Advent Capital (No.3) Limited

Annual Report and Financial Statements

Year ended 31 December 2019

ADVENT CAPITAL (No.3) LIMITED

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DIRECTORS AND ADVISORS

Directors	T J Ambridge A R Creed (appointed 28th February 2019) I M Hewitt L R Tanzer (appointed 28th February 2019)
Company Secretary	N M Ewing ACII
Registered Office	2nd Floor 2 Minster Court London EC3R 7BB
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT
Company Registration Number	5528808

ADVENT CAPITAL (No.3) LIMITED

STRATEGIC REPORT

All amounts are in millions of United States dollars, unless otherwise stated

The Directors present their Strategic Report for the year ended 31 December 2019.

Ownership

Advent Capital (No.3) Limited ("the Company") is a wholly owned subsidiary of Advent Capital (Holdings) Ltd ("Advent" or "ACH") which is registered in England and Wales.

The ultimate parent company is Fairfax Financial Holdings Limited, which is registered in Canada and listed on the Toronto Stock Exchange. The registered office of Fairfax Financial Holdings Limited is 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada M5J 2N7.

Principal Activity

The company is the Corporate Member underwriting at Lloyd's supporting 100% of Syndicate 780's capacity through the 2018 Year of Account ("YOA").

On 11 July 2018, the Company's parent, ACH announced the integration of its profitable Lloyd's underwriting portfolios into other Fairfax UK affiliates, in response to the considerable strategic challenges facing Syndicate 780, in an extremely competitive market place, while placing the remaining parts of its portfolio into run off under the management of RiverStone Managing Agency Limited ("RiverStone Managing Agency"). Syndicate 780 permanently ceased underwriting at the end of the 2018 YOA on 31st December 2018.

On 1 January 2019, the Managing Agency contract for Syndicate 780 ("Managing Agency Contract") novated to RiverStone Managing Agency. The Company expects that the 2018 and prior years of account of Syndicate 780 will be closed into RiverStone Managing Agency's Syndicate 3500 in the normal course of closure as of 31 December 2020. Also effective from 1 January 2019 the Company entered into a Funds at Lloyd's ("FAL") inter-availability agreement with RiverStone Corporate Capital Ltd "(RiverStone Corporate") to make its excess capital available to Syndicate 3500 to enable it to acquire additional Lloyd's run off businesses. RiverStone Corporate is paying the Company a fee for the use of its capital and has indemnified the Company from any loss arising from the use of its excess capital.

Business Review

Results and Performance

For the year ended 31 December 2019, the Company had a profit before tax of $62.0 (2018: loss of $48.5) comprising an underwriting profit of $10.8, investment gains of $7.0 and corporate and other income of $44.2 (2018: underwriting loss of $25.4, investment losses of $26.2 and corporate and other income of $3.1).

Performance Measurements

RiverStone Managing Agency has made continued progress throughout 2019 in relation to key elements of its strategy, through the continued proactive management of its existing liabilities.

The Board monitors the progress of Syndicate 780's existing run-off portfolio by reference to the reduction in gross loss reserves and reduction in reinsurance recoverables, in a timely and economic manner. Syndicate 780 gross loss reserves decreased by 31% and third party reinsurance recoverables (excluding group reinsurance protection) decreased by 33%. The movements are in line with Board's expectations and the performance is considered to be satisfactory.

Strategy and Future Developments

The 2017 year of account of Syndicate 780 has been closed into the 2018 year of account as at 31 December 2019, leaving one open YOA. The Company will continue to record its participation in the 2018 and prior YOA of Syndicate 780 until its closure in the normal course as of 31 December 2020 but will not support any further underwriting.

On 20 December 2019, Fairfax entered into an agreement to sell a 40% equity interest in its wholly owned European Run-off group to Ontario Municipal Employees Retirement System ("OMERS"), the pension plan manager for government employees in the province of Ontario. The European Run-off group includes the Company and its immediate part ACH. Upon completion of the transaction, OMERS and Fairfax will have joint control of the European Run-off group. Accordingly, Fairfax will deconsolidate the European Run-off group from its Run-off reporting segment and apply the equity method of accounting for its remaining equity interest. The transaction is subject to regulatory approval and is expected to close in the first quarter of 2020.

Principal Risks and Uncertainties

The key risks to which the Company is exposed relate to its participation in Syndicate 780 and its provision of inter-available FAL to RiverStone Corporate. The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies related to Syndicate 780 are subject to approval by the board of directors of Syndicate 780's managing agent, RiverStone Managing Agency, and ongoing review by management and executive committees. Compliance with regulatory, legal and ethical standards is a high priority for Advent Capital (No.3). The compliance, legal and finance departments of RiverStone Management Limited, to whom RiverStone Managing Agency outsources its day to day activities, take on an important oversight role in this regard. The Board is responsible for ensuring that a proper internal control framework exists to manage financial risks and that controls operate effectively.

The risks that Syndicate 780 is exposed to and their impact on economic capital have been assessed. This process is risk based and uses Solvency II based principles to manage capital requirements and to ensure that there is sufficient financial strength and capital adequacy to support the obligations to policyholders, regulators and other stakeholders.

The principal risks faced by Syndicate 780 arise from fluctuations in the severity of claims compared with expectations, late reporting of claims, inadequate reserving and inadequate reinsurance protection (including the credit worthiness of major reinsurers). Syndicate 780's assets and liabilities are also exposed to market risk, including the impact of changes to interest rates, equity price fluctuations and adverse changes in exchange rates.

Section 172(1) of the Companies Act 2006

The board of directors of Advent Capital (No.3) consider, in good faith, that they have had appropriate regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172.

Consequences of any decision in the long term – the Board is focussed on ensuring that sufficient capital is available to support Syndicate 780, the management of which is performed by RiverStone Managing Agency with effect from 1 January 2019, the managing agency contract having novated from Advent Underwriting Limited. The Board consider that the novation is in the long-term best interest of the company given RiverStone Management's expertise in managing run-off liabilities. Equally, the Board consider that the decision to make the excess capital available to RiverStone Corporate under an inter-available FAL agreement is an appropriate decision while the run-off proceeds.

Business relationships – the Board recognises that relationships with our stakeholders are key to the delivery of our strategy. During 2019, several members of the Board have had the opportunity to meet with representatives of Lloyd's, which continues to refresh and facilitate an understanding of their needs and expectations. The Board regularly engages with the Managing Director of RiverStone Management, the services provider to RiverStone Managing Agency.

