financial investments, investments in associates, cash and cash equivalents and derivative contracts) at 31 December 2021 were $5,546.2m (31 December 2020: $4,857.1m).

Our asset allocation, on both a look-through basis and statutory disclosure basis, is set out in the tables below:

31 December 2021	Statutory basis							Total invested assets (look-through)
	Equity securities	Debt securities	Loan instruments	Specialised investment funds	Cash and cash equivalents	Associated undertakings	Investment Derivatives (net)	
	$m	$m	$m	$m	$m	$m	$m	$m
Look-through basis								
Government debt securities	-	2,232.6	-	21.8	-	-	-	2,254.4
Corporate debt securities	-	907.2	-	10.9	-	-	-	918.1
Structured products	-	-	-	21.3	-	-	-	21.3
Loan instruments	-	-	38.3	3.0	-	-	-	41.3
Equity securities	480.1	-	-	261.6	-	15.0	-	756.7
Alternative investments	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	39.0	1,510.3	-	-	1,549.3
Investment related derivatives	-	-	-	(0.8)	-	-	5.9	5.1
Total invested assets (statutory)	480.1	3,139.8	38.3	356.8	1,510.3	15.0	5.9	5,546.2

31 December 2020	Statutory basis							Total invested assets (look-through)
	Equity securities	Debt securities	Loan instruments	Specialised investment funds	Cash and cash equivalents	Associated undertakings	Investment Derivatives (net)	
	$m	$m	$m	$m	$m	$m	$m	$m
Look-through basis								
Government debt securities	-	1,814.9		27.3	-	-	-	1,842.2
Corporate debt securities	-	1,577.6		1.7	-	-	-	1,579.3
Structured products	-	-	-	18.7	-	-	-	18.7
Loan instruments	-	-	23.0	-	-	-	-	23.0
Equity securities	376.7	-	-	212.5	-	20.5	-	609.7
Alternative investments	-	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	5.6	775.7	-	-	781.3
Investment related derivatives	-	-	-	(1.4)	-	-	4.3	2.9
Total invested assets (statutory)	376.7	3,392.5	23.0	264.4	775.7	20.5	4.3	4,857.1

The short duration position relative to Brit's liabilities was maintained over the year, which has benefited as the yield curve has risen. Further rises could represent a better entry point to longer dated bonds.

We reduced our credit allocation in the fourth quarter due to continued spread tightness and inflation concerns. The allocation to credit risk, is primarily defensive, focused on high quality, investment grade non-cyclical companies. Equity allocations are invested in a portfolio of both listed and private (non-listed) equities and funds.

The assets remain primarily invested in cash and fixed income securities (2021: $4,763.1m or 85.9% of the portfolio; 2020: $4,225.8m or 87.0% of the portfolio). The fixed income portfolio is short dated, with a majority allocation to government bills. Corporate bonds represent 16.6% (2020: 32.5%) of the total portfolio with 2.1 pps (2020: 1.0pps) of this figure being below investment grade.

The exposure to equities and funds has increased over 2021 (2021: $778.0m or 14.0% of the portfolio; 2020: $628.4m/12.9%), predominately due to market movements.

The duration of our portfolio at 31 December 2021 was 1.50 years (2020: 1.45 years), which is shorter than the duration of our liabilities. US rates rose across the curve over 2021, as markets priced in interest rate increases due to inflation.

At 31 December 2021, 83.2% of our invested assets were investment grade quality (2020: 83.7%).

Outlook

Looking ahead to 2022 and beyond, significant uncertainty exists for the insurance industry.

- The frequency of major events and magnitude of the resulting claims, with 2021's experience following on from those of recent years including 2017 and 2018, the most costly back-to-back years on record;
- The impact of medium loss events, with commentators attributing an increase in the frequency and severity of such events to climate change and other factors such as population growth and increasing insured values;
- Further pressures on attritional ratios continue, largely driven by the soft market years of 2017 and 2018 and by social inflation in the US Casualty market;
- The cost of doing business in the London market remains elevated. The market needs to become more efficient in processing and work with distribution partners to become more competitive in local markets;
- Despite the welcome withdrawal of some capacity, available capacity continues to exceed demand;
- In a number of markets there is increasing competition from local carriers; and
- The industry continues to face political and economic uncertainty and challenges. 2021 saw the economy start to return to normal, albeit progress was impacted by further COVID-19 related restrictions and supply chain imbalances. We anticipate lower, but still above trend growth as we go through 2022 with heightened volatility as the economy navigates higher inflation and the gradual withdrawal of monetary stimulus.