Community and environment – the Board engages via RiverStone Managing Agency actively with RiverStone Management, the key services provider overseeing the run-off of Syndicate 780, to encourage, support and foster a positive relationship with the community and the environment. In the current year, through this engagement, the Board has supported charitable giving, infrastructure improvements to leased offices to support a reduction in our carbon footprint and the establishment of a diversity and inclusion forum. The Board note that while it has no employees that it supports RiverStone Management's policy of matching employee charitable donations and of allowing time to be available to support others in our communities.

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

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

Employees – the Board acknowledges people are essential to the delivery of our strategy. While the Company has no immediate employees, the Board ensures that the interests of the employees of RiverStone Management, the services provider to RiverStone Managing Agency, are appropriately considered when taking decisions. The Board is aware through its engagement with RiverStone Managing Agency, that there exists a well-established structure at RiverStone Management through which it supports engagement regularly with its employees. During 2019 this included quarterly staff presentations including a full day off-site at which relevant business speakers presented to our employees. Other activity in 2019 included technology surveys, the initiation of a diversity and inclusion forum and regular training for our employees.

On behalf of the Board

Luke Tanzer
Director
2 March 2020

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

Future Outlook

The future outlook of the Company is discussed in the Strategic Report.

Dividends

The directors do not propose the payment of a dividend (2018: $Nil).

Political and charitable donations

The company did not donate to any political party or charities in the year to 31 December 2019 (2018: $nil).

Directors

The names of the current directors are listed on page 2.

The Company has provided an indemnity for its directors which is a qualifying third party indemnity provision for the purposes of Section 236 of the Companies Act 2006. The indemnity was in force during the financial year and also at the date of this report.

Statement of directors' responsibilities in respect of the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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

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

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board and signed on its behalf by:

Luke Tanzer
Director
2 March 2020

Independent auditors' report to the members of Advent Capital (No.3) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Advent Capital (No.3) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.
- We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position: Assets and Statement of Financial Position: Liabilities as at 31 December 2019; the Statement of Income and Retained Earnings, the Statement of Changes in Equity for the year then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

R. P. Cordock

Robert Cordock (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 March 2020

ADVENT CAPITAL (No.3) LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS
For the year ended 31 December 2019

	Note	2019 $	2018 $
Net premiums earned			
Gross premiums written	6	44.0	247.4
Reinsurance premiums ceded		(34.3)	(159.2)
Net premiums written		9.7	88.2
Change in the provision for unearned premiums			
- gross amount		92.0	9.5
- reinsurers' share		(41.0)	12.6
Change in the net provision for unearned premiums		51.0	22.1
Net premiums earned		**60.7**	**110.3**
Allocated investment return transferred from the non-technical account		5.8	1.6
Total technical income		**66.5**	**111.9**
Claims incurred, net of reinsurance			
Claims paid			
- gross amount		(173.2)	(202.8)
- reinsurers' share		83.2	70.6
Net claims paid		(90.0)	(132.2)
Change in the provision for claims			
- gross amount		113.3	31.8
- reinsurers' share		(47.9)	47.6
Change in the net provision for claims		65.4	79.4
Claims incurred, net of reinsurance		**(24.6)**	**(52.8)**
Net operating expenses	10	(25.3)	(82.9)
Total technical charges		**(49.9)**	**(135.7)**
Balance on the technical account for general Business		**16.6**	**(23.8)**

The Notes on pages 13 to 32 are an integral part of these financial statements.

ADVENT CAPITAL (No.3) LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS (Continued)
For the year ended 31 December 2019

	Note	2019 $	2018 $
Balance on the technical account for general business		**16.6**	**(23.8)**
Investment loss	9	(1.2)	(12.5)
Unrealised gains on investments	9	9.0	1.4
Unrealised losses on investments	9	(0.5)	(14.2)
Investment management expenses	9	(0.3)	(0.9)
Allocated investment return transferred to the general business technical account		(5.8)	(1.6)
Other income	11	44.2	3.1
Profit (loss) before tax		**62.0**	**(48.5)**
Tax provision	13	(1.3)	9.4
Profit (loss) for the year		**60.7**	**(39.1)**
Accumulated losses at 1 January		(174.5)	(135.4)
Accumulated losses at 31 December		**(113.8)**	**(174.5)**

The income and expenses all relate to continuing operations.

There are no material differences between the profit (loss) before tax and the profit (loss) for the year stated above and their historical cost equivalents.

The Notes on pages 13 to 32 are an integral part of these financial statements.

ADVENT CAPITAL (No.3) LIMITED

STATEMENT OF FINANCIAL POSITION: ASSETS
As at 31 December 2019

	Note	2019 $	2018 $
Assets			
Financial investments	7	**221.3**	**305.5**
Reinsurers' share of technical provisions			
Provision for unearned premiums	6	3.0	44.0
Claims outstanding	6	102.9	150.6
		105.9	**194.6**
Debtors			
Debtors arising out of direct insurance operations	6	4.4	56.8
Debtors arising out of reinsurance operations	6	18.7	24.8
Deferred taxation	13	8.8	17.9
Current taxation	13	11.2	1.2
Other assets		0.7	8.8
		43.8	**109.5**
Cash and equivalents		**78.2**	**40.4**
Prepayments and accrued income			
Accrued interest		0.5	0.7
Deferred acquisition costs		1.5	26.1
Total Assets		**451.2**	**676.8**

The Notes on pages 13 to 32 are an integral part of these financial statements.

ADVENT CAPITAL (No.3) LIMITED

STATEMENT OF FINANCIAL POSITION: LIABILITIES
As at 31 December 2019

	Note	2019 $	2018 $
Liabilities and reserves			
Capital and reserves			
Called up share capital	14	0.1	0.1
Share premium account		131.4	131.4
Accumulated losses		(113.8)	(174.5)
Total shareholder's funds (deficit)		**17.7**	**(43.0)**
Technical provisions			
Provision for unearned premiums	6	6.0	98.2
Claims outstanding	6	250.1	362.2
		256.1	**460.4**
Creditors			
Creditors arising out of (re)insurance operations		14.4	34.8
Amounts owed to group undertakings		158.2	212.6
Other creditors		2.5	0.3
		175.1	**247.7**
Accruals and deferred income		**2.3**	**11.7**
Total liabilities and Total Shareholder's funds (deficit)		**451.2**	**676.8**

The financial statements on pages 8 to 32 were approved by the Board of Directors on 2 March 2020 and signed on its behalf by:

A R Creed Director

L R Tanzer Director

Company Registration Number: 5528808

The Notes on pages 13 to 32 are an integral part of these financial statements.

ADVENT CAPITAL (No.3) LIMITED

STATEMENT OF CHANGES IN EQUITY
As at 31 December 2019

	Ordinary share capital	Share premium	Accumulated deficit	Total
	$	$	$	$
Balance, 1 January 2018	0.1	131.4	(135.4)	(3.9)
Loss for the year	-	-	(39.1)	(39.1)
Balance, 31 December 2018	0.1	131.4	(174.5)	(43.0)
Profit for the year	-	-	60.7	60.7
Balance, 31 December 2019	**0.1**	**131.4**	**(113.8)**	**17.7**

Share premium account is the excess of proceeds from issue of shares over the par value of the ordinary shares.

The notes on pages 13 to 32 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Company participated in insurance business as an underwriting member at Lloyd's until 31 December 2018 at which time Syndicate 780 ceased underwriting. The assets and liabilities arising as a result of the underwriting activities are held under various Lloyd's trust deeds for the benefit of policyholders.

The management of Syndicate 780 novated from Advent Underwriting Limited ("AUL") to RiverStone Managing Agency Limited (Riverstone Managing Agency) on 1 January 2019.

2. Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, Insurance Contracts and the Companies Act 2006, under the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410). The Company has also adopted Technical Release 1/99 "Accounting by Lloyd's Corporate Capital Vehicles" issued by the Institute of Chartered Accountants in England and Wales.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 and FRS 103 in these financial statements.

(a) Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

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

(b) Going concern

Having addressed the principal risks, the directors of the Managing Agent consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements. The ability of The Company to meet its obligations as they fall due is underpinned by the support provided by Lloyd's solvency process and its chain of security for any members who are unable to meet their underwriting liabilities. This chain of security includes Funds at Lloyd's, which are further explained in Note 7.

(c) Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12 (b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its parent Company, Advent Capital (Holdings) Ltd ("Advent"), includes the Company's cash flows in its own consolidated financial statements.

(d) Foreign currency

(i) Functional and presentation currency

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

(ii) Transactions and balances

The financial statements are presented in United States Dollars and, unless otherwise stated, are rounded to thousands. Items included in The Company's financial statements are measured using the currency of the primary economic environment in which it operates. The Company's functional currency is the United States Dollar.

Foreign currency transactions are translated into the functional currency using the average rate of exchange during the year. At each year end foreign currency monetary items are translated using the year end rate of exchange. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the year.

Foreign exchange differences on non-syndicate transactions are reported in other charges in the non-technical account.

3. Summary of significant accounting policies (continued)

(d) Foreign currency (continued)

(iii) Transactions and balances (continued)

The Company uses forward exchange trades contracts to mitigate the exchange risk associated with claims in currencies other than its principle settlement currencies and to manage its currency balance sheet. Gains or losses are recorded within profit on exchange. The fair value of the forward exchange contracts is determined by reference to quoted period end exchange rates.

(e) General insurance business

The results for general insurance business written are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

i) Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the Company, less an allowance for cancellations. Premiums are shown net of premium taxes and other levies on premiums.

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

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

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

v) Reinsurance premium costs of "losses occurring during" policies are charged over the period for which coverage is provided. Other reinsurance premium costs are deferred over the period in which the premiums relating to business written are earned.

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

vii) Claims outstanding represent the ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date, including provision for IBNR, less any amounts paid in respect of those claims. Claims outstanding are reduced by anticipated salvage and other recoveries.

viii) Provision is made at the year-end for the estimated costs of claims incurred but not settled at the balance sheet date, including the cost of IBNR to the Company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the value of salvage and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

ix) Reinsurance assets include amounts recoverable from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from reinsurers are calculated with reference to the claims liability associated with the reinsured risks. Any impairment to a reinsurance asset is immediately recognised in the Income Statement.

(f) Investment Return

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

Dividends are recorded on the date on which the shares are quoted ex-dividend. Interest income is recognized using the effective interest rate method.

Realised gains and losses on investments carried at current value are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investment represent the difference between the valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

3. Summary of significant accounting policies (continued)

(f) Investment Return (continued)

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the technical account of the investment return on investments supporting the insurance technical provisions and related shareholder's funds.

(g) Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement.

Current or deferred tax liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the current or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

(h) Impairment of non-financial assets

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

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

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the income statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in income.

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

(i) Other assets and creditors

Other assets and creditors comprise inter-group receivables and other receivables and payables valued at cost.

(j) Cash and cash equivalents

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

3. Summary of significant accounting policies (continued)

(k) Financial Instruments

The Company has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102 in respect of the financial statements. The Company classifies all its investments as financial assets at fair value through profit and loss. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

i) Financial assets

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

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

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

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

The Company discloses its investments in accordance with a fair value hierarchy with the following levels:

(i) Level 1 – the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;

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

(iii) Level 3 – inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability

ii) Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price.

Creditors arising out of reinsurance operations, amounts owed to other group companies and other creditors are obligations to pay for services that have been acquired in the ordinary course of business. These obligations are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Derivatives, including forward exchange contracts, are not basic financial instruments.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognized in in finance costs or income as appropriate.

The Company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

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

iii) Offsetting

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

3. Summary of significant accounting policies (continued)

(k) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Distributions to equity holders

Dividends and other distributions to the Company's shareholder are recognised as a liability in the period in which the dividends are approved. These amounts are recognised in the statement of changes in equity.

(m) Related party transactions

The Company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

4. Critical accounting judgements and estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Claims reserves

The establishment of claims reserves represents the area of greatest uncertainty in preparing insurance Company financial statements. Reserves for future anticipated claims are made based on information available at the time of preparation of the financial statements. Any "best estimate" of ultimate claims needs to be viewed as a point value within a likely range of outcomes. The nature of each insurer's business, and the reinsurance arrangements in place, influence how wide that likely range of outcomes will be.

Significant areas requiring estimation and judgment include;

- Estimates of the amount of any liability in respect of claims notified but not settled and incurred but not reported claims (IBNR) to be included within provisions for inward insurance and reinsurance contracts.

- The corresponding estimate of the amount of outwards reinsurance recoveries which will become due as a result of the estimated claims on inwards business.

- The recoverability of amounts due from reinsurers.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high, such as casualty, will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

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

- changes in the Company's underwriting and claims processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous years
- changes in the legal environment
- the effects of inflation
- changes in mix of business
- the impact of large losses
- movements in industry benchmarks

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these claims the Company has regard to the claim circumstance as reported, any information available from cedants and information on the cost of settling claims with similar characteristics in previous years.

4. Critical accounting judgements and estimation uncertainty (continued)

i) Claims reserves (continued)

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

For major natural catastrophe events, the original loss estimate for all 'on risk' exposures is analysed using computer simulation to ascertain those accounts likely to be impacted. From the initial output, modelled loss estimates, per account, are generated.