However, there are a number of indicators to give us cause for optimism, including continued rate increases, the withdrawal of capacity in the market from certain classes and our improving attritional claims ratio. In this environment, our clear strategy of embracing data driven underwriting discipline, and rigorous risk selection, coupled with innovative capital management solutions and continued investment in distribution, positions us well to respond to the opportunities and challenges ahead.

Preserving a strong financial position is critical to the long-term success of an insurance business. Our financial position remains strong as we maintain our 'conservative best estimate' reserving policy which provides us with a secure foundation. We also benefit from the financial strength of our ultimate parent, Fairfax, and from our relationships with our capital partners supporting Ki, Syndicate 2988 and the Sussex vehicles.

We also continue to take action to improve our performance and maintain our underwriting discipline and rigorous risk selection criteria in all areas of the business.

We remain focused on our strategy:

- Leadership - We strive to provide direction and authority within our business and to our industry. We are supportive of the Future at Lloyd's Blueprint and are proud to have worked with Lloyd's in a number of areas, including the continuous contracts for coverholders and the changes to the Lloyd's Europe's operating model.
- Innovation - Our purpose is to help our clients and partners thrive in an uncertain world and drive the industry forward in terms of products, services and technology, and innovation is at the heart of our strategy. BritX, our Innovation team, was launched in 2019 to create real change and action, and was the driving force behind Ki. It is aimed at targeting opportunities to disrupt our market and has identified a number of opportunities of real potential. Initiatives in 2021 included the launch of our machine learning algorithm to enable faster claims response to catastrophe events.
- Distribution - Our strategy is to deliver our products to our customers in a more efficient manner. This includes increased digital distribution and positioning ourselves closer to our customers. We have an established local distribution platform in the US, our largest market, with our operations combining in 2021 under our Ambridge brand. We also have an established Bermuda operation, which houses Brit Re (our captive reinsurer and 'A' rated reinsurance carrier), Sussex Re (our ILS vehicle) and BGSB (our reinsurance service company).

We are ready to face the future with optimism.

Principal risks and uncertainties

Risk Management Framework

Brit delivers shareholder value by actively seeking and accepting risk within agreed limits. Risk management at Brit is a continuous process that links directly to the organisation's business and risk management strategies and the associated Board risk tolerances.

Brit's Risk Management Framework (RMF) applies a consistent methodology and structure to how risks are identified, measured, managed and monitored. This process enables us to protect policyholders and maximise shareholder value by ensuring the risk and capital implications of business strategy are well understood.

The RMF has the following key elements:

- **Identification:** Risk events, risks and relevant controls are identified and classified. This is a continuous process which considers any emerging and existing risks. The risk register sets out the significant risks faced by the business and identifies the potential impact and likelihood of each risk.
- **Measurement:** Risks are assessed and quantified and controls are evaluated. This is done through a combination of stochastic modelling techniques, stress and scenario analysis, reverse stress testing and qualitative assessment using relevant internal and external data.
- **Management:** The information resulting from risk identification and measurement is used to improve how the business is managed.

A key part of the RMF is the setting of risk tolerances and risk appetite. Risk tolerances are set by the Board and represent the maximum amount of risk Brit is willing to accept to meet its strategic objectives. Risk appetite is set by management and reflects the maximum amount of risk that Brit wishes to take in the current market environment. The actual amount of risk taken is monitored against the tolerances and appetites on an ongoing basis.

The RMF, including the risk tolerances and appetite, reflects Brit's strategy and seeks to ensure that risk is accepted in the areas which are expected to maximise shareholder value whilst continuing to protect policyholders against extreme events. The process applies to both the Brit Group and to the individual underwriting entities (such as Lloyd's syndicates).

The Risk Management function, led by the Chief Risk Officer (CRO), monitors whether Brit is operating within the risk tolerance levels approved by the Board. This includes assessments of any new strategic initiatives and the principal risks and uncertainties faced by the business as detailed below.

All Brit staff are involved in ensuring there is an appropriate risk culture which promotes the identification and management of risk. Brit's risk culture aims to ensure the risk and capital implications of decisions are understood and there is open communication about risks and issues in all areas of the business.

Brit's approach to risk management is designed to encourage clear decision-making as to which risks Brit takes and how these are managed based on the potential strategic, commercial, financial, compliance and legal implications of these risks.

The sections below set out the approach to risk governance, and the key risks identified, measured and managed under the RMF.

Risk Governance

The Board is responsible for overseeing our risk management and internal control systems, which management is responsible for implementing.

Brit maintains a strong risk governance framework using Risk Oversight Committees and Audit Committees whose membership consists of independent non-executive Directors. The Board, Risk and Audit Committee agendas are designed to ensure all significant areas of risk are reported on and discussed. The Risk Oversight Committees monitor and review the risk profile and the effectiveness of all risk management activities and, in particular, monitor adherence to agreed risk limits.

Our Internal Audit function provides assurance to the Risk Oversight Committees, Audit Committees and Boards, while external experts are regularly used for independent assessments.

Brit operates a three lines of defence model for governing risk. Within the first line of defence individual risk committees monitor day-to-day risk control activities. The risk management function, as a second line of defence, provides oversight over business processes and sets out policies and procedures. Internal Audit, as a third line of defence, provides independent assurance and monitors the effectiveness of the risk management processes.

Key risks

The RMF categorises the risks to Brit as follows:

- Overarching risk: strategic, earnings and solvency; and
- Individual risk categories: insurance, market, liquidity, credit and operational and group.

Insurance risk is the key driver of our Group capital requirements.

The key risks and uncertainties are set out in the following table and the principal risks in the current environment are set out below.

Risk category	Risk	Description
Insurance	Underwriting – pricing	Emerging experience is inconsistent with the assumptions and pricing models used.
	Underwriting – natural catastrophe	Natural catastrophe events impacting Brit's (re)insureds, leading to large volumes of claims.
	Reserving	Prior year reserves are insufficient to cover claims (net of reinsurance).
Investment	Investment market risk	Invested assets adversely affected by changes in economic variables, such as interest rates, bond yields, equity returns, credit spreads, credit ratings.
Operational and group	People	Failure to attract, motivate and retain key Directors, senior underwriters, senior management and other key personnel, on whom our future success is substantially dependent.

COVID-19 risk management

While 2021 has seen the relaxation of some of the measures Governments implemented to try to contain the pandemic, there continues to be uncertainty and challenges.

Pandemic exclusions offer some protection against new insurance claims. However, there remains uncertainty around losses from COVID-19. We would expect the level of uncertainty around Contingency to reduce over time, however, within areas of the account such as Casualty Treaty, Property Treaty and Open Market Property the ultimate loss outcome is still to emerge and will be influenced by factors such as coverage issues and the interpretation of contract wording.

COVID-19 has also caused significant volatility in the financial markets. Interest rates, while rising remain at depressed levels and inflation continues to increase.

The Group continues to manage the risks associated with COVID-19 in line with the requirements of its risk management policies. Further details are provided below.

- **Operational risk**

  COVID-19 caused a temporary shift from an office-based working environment to a remote working environment for all staff. Brit continues to monitor the situation and adapt its approach to reflect current circumstances. Brit and its outsourced service providers have adapted well to the changing situation and operational performance has generally been strong.

  Support mechanisms remain in place for our employees, and we continue to communicate regularly to ensure that people feel engaged and supported. We regularly monitor and report on the performance of controls and operational effectiveness. The ongoing monitoring of operational risk has not identified any material concerns or failings.

- **Insurance risk**

In 2020, COVID-19 resulted in additional claims to the Group, principally relating to event cancellation covers. The impact in 2021 has been limited. The Group has a rigorous process for establishing reserves for insurance claim liabilities, including those associated with COVID-19. However, significant uncertainties remain around loss estimates given that the pandemic is ongoing. We also continue to monitor the potential for claims arising indirectly from the pandemic. For example, due to the global recession which may lead to an increased risk of moral hazard, fraud and a more litigious environment generally.