An underwriting review of the account, by cedant, is then conducted to validate the individual loss estimates and, where applicable, amend the model driven estimates with underwriter input relevant to the particular features of the loss and its anticipated impact on an account. Where accounts cannot be analysed, using catastrophe-modelling software, benchmark analysis is conducted, again on an account-by-account basis, to generate loss estimates. As more specific client information becomes available the ultimate loss estimates are updated from the initial forecast to reflect the client specific data.

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections resulting from the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

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

Actual claims experience will always differ from projected estimates. Such differences in relation to risks previously earned are recognised in the income statement in the accounting period during which the difference is identified.

The Company's claims reserves are calculated by the Company's Head of Reserving with input from the Head of Claims. These reserves are reviewed and approved monthly by the Reserve Group and quarterly by the Board. Annually, the reserves of the Syndicate are reviewed by external actuaries who issue a valuation opinion on the adequacy of reserves.

ii) *Pipeline premiums*

Written premiums include pipeline premiums which represent future premiums receivable on in-force insurance contracts. Pipeline premium estimates are typically based on underwriter knowledge and experience of the contracts being written and are updated regularly based on actual cash received versus estimate.

iii) Valuation of the deferred tax asset

In determining the recoverability of deferred tax assets, the Company primarily considers current and expected profitability of applicable operating companies and their ability to utilize any recorded tax assets. The Company reviews its deferred income tax assets on a regular basis, taking into consideration the underlying operations' performance as compared to plan, the outlook for the business going forward, the impact of enacted and proposed changes to tax law and the availability of tax planning strategies, including Group Relief with other UK subsidiaries of Fairfax Financial Holdings Limited (Fairfax).

5. Foreign exchange risk management

The Company's operations are conducted in a number of currencies, the principal ones of which are US $, GBP £, AUD $, Euro € and AUD $. The Company's policy is that it is not in the business of taking or speculating on foreign currency risk. Its objective is to match each principal currency position.

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

The principal exchange rates used in translating foreign currency assets, liabilities, income and expenditure in the preparation of these financial statements were:

	2019		2018	
	Period average rate $	**Period end rate $**	**Period average rate $**	**Period end rate $**
Sterling	0.7830	0.7549	0.7488	0.7852
Euro	0.8933	0.8909	0.8467	0.8748
Australian Dollar	1.4382	1.4226	1.3376	1.4205
Canadian dollar	1.3268	1.2968	1.2956	1.3658

5. Foreign exchange risk management (continued)

The Company's gross premiums were written in the following currencies:

	2019		2018	
	$	%	$	%
US dollar	25.6	58.2	189.1	76.5
£ sterling	6.6	15.0	31.0	12.5
Australian dollar	2.8	6.4	9.4	3.8
Canadian dollar	3.9	8.9	7.0	2.8
Euro	5.1	11.6	10.9	4.4
	44.0	100.0	247.4	100.0

The Company's asset and liability positions in its major foreign currencies in local currency were as follows:

31 December 2019	US$	£	CAD$	€	NZ$	JPY	AU$
Total assets / (liabilities)	221.4	(4.1)	24.8	(6.4)	0.0	0.0	16.8
Total liabilities	(173.9)	(15.7)	(14.1)	(7.7)	(2.9)	(281.6)	(7.0)
Net assets (net liabilities)	47.5	(19.8)	10.7	(14.1)	(2.9)	(281.6)	9.8

31 December 2018	US$	£	CAD$	€	NZ$	JPY	AU$
Total assets / (liabilities)	390.5	3.8	31.6	(7.8)	0.0	0.0	15.3
Total liabilities	(337.7)	(27.2)	(20.4)	(18.8)	(1.6)	(306.6)	(9.7)
Net assets (net liabilities)	52.8	(23.4)	11.2	(26.6)	(1.6)	(306.6)	5.6

At 31 December 2019, the Company is committed to sell AUD$10.6 and CAD$13.4 and buy £7.8 and €15.5 for exchange of US dollars.

The effect on profit before tax of a 5% increase or decrease in the closing exchange rates on the foreign currency balance sheet at 31 December 2019 is approximately $1.6 (2018: $2.5) given the Company's policy of minimising foreign currency mismatches on a monthly basis.

6. Insurance Risk Management

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

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

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

The Company mitigates insurance risk through the use of reinsurance, both in the form of third party reinsurance associated with the business originally written and reinsurance with affiliated reinsurers

The Company reports its underwriting activities on a line of business basis with the six segments having the following insurance risk characteristics:

a) The Reinsurance segment consists of the Company's property and casualty treaty reinsurance classes. The casualty treaty class provides excess of loss coverage for general casualty classes such as auto liability, medical malpractice, workers compensation and associated exposures, with an emphasis on clash business. The majority of the account is written in the United States and no business is written on an unlimited basis. The property treaty class offers property catastrophe and individual risk cover for insurance and reinsurance contracts written predominantly on a "losses occurring during policy period" basis with generally no risks in excess of 12 months and with a large proportion of risks expiring at 31 December each year.

b) The Specialty segment includes a broad range of products including terrorism, marine, offshore energy portfolios with coverage provided for individual risk and catastrophe accumulations and specie, marine hull & machinery, liability and cargo insurance. Most risks are written on an excess or limited conditions basis with the objective of avoiding exposure to attritional losses.

6. Insurance Risk Management (continued)

c) The Consumer Products segment consists of the accident & health (A&H) insurance and bespoke products classes. The A&H account provides a wide range of medical and accident coverage, primarily through binding authorities, whilst the bespoke products class offers a wide-ranging portfolio from trucking physical damage to credit card enhancement schemes.

d) The Property segment consists of the Property D&F and Property Binders classes and includes commercial property, personal lines and commercial automobile physical damage insurance written in the open market and through biding authorities on both a lead and following basis, either through underwriting facilities or on an individual risk basis.

e) The Discontinued segment includes classes of business written prior to 2015.

f) The Affiliate Reinsurance segment shows the outward reinsurance transaction on a line by line basis.

i) Segmental analysis

The tables below detail the Company's underwriting performance by segment. Acquisition costs, consisting of direct brokerage commissions, are allocated to each segment on a direct basis while operating costs, including underwriting costs, where they cannot be specifically attributed, are either allocated based on gross premiums written or gross premiums earned. The Company does not prepare a segmented balance sheet by line of business and accordingly, has presented key insurance account balances only.