The underwriting portfolio is actively managed to reflect market developments, and action has been taken to ensure Brit is appropriately positioned for both the pandemic and the recessionary economic conditions. The Group is now applying communicable disease exclusions across the vast majority of its business.

- **Investment and Market risk**

The investment portfolio is actively managed to reflect market developments and, in 2020, action was taken to ensure Brit's portfolio is appropriately positioned for the recessionary economic conditions and to take advantage of opportunities in asset prices where these arose. This action has continued in 2021. The volatility in investment returns experienced over the course of 2020 and 2021 is within the range of stress and scenario tests carried out by the Group.

- **Credit risk**

COVID-19 has caused economic disruption around the world with many businesses and individuals forced to cease business activity in light of government lockdowns. As at 31 December 2021, the Group has not seen a material increase in defaults but continues to monitor this closely.

- **Solvency and Liquidity risk**

As at 31 December 2021, the Group held a surplus of $617.9m over its management capital requirements. All regulatory capital requirements have been complied with by the Group's individual insurance subsidiaries throughout 2021. Our regulatory capital requirements calculation as at 31 December 2021 included an allowance for the uncertainties associated with COVID-19 as described above. Brit continues to benefit from the support of the wider Fairfax Group.

The Group has conducted stress testing of its underwriting subsidiaries' liquidity resources, in order to assess their ability to continue making claims payments as they fall due. This stress testing demonstrated their continued ability to access sufficient liquidity, even in severe stress scenarios. At 31 December 2021, the Group held $3,803.7m of cash and short-dated government debt securities, and $275.0m undrawn on its RCF.

As part of the terms of the RCF, Brit is obliged to ensure that borrowings under the facility will not exceed 40% of consolidated net tangible assets (defined as the aggregate of the share capital of the company, the amount standing to the credit of the consolidated reserves of the Group and any financial indebtedness of the Group which is fully subordinated to the facility). At 31 December 2021 Brit was well within this threshold, with RCF drawings equating to 10.4% of consolidated net tangible assets (2020: 16.0%).

Emerging risks

Brit undertakes a formal emerging risk review annually with the results reported to the Risk Oversight Committees and included in Brit's Own Risk and Solvency Assessment (ORSA) and Commercial Insurer's Solvency Self-Assessment (CISSA) reports of the underwriting entities. The review is an important part of the risk identification aspect of the RMF and includes horizon scanning of the internal and external risk environment to identify potential new or developing risks to Brit. These risks can then be included in the risk register and managed appropriately as required.

The emerging risk review has previously identified risks such as the United Kingdom's exit from the EU (Brexit) and cyber risk. These risks have been managed throughout their development and are now monitored as part of the business-as-usual risk management process.

Climate change related financial risks

Climate change has been recognised as an emerging risk in the ORSA since 2014 and has been an area of focus since having been identified as a high priority by Brit's 2018 emerging risks analysis. Its potential impact on the insurance industry is an area of focus for the wider insurance market and its regulators.

The financial risks to insurers may include the potential for increased frequency and severity of weather-related natural catastrophes, for example, hurricanes and wildfires. In line with previous years, 2021 continued to see wildfires occurring worldwide and the Atlantic hurricane season was the third most active season on record after 2020 and 2015.

The three main areas of risk identified for Brit are natural catastrophes, liability claims and investment losses:

- **Natural catastrophe risks** relating to climate change are the physical risks of increased frequency and severity of weather-related natural catastrophes. This could result in additional claims and could impact Brit in the short to medium-term. We continuously monitor scientific studies, regularly review the completeness of existing models and the application of the Brit view of risk. Brit's exposure to natural catastrophe risks is monitored on an ongoing basis by the Risk Management Function.

- Climate change could result in additional **liability claims** arising from increasing climate litigation against Brit's clients. The claims arise from firms contributing to climate change, failing to transition to renewables, greenwashing or directors' breach of fiduciary duties. The nature of these claims could impact Brit in the medium to long term. Brit's exposure is limited through limits on gross underwriting exposure and through the purchase of reinsurance.