31 December 2019	**Consumer Products**	**Speciality**	**Property**	**Reinsurance**	**Discontinued**	**Affiliate Reinsurance & Other**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Gross premiums written	21.0	8.8	13.8	0.3	0.1	0.0	44.0
Net premiums written	19.9	7.9	12.2	(0.8)	(0.2)	(29.3)	9.7
Net premiums earned	45.4	18.0	30.3	10.5	(0.2)	(43.3)	60.7
Net claims incurred	(31.1)	5.1	(13.5)	(2.2)	(1.0)	18.1	(24.6)
Acquisition (costs) / income	(11.2)	(5.5)	(10.4)	(1.5)	0.0	10.6	(18.0)
Operating (expenses) / income	(4.5)	(1.7)	(2.9)	(1.0)	0.0	2.8	(7.3)
Underwriting profit (loss)	**(1.4)**	**15.9**	**3.5**	**5.8**	**(1.2)**	**(11.8)**	**10.8**
Claims ratio	68.5%	(28.3%)	44.6%	21.0%	-	-	40.5%
Acquisition cost ratio	24.7%	30.6%	34.3%	14.3%	-	-	29.7%
Operating cost ratio	9.9%	9.4%	9.6%	9.5%	-	-	12.0%
Combined ratio	**103.1%**	**11.7%**	**88.5%**	**44.8%**	**-**	**-**	**82.2%**
Balance sheet accounts							
Reinsurers' share of outstanding claims	5.9	2.1	29.5	5.5	4.1	55.8	102.9
Reinsurers' share of unearned premium	0.2	0.0	0.0	(0.0)	0.0	2.8	3.0
Deferred acquisition costs	0.7	0.1	0.5	0.2	0.0	0.0	1.5
Other assets	-	-	-	-	-	343.8	343.8
Total assets	**6.8**	**2.2**	**30.0**	**5.7**	**4.1**	**402.4**	**451.2**
Outstanding claims	(4.5)	(35.5)	(41.8)	(159.1)	(9.2)	0.0	(250.1)
Unearned premium	(3.1)	(0.3)	(1.6)	(1.0)	(0.0)	0.0	(6.0)
RI deferred acquisition costs	(0.3)	(0.0)	(0.0)	0.0	0.0	(0.8)	(1.1)
Other liabilities	-	-	-	-	-	(194.0)	(194.0)
Total liabilities	**(7.9)**	**(35.8)**	**(43.4)**	**(160.1)**	**(9.2)**	**(194.8)**	**(451.2)**

6. Insurance Risk Management (continued)

i) Segmental analysis (continued)

31 December 2018	Consumer Products	Speciality	Property	Reinsurance	Discontinued	Affiliate Reinsurance & Other	Total
	$	$	$	$	$	$	$
Gross premiums written	103.3	42.9	65.5	36.4	(0.7)	-	247.4
Net premiums written	70.9	35.8	52.0	25.3	(0.8)	(95.0)	88.2
Net premiums earned	68.9	41.4	48.9	30.0	(0.7)	(78.2)	110.2
Net claims incurred	(44.1)	(38.2)	(44.0)	(5.6)	0.4	78.7	(52.8)
Acquisition (costs) / income	(18.3)	(10.9)	(15.0)	(4.7)	0.2	1.9	(46.7)
Operating (expenses) / income	(12.1)	(10.6)	(7.6)	(6.8)	(0.0)	1.0	(36.2)
Underwriting profit (loss)	**(5.6)**	**(18.3)**	**(17.7)**	**12.9**	**(0.1)**	**3.4**	**(25.6)**
Claims ratio	64.0%	92.2%	90.1%	18.8%	-	-	47.9%
Acquisition cost ratio	26.5%	26.3%	30.7%	15.8%	-	-	42.4%
Operating cost ratio	17.6%	25.7%	15.6%	22.8%	-	-	32.9%
Combined ratio	**108.1%**	**144.2%**	**136.4%**	**57.3%**	**-**	**-**	**123.2%**
Balance sheet accounts							
Reinsurers' share of outstanding claims	15.9	3.9	46.0	10.6	3.9	70.3	150.6
Reinsurers' share of unearned premium	16.8	3.2	4.4	1.9	0.0	17.7	44.0
Deferred acquisition costs	13.2	3.9	6.4	2.6	0.0	0.0	26.1
Other assets	-	-	-	-	-	456.1	456.1
Total assets	**45.9**	**11.0**	**56.8**	**15.1**	**3.9**	**544.1**	**676.8**
Outstanding claims	(21.8)	(68.9)	(80.0)	(183.2)	(8.2)	-	(362.1)
Unearned premium	(45.3)	(13.9)	(24.4)	(14.6)	(0.0)	-	(98.2)
RI deferred acquisition costs	(5.6)	(0.5)	(0.1)	(0.4)	0.0	(3.6)	(10.1)
Other liabilities	-	-	-	-	-	(206.3)	(206.3)
Total liabilities	**(72.7)**	**(83.3)**	**(104.5)**	**(198.2)**	**(8.2)**	**(209.9)**	**(676.8)**

All premiums are concluded in the United Kingdom.

The geographical analysis of gross premiums written by location is as follows:

	2019	2018
	$	$
US and Canada	24.7	110.8
UK	10.5	55.1
Other	7.4	70.8
Other EU	1.4	10.7
	44.0	**247.4**

6. Insurance Risk Management (continued)

ii) Claims outstanding

The movement in the Company's claims reserves for the year ended 31 December 2019 is set out below:

31 December 2019	Provision for unearned premiums	Claims outstanding	Total
	$	$	$
Gross			
At 1 January 2019	98.2	362.2	460.4
Exchange adjustments	(0.2)	1.3	1.1
Movements in provisions			
- Current year	(92.0)	60.1	(31.9)
- Prior years	-	(0.3)	(0.3)
- Paid claims	-	(173.2)	(173.2)
At 31 December 2019	**6.0**	**250.1**	**256.1**
Reinsurers' share			
At 1 January 2019	**44.0**	**150.6**	**194.6**
Exchange adjustments	-	0.1	0.1
Movements in provisions			
- Current year	(41.0)	25.2	(15.8)
- Prior years	-	10.2	10.2
- Paid recoveries	-	(83.2)	(83.2)
At 31 December 2019	**3.0**	**102.9**	**105.9**
Net			
At 31 December 2019	**3.0**	**147.2**	**150.2**

31 December 2018	Provision for unearned premiums	Claims outstanding	Total
	$	$	$
Gross			
At 1 January 2018	109.1	397.9	507.0
Exchange adjustments	-	(4.0)	(4.0)
Movements in provisions			
- Current year	(10.9)	135.9	125.0
- Prior years	-	35.2	35.2
- Paid claims	-	(202.8)	(202.8)
At 31 December 2018	**98.2**	**362.2**	**460.4**
Reinsurers' share			
At 1 January 2018	31.5	103.3	134.8
Exchange adjustments	-	(0.4)	(0.4)
Movements in provisions			
- Current year	12.5	135.5	148.0
- Prior years	-	(17.2)	(17.2)
- Paid recoveries	-	(70.6)	(70.6)
At 31 December 2018	**44.0**	**150.6**	**194.6**
Net			
At 31 December 2018	**54.2**	**211.6**	**265.8**