- **Investment losses** have the potential to arise from exposure to industries perceived to be contributing to climate change. This transition risk could adversely impact Brit very quickly as financial markets valuations fluctuate. Brit has a diversified investment portfolio, with limits on exposure to individual issuers. Brit is developing metrics to strengthen its understanding of the potential impacts of climate change on its investments.

Brit is managing the risks associated with climate change in line with the RMF which is reviewed annually and regulatory guidance developments are monitored through the committees and working parties. This will continue to be an area of Management, Risk Committee and Board focus, with a multi-disciplinary Climate Change Risk Working Party to consider the financial risks associated with Climate Change.

Climate change scenario analysis has been conducted as part of the ORSA process, and Brit participated in the PRA's Climate Biennial Exploratory Scenario (CBES) testing exercise in 2021. Brit's Solvency II internal models include an allowance for the impact of climate change. The analysis utilises catastrophe modelling, expert judgement, scenario analysis and selected metrics as tools to monitor and manage exposure to climate-related risks. The outputs from these feed into business decision making. Brit is compliant with PRA Supervisory Statement SS3/19 which sets expectations for firms regarding their consideration of climate risk.

Brit actively considers the potential implications of climate change and sustainability on its investment and underwriting strategies, how it should engage more widely on environmental and ethical issues, and its own sustainability initiatives. An annual review of equity holdings is conducted which includes a review of the ESG strategy of underlying companies within Brit's equity portfolio. Holdings of industries such as oil and gas, transport and utilities, which deemed to materially contribute to climate change are also monitored.

Financial information and availability of accounts

The financial information set out above is unaudited and does not constitute the Company's statutory accounts for the year ended 31 December 2021 or 2020. The 2021 financial information is derived from the Company's unaudited 2021 statutory accounts and the 2020 financial information is derived from Company's 2020 statutory accounts.

Statutory accounts for 2020 have been delivered to the Registrar of Companies. The auditor has reported on those accounts; its report was unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The audited statutory accounts for 2021 are expected to be available on the Company's website no later than 14 March 2021. An announcement will be made when they are available. The Directors do not anticipate any modification or emphasis of matter paragraph in the auditor's report required to be included with the statutory accounts for 2021.

The statutory accounts for 2021 will be delivered to the Registrar of Companies following the Company's annual general meeting.

The unaudited preliminary results were approved by the Board on 9 February 2022.

Responsibility statement of the Directors

The Directors confirm that, to the best of their knowledge:

- The unaudited consolidated financial statements, contained within the Company's 2021 unaudited statutory accounts, which have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group; and
- The Strategic Report, contained within the Company's 2021 unaudited statutory accounts, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Martin Thompson
Interim Group Chief Executive Officer
9 February 2022

Gavin Wilkinson
Group Chief Financial Officer
9 February 2022

Consolidated Income Statement
For the year ended 31 December 2021

	Year ended 31 December 2021 $m	Year ended 31 December 2020 $m
Revenue		
Gross premiums written	**3,238.3**	2,424.4
Less premiums ceded to reinsurers	**(1,240.0)**	(648.8)
Premiums written, net of reinsurance	**1,998.3**	1,775.6
Gross amount of change in provision for unearned premiums	**(370.4)**	(52.2)
Reinsurers' share of change in provision for unearned premiums	**126.4**	(12.7)
Net change in provision for unearned premiums	**(244.0)**	(64.9)
Earned premiums, net of reinsurance	**1,754.3**	1,710.7
Investment return	**167.2**	56.5
Return on derivative contracts	**(15.7)**	(1.1)
Gain on deconsolidation of subsidiaries	**19.8**	-
Gain on business combination	**6.1**	-
Other income	**78.3**	14.1
Gains / (losses) on other financial liabilities	**2.5**	(6.0)
Total revenue	**2,012.5**	1,774.2
Expenses		
Claims incurred:		
Claims paid:		
Gross amount	**(1,321.5)**	(1,326.8)
Reinsurers' share	**437.6**	391.4
Claims paid, net of reinsurance	**(883.9)**	(935.4)
Change in the provision for claims:		
Gross amount	**(402.7)**	(417.6)
Reinsurers' share	**405.0**	113.9
Net change in the provision for claims	**2.3**	(303.7)
Claims incurred, net of reinsurance	**(881.6)**	(1,239.1)
Acquisition costs	**(708.3)**	(598.7)
Other operating expenses	**(177.6)**	(137.5)
Net foreign exchange losses	**(1.1)**	(7.8)
Total expenses excluding finance costs	**(1,768.6)**	(1,983.1)
Operating profit/(loss)	**243.9**	(208.9)
Finance costs	**(18.3)**	(23.6)
Share of net profit of associates	**1.7**	2.0
Profit/(loss) on ordinary activities before tax	**227.3**	(230.5)
Tax credit / (charge)	**9.6**	(1.5)
Profit/(loss) for the year	**236.9**	(232.0)
Profit/(loss) attributable to:		
Owners of the parent	**248.5**	(229.3)
Non-controlling interests	**(11.6)**	(2.7)

All profits/(losses) arise from continuing operations.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2021

	Year ended 31 December 2021 $m	Year ended 31 December 2020 $m
Profit/(loss) for the year	**236.9**	(232.0)
Other comprehensive income		
Items not to be reclassified to profit or loss in subsequent periods:		
Remeasurements of post-employment benefit obligations	**18.7**	(5.5)
Deferred tax (loss) / gain relating to remeasurements of post-employment benefit obligations	**(6.5)**	1.8
Items that may be reclassified to profit or loss in subsequent periods:		
Change in unrealised foreign currency translation (losses) / gains on foreign operations	**(1.1)**	2.3
Total other comprehensive income	**11.1**	(1.4)
Total comprehensive income recognised for the year	**248.0**	(233.4)
Total comprehensive income for the year attributable to:		
Owners of the parent	**259.6**	(230.7)
Non-controlling interests	**(11.6)**	(2.7)
Total comprehensive income for the year	**248.0**	(233.4)

Consolidated Statement of Financial Position

At 31 December 2021

	31 December 2021 $m	31 December 2020 $m
Assets		
Intangible assets	**205.3**	181.2
Property, plant and equipment	**57.6**	60.5
Deferred acquisition costs	**321.8**	247.3
Investments in associated undertakings	**15.0**	20.5
Reinsurance contracts	**2,291.2**	1,764.1
Employee benefits	**113.8**	48.8
Deferred taxation	**47.9**	49.8
Current taxation	**10.6**	8.5
Financial investments	**4,015.0**	4,056.6
Derivative contracts	**15.1**	14.9
Insurance and other receivables	**1,615.3**	1,302.0
Cash and cash equivalents	**1,510.3**	775.7
Assets classified as held for sale	**-**	17.8
Total assets	**10,218.9**	8,547.7
Liabilities and Equity		
Liabilities		
Insurance contracts	**6,532.9**	5,813.0
Borrowings	**227.9**	314.5
Other financial liabilities	**95.8**	62.0
Provisions	**2.4**	2.3
Deferred taxation	**12.9**	9.9
Current taxation	**3.8**	-
Derivative contracts	**12.5**	9.2
Insurance and other payables	**1,184.1**	620.7
Liabilities directly associated with assets classified as held for sale	**-**	1.8
Total liabilities	**8,072.3**	6,833.4
Equity		
Called up share capital	**10.0**	8.6
Share premium	**1,432.6**	1,027.9
Capital redemption reserve	**1.0**	1.0
Capital contribution reserve	**28.5**	-
Foreign currency translation reserve	**(85.2)**	(84.1)
Retained earnings	**525.5**	639.2
Total equity attributable to owners of the parent	**1,912.4**	1,592.6
Non-controlling interests	**234.2**	121.7
Total liabilities and equity	**10,218.9**	8,547.7