6. Insurance Risk Management (continued)

The claims balance is further analysed between notified outstanding claims and IBNR below:

	2019		2018	
	Gross	Net	Gross	Net
	$	$	$	$
Notified outstanding claims	118.9	67.6	162.7	95.3
IBNR	131.2	79.6	199.5	116.3
Outstanding claims	**250.1**	**147.2**	**362.2**	**211.6**
Percentage of IBNR to notified outstanding claims	110%	118%	122%	122%

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

	2019		2018	
	Gross	Net	Gross	Net
	$	$	$	$
Property Binder	43.0	6.7	79.6	16.1
Accident and Health	(1.0)	(5.4)	15.5	1.6
Casualty	85.7	64.1	89.3	87.5
Marine	23.7	16.4	56.2	13.5
Terrorism	2.7	1.4	4.7	3.9
Other Liability	21.8	16.3	22.5	22.0
Property Reinsurance	20.0	7.1	28.0	4.9
Casualty Treaty	34.7	25.8	39.1	38.4
Other	19.5	14.8	27.3	23.7
Total technical provisions	**$ 250.1**	**$ 147.2**	**$ 362.2**	**$ 211.6**

The projected pay out of the ultimate gross and net claims reserves at 31 December 2019 is as follows:

Payment within	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**More than 5 years**
	$	$	$	$	$	$
Gross	88.0	42.8	28.4	23.5	17.5	49.9
Net	51.8	25.2	16.7	13.8	10.3	29.4

The payout patterns have been estimated based on the historical payment patterns at a class of business level. Future payment patterns are inherently uncertain.

Unearned premiums are expected to be earned approximately 100% in 2020.

The following table shows the adverse or favourable development of claims, on a gross and net basis, determined on an accident year basis, from the amounts originally estimated at the end of the preceding year. Claims in currencies other than US dollars have been reconverted at 31 December 2019 exchange rates for all accident years.

6. Insurance Risk Management (continued)

Earned gross claims

Accident year	2009 and prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m
At the end of accident year	2,682	223	360	128	119	113	132	152	253	201	60	
One year later	2,711	204	365	137	119	109	144	174	253	204		
Two years later	2,694	199	349	131	112	105	150	167	255			
Three years later	2,673	195	328	129	103	98	125	170				
Four years later	2,627	193	369	127	95	99	126					
Five years later	2,602	211	361	126	96	95						
Six years later	2,599	211	366	130	95							
Seven years later	2,678	207	349	130								
Eight years later	2,669	204	356									
Nine years later	2,621	210										
Ten Years later	2,634											
Estimate of cumulative claims	2,634	210	356	130	95	95	126	170	255	204	60	4,335
Cumulative paid claims	2,619	202	346	111	87	82	106	147	216	136	34	4,085
Gross claims liability	15	8	10	19	8	13	20	23	39	68 #	26	250

Earned net claims

Accident year	2009 and prior	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m
At the end of accident year	2,043	152	233	118	109	97	108	132	151	123	50	
One year later	2,074	137	238	120	113	93	111	145	151	143		
Two years later	2,051	141	243	115	106	89	115	124	162			
Three years later	2,047	136	226	113	97	83	99	133				
Four years later	2,055	139	221	111	93	77	107					
Five years later	2,048	140	211	112	82	79						
Six years later	2,050	138	217	106	84							
Seven years later	2,033	134	192	112								
Eight years later	2,024	123	199									
Nine years later	1,921	127										
Ten Years later	1,937											
Estimate of cumulative claims	1,937	127	199	112	84	79	107	133	162	143	50	3,133
Cumulative paid claims	1,922	121	192	93	76	65	87	111	139	98	26	2,929
Net claims liability	15	6	7	19	8	14	20	22	23	45 #	24	204

6. Insurance Risk Management (continued)

iii) Reinsurance Recoverable

At 31 December 2019, the Company's reinsurance recoverable on outstanding claims amounted to $102.9 with reinsurers who had the following risk ratings by AM Best (or equivalent S&P rating in the absence of an AM Best rating):

Risk Rating	$	%
A+	13.6	13.2%
Lloyd's	2.9	2.9%
A	22.5	21.9%
Not rated	2.3	2.2%
Affiliates	61.6	59.8%
Total	102.9	100.0%

Trust funds of $2.3 are held as security for certain balances due from non-rated entities.

The Company reviews amounts due from reinsurers on paid losses, amounts recoverable from reinsurers on outstanding losses and amounts in dispute to determine if a provision for bad debts is required. The Company's policy is to provide for reinsurer bad debts in situations where it does not expect to collect the full amount outstanding due to the financial position of the reinsurer or due to disputes over coverage.

The Company entered a 100% quota share reinsurance agreement of its net unearned premium on the Property Binder, Property Insurance and Terrorism classes of business as of 31 March 2019 with Brit Re (Bermuda), an affiliated reinsurer, pursuant to which Syndicate 780 ceded written premium of $26.2 and earned premium of $24.5. At 31 December 2019, the amount recoverable from Brit Re (Bermuda) was $8.9.

iv) Debtors arising from insurance and reinsurance operations

The table below sets out the analysis of the debtors arising from insurance and reinsurance operations, at cost and fair value.

	2019 $	2018 $
Insurance and reinsurance premiums due	1.3	28.6
Pipeline premium	5.9	24.8
Reinsurance recoveries on paid claims	15.9	18.6
	23.1	72.0

Pipeline premium represents amounts receivable in respect of premiums incepted on binder business for which notification from the broker has not yet been received, together with reinstatement premiums on claims. The estimate of the likely settlement date for reinstatement premiums due is intrinsically related to the estimate of the likely settlement dates for the major losses.

Of the total balance, $17.2 (2018: $53.8) is due within one year, with the balance due after one year.

The reinsurance recoveries accrued on paid claims is further analysed below:

	2019 $	2018 $
Fully performing	15.9	18.6
Past due	-	-
	15.9	18.6

Of the remaining debtor balances, it is expected that substantially all of the insurance and reinsurance premiums due and approximately 100% (2018: 88%) of the deferred acquisition costs will be received or expensed within one year. Other than reinsurance recoveries as noted above all of these debtors are fully performing.