Consolidated Statement of Cash Flows
For the year ended 31 December 2021

	Year ended 31 December 2021 $m	Year ended 31 December 2020 $m
Cash flows from operating activities		
Cash provided by/(used in) operations	**622.5**	(414.3)
Tax (paid)/received	**(8.1)**	2.7
Interest received	**57.9**	63.3
Dividends received	**10.1**	6.3
Net cash inflows/(outflows) from operating activities	**682.4**	(342.0)
Cash flows from investing activities		
Purchase of intangible assets	**(12.8)**	(6.5)
Purchase of property, plant and equipment	**(1.7)**	(1.2)
Disposal of subsidiary undertakings, net of cash disposed	**31.8**	-
Acquisition of subsidiary undertaking, net of cash acquired	**(6.4)**	-
Dividends from associated undertakings	**0.7**	1.0
Net cash inflows/(outflows) from investing activities	**11.6**	(6.7)
Cash flows from financing activities		
Proceeds from issue of shares	**406.1**	524.0
Repayment on revolving credit facility	**(85.0)**	(10.0)
Purchase of shares for share-based payment schemes	**(16.9)**	(3.0)
Interest paid	**(9.7)**	(14.0)
Transactions with non-controlling interests	**124.0**	124.0
Dividends paid to owners of the parent	**(375.0)**	(20.6)
Net cash inflows from financing activities	**43.5**	600.4
Net increase in cash and cash equivalents	**735.5**	251.7
Cash and cash equivalents at the beginning of the year	**775.7**	520.1
Effect of exchange rate fluctuations on cash and cash equivalents	**(2.9)**	3.9
Cash and cash equivalents at the end of the year	**1,510.3**	775.7

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021	Called up share capital $m	Share premium $m	Capital redemption reserve $m	Capital contribution reserve $m	Foreign currency translation reserve $m	Retained earnings $m	Total attributable to owners of the parent $m	Non-controlling interests $m	Total equity $m
At 1 January 2021	**8.6**	**1,027.9**	**1.0**	**-**	**(84.1)**	**639.2**	**1,592.6**	**121.7**	**1,714.3**
Total comprehensive income recognised	-	-	-	-	(1.1)	260.7	259.6	(11.6)	248.0
Reallocation of forfeited rollover shares to LTIP schemes	-	-	-	-	-	0.6	0.6	-	0.6
Issuance of share capital	1.4	404.7	-	-	-		406.1	-	406.1
Dividend	-	-	-	-	-	(375.0)	(375.0)	-	(375.0)
Acquisition of Riverstone pension plan	-	-	-	28.5	-	-	28.5	-	28.5
Transactions with non-controlling interests	-	-	-	-	-	-	-	124.1	124.1
At 31 December 2021	**10.0**	**1,432.6**	**1.0**	**28.5**	**(85.2)**	**525.5**	**1,912.4**	**234.2**	**2,146.6**

For the year ended 31 December 2020	Called up share capital $m	Share premium $m	Capital redemption reserve $m	Foreign currency translation reserve $m	Retained earnings $m	Total attributable to owners of the parent $m	Non-controlling interests $m	Total equity $m
At 1 January 2020	**7.0**	**505.5**	**1.0**	**(86.4)**	**892.8**	**1,319.9**	**-**	**1,319.9**
Total comprehensive income recognised	-	-	-	2.3	(233.0)	(230.7)	(2.7)	(233.4)
Issuance of share capital	1.6	522.4	-	-	-	524.0	-	524.0
Dividend	-	-	-	-	(20.6)	(20.6)	-	(20.6)
Transactions with non-controlling interests	-	-	-	-	-	-	124.4	124.4
At 31 December 2020	**8.6**	**1,027.9**	**1.0**	**(84.1)**	**639.2**	**1,592.6**	**121.7**	**1,714.3**

Nature and Purpose of Group Reserves:

Share premium: The balance represents the difference between the price at which shares are issued and their nominal value, less any distributions made from this account.

Capital redemption reserve: The balance represents the amount by which share capital is diminished in the event of a share cancellation and is required to be recognised in a legal reserve to maintain the Group's capital.

Capital contribution reserve: The balance represents the amount by which the Group has benefitted from asset transfers or contributions from the owners of the parent company, for which no shares have been issued in exchange.

Foreign currency translation reserve: The balance on this reserve represents the foreign exchange differences arising from the translation of financial statement information of entities within the Group from functional currencies to the presentational currency of the Group.

Retained earnings: Retained earnings represents the cumulative comprehensive income retained by the Group after taxation and after any distributions made from this account.