7. Financial Risk Management

i) Financial Instruments

	Market value		Cost	
	2019 **$**	**2018** **$**	**2019** **$**	**2018** **$**
Equities	-	-		-
Debt securities and other fixed income securities	139.6	126.2	133.5	124.2
Special Investment Fund (QAIF)	71.3	-	78.7	-
Special Investment Fund (UCITS)	-	163.0	-	175.5
Other investments	0.4	0.3	0.6	0.3
Overseas deposits	10.0	9.9	10.0	9.9
Investment pools	0.0	6.1		6.1
	221.3	**305.5**	**222.8**	**316.0**

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

At 31 December 2019, investments of $95.9 (2018: $140.4) were held in US situs and other regulatory deposits available for the payment of claims in those jurisdictions and are not available for the payment of other claims and obligations.

At 31 December 2019, cash and investments of $103.6 were pledged as security to Lloyd's within the Funds at Lloyd's (FAL) account (2018: FAL of $163.0) to support the Syndicate's underwriting activities and for uncalled losses. During the year, the Company transferred its Unit Trust investment (UCITS) to a different Unit Trust investment (QAIF) within its FAL portfolio. As of 1 January 2020, it had made excess capital of $46.4 (2018: $40.0) inter-available with RiverStone Corporate Capital Ltd (RiverStone Corporate). RiverStone Corporate pays the Company a fee for its use of the Company's excess capital and has indemnified the Company from loss from its use of the excess capital.

ii) Fair value estimation

FRS 102 requires the Company to categorise its investment portfolio in terms of the quality of the pricing information used to value the individual assets. The different levels have been defined as follows:

All short dated government debt is classified as Level 1, as there is an active market and prices are available from multiple sources. The Company has also designated its equity element of the QAIF as Level 1 as all holdings are listed on recognised exchanges with observable prices. The Company's participation in overseas deposits is split between Levels 1 and 2 based upon information provided by Lloyd's.

Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement. Included in the Level 3 classification are deflation derivatives and investments in convertible debentures. The Company has categorised the deflation derivatives as Level 3 due to the pricing being model derived from a single broker.

The remainder of the portfolio is considered to be Level 2, as these assets are valued based upon prices quoted in markets that are less active, have fewer sources or are derived from prices quoted in an active market.

7. Financial Risk Management (continued)

ii) Fair value estimation (continued)

The following table presents the Company's assets that are measured at fair value, together with an analysis of when they mature.

At 31 December 2019	**Total $**	**Less than 1 year $**	**1 to 2 years $**	**2 to 3 years $**	**More than 3 years $**
Level 1					
Equities	-	-	-	-	-
Debt securities and other fixed income securities	42.0	42.0	-	-	-
Special Investment Fund (QAIF)	70.4	70.4	-	-	-
Special Investment Fund (UCITS)	-	-	-	-	-
Overseas deposits	2.3	1.1	0.9	0.3	-
	114.7	113.5	0.9	0.3	-
Level 2					
Equities	-	-	-	-	-
Debt securities and other fixed income securities	97.9	87.0	0.5	0.0	10.4
Special Investment Fund (QAIF)	1.0	1.0	-	-	-
Special Investment Fund (UCITS)	-	-	-	-	-
Overseas deposits	7.7	1.6	2.5	2.0	1.6
Holdings in collective investment schemes	-	-	-	-	-
	106.6	89.6	3.0	2.0	12.0
Level 3					
Derivatives	0.1	0.1	-	-	-
Special Investment Fund (QAIF)	(0.1)	(0.1)	-	-	-
Special Investment Fund (UCITS)	-	-	-	-	-
	-	-	-	-	-
	221.3	**203.1**	**3.9**	**2.3**	**12.0**

At 31 December 2018	**Total $**	**Less than 1 year $**	**1 to 2 years $**	**2 to 3 years $**	**More than 3 years $**
Level 1					
Equities	-	-	-	-	-
Debt securities and other fixed income securities	3.9	3.9	-	-	-
Special Investment Fund (QAIF)	-	-	-	-	-
Special Investment Fund (UCITS)	35.9	35.9	-	-	-
Overseas deposits	7.4	2.1	3.2	1.3	0.8
	47.2	41.9	3.2	1.3	0.8
Level 2					
Equities	-	-	-	-	-
Debt securities and other fixed income securities	122.3	2.8	111.8	-	7.7
Special Investment Fund (QAIF)	-	-	-	-	-
Special Investment Fund (UCITS)	126.5	2.5	116.0	-	8.0
Derivatives	(0.3)	(0.3)	-	-	-
Overseas deposits	2.5	0.6	0.6	0.6	0.7
Holdings in collective investment schemes	6.1	-	-	-	-
	257.1	5.6	228.4	0.6	**16.4**
Level 3					
Derivatives	0.6	0.6	-	-	-
Special Investment Fund (QAIF)	-	-	-	-	-
Special Investment Fund (UCITS)	0.6	0.6	-	-	-
	1.2	1.2	-	-	-
	305.5	**48.7**	**231.6**	**1.9**	**17.2**

Level 3 investment movements are summarised as follows:

	2019 $	**2018 $**
Balance at 1 January	1.2	21.9
Purchase of investments	-	0.6
Sales of investments	(0.7)	(20.0)
Loss recognised in the income statement	(0.5)	(1.3)
Balance at 31 December	-	**1.2**

NOTES TO THE FINANCIAL STATEMENTS

7. Financial Risk Management (continued)

iii) Interest rate risk

The table below sets out the sensitivity of the Company's fixed income portfolio to unexpected changes in interest rates.

Change in Interest rates (Basis points)	$
+200	(4.5)
+100	(2.4)
-100	2.9
-200	6.2

iv) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The Company monitors its liquidity needs through daily monitoring and monthly cash flow forecasts. The following table presents the Syndicate's liabilities that are measured at fair value, together with an analysis of when they fall due.

At 31 December 2019	Total $	Less than 1 year $	1 to 2 Years $	2 to 3 Years $	More than 3 years $
Derivatives	0.6	0.6	-	-	-
Claims Outstanding	250.1	88.0	42.8	28.4	90.9
Creditors	16.3	13.9	0.7	0.4	1.3
Other	158.2	-	-	-	158.2
	425.2	**102.5**	**43.5**	**28.8**	**250.4**

At 31 December 2018	Total $	Less than 1 year $	1 to 2 Years $	2 to 3 Years $	More than 3 years $
Derivatives	0.3	0.3	-	-	-
Claims Outstanding	362.2	132.6	114.6	50.8	64.1
2Creditors	37.0	37.0	-	-	-
Other	212.6	-	-	-	212.6
	612.1	**169.9**	**114.6**	**50.8**	**276.7**

v) Credit risk

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

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

7. Financial Risk Management (continued)

The tables below summarise the assets subject to credit risk by Standard & Poors (S&P) credit rating or equivalent where no S&P rating is available.

At 31 December 2019	**AAA** **$**	**AA** **$**	**A** **$**	**BBB** **$**	**Below BBB** **$**	**Not Rated** **$**	**Total** **$**
Debt securities and other fixed income securities	106.6	0.0	9.9	23.1	0.0	0.0	139.6
Investment pools	-	-	-	-	-	-	-
Special Investment Fund (QAIF)	-	1.4	-	-	-	70.0	71.4
Overseas deposits	5.8	1.1	1.1	0.5	0.3	1.2	10.0
Other investments	-	-	-	-	-	0.4	0.4
Reinsurers' share of claims outstanding	-	-	100.6	-	-	2.3	102.9
Other debtors	-	-	-	-	-	48.8	48.8
Cash at bank, deposit institutions and in hand	20.0	3.5	54.6	-	-	-	78.1
Total	132.4	6.0	166.2	23.6	0.3	122.7	451.2

At 31 December 2018	**AAA** **$**	**AA** **$**	**A** **$**	**BBB** **$**	**Below BBB** **$**	**Not Rated** **$**	**Total** **$**
Debt securities and other fixed income securities	89.9	-	16.0	20.2	-	-	126.1
Investment pools	-	-	-	-	-	6.1	6.1
Special Investment Fund (UCITS)	105.7	12.2	17.1	21.0	-	7.0	163.0
Overseas deposits	5.5	1.1	1.0	0.5	0.5	1.3	9.9
Other investments	-	-	-	-	-	0.3	0.3
Reinsurers' share of claims outstanding	-	-	146.0	-	-	4.6	150.6
Other debtors	-	-	-	-	-	8.6	8.6
Cash at bank, deposit institutions and in hand	11.2	13.4	15.8	-	-	-	40.4
Total	212.3	26.7	195.9	41.7	0.5	27.9	505.0

Collateral is provided to the Company as security over reinsurance recoverable balances due from some reinsurers. At 31 December 2019, $20.0 (2018: Nil) was available to the Company.

Debtors arising from insurance and reinsurance operations comprise premiums due from insureds and reinsureds, but not paid at 31 December 2019. The balance includes reinstatement premiums due on losses, which will be collected when the associated claims are paid.

8. Profit (loss) before tax

Profit (loss) is stated after charging:

	2019 **$**	**2018** **$**
Audit fees payable to the Company's auditors	0.0	0.2

In accordance with SI 2008/489 the Company has not disclosed the fees payable to the Company's auditors for 'Other services' as this information is included in Advent's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

9. Investment income

	2019 $	2018 $
Investment expense		
Income from financial investments	4.8	10.4
Gains on the realisation of investments	0.3	36.6
Losses on the realisation of investments	(6.3)	(59.5)
	(1.2)	(12.5)
Investment expenses and charges		
Investment management expenses	(0.3)	(0.9)
	(0.3)	(0.9)
Unrealised gains on investments	9.0	1.4
Unrealised losses on investments	(0.5)	(14.2)
	8.5	(12.8)
Total investment return	**7.0**	**(26.2)**

10. Net Operating Expenses

	2019 $	2018 $
Acquisition costs	2.8	45.3
Change in deferred acquisition costs	15.2	1.8
Administrative expenses	7.3	35.8
	25.3	82.9

11. Other Income

	2019 $	2018 $
FAL fee from RCCL	3.7	-
Write off payable due to ACH	43.0	-
(Loss) / profit on exchange	(2.5)	3.1
	44.2	3.1

12. Employees & Directors

The Company does not have any employees (2018: Nil).

No emoluments were paid by RiverStone Corporate Capital to any Directors or other key management personnel during the year (2018: nil). The emoluments of the Directors and other key management personnel are paid by an associated company, RiverStone Management Limited. The services of the Directors and other key management personnel to RiverStone Corporate Capital are incidental and their emoluments are deemed to be wholly attributable to their services to other group companies. Accordingly, no disclosure of emoluments has been made in these financial statements.

13. Tax provision

	2019 $	2018 $
Tax expense included in profit and loss		
Current tax:		
Profit (loss) multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	3.6	(9.2)
Effects of:		
Results not yet taxed	(3.0)	3.9
Effect of transfer pricing adjustment	(1.1)	(1.0)
Other adjustments	(5.4)	(2.3)
Prior years' adjustment	(3.1)	(5.6)
Write off US Tax	1.2	-
Loss carry back	-	5.8
Total current tax	**(7.8)**	**(7.6)**
Deferred tax:		
Origination and reversal of timing difference	9.1	(2.1)
Effect of tax rate change on opening balance	-	-
Prior years' adjustment	-	0.3
Total deferred tax	**9.1**	**(1.8)**
Tax on profit (loss)	**1.3**	**(9.4)**

Factors that may affect future tax charges

Deferred tax is provided on the annually accounted technical result of each underwriting YOA. A deferred tax asset is only recognised where forecasts show that the taxable loss will be utilised in the foreseeable future.

The Company incurs US tax on its share of the Syndicate's deemed US underwriting profits. This tax is recoverable to the extent that UK tax arises on taxable Syndicate profits for the appropriate years of account (YOA). Some US tax incurred will be irrecoverable due to the differences between UK and US tax rates and the timing of US and UK syndicate profits for tax purposes.

During the year US Tax of $1.1 (2018: Nil) was received as a repayment from the US Tax authorities, subsequent to this $1.2 (2018: Nil) of US Tax was written off due to the reassessment of the amount recoverable from the US Tax authorities.

Deferred tax is provided on the technical account in respect of open YOA which remain undistributed at 31 December 2019, namely the 2017 and 2018 YOA. As the functional currency of the Company is US dollars, the assets/liabilities provided are based on the dollar reported value of the open YOA result. As final distribution of the relevant years of account will be determined in Sterling, the ultimate taxation liability of open YOA may therefore change as a result of valuation changes between US dollar and Sterling in the interim period.

Deferred tax has been calculated on balances expected to reverse at 17%. Legislation amending the Finance Bill 2016 to reverse proposed reductions to the UK corporation tax rate from 19% to 17% are anticipated to be enacted in March 2020.

14. Called up share capital

	2019 $	2018 $
Allotted and fully paid		
200,001 (2018: 200,001) Ordinary shares of $0.40 each	0.1	0.1

15. Related parties and parent Company

The immediate parent undertaking is Advent Capital (Holdings) Ltd (Advent). Advent is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The consolidated financial statements of Advent can be obtained from 2nd Floor, 2 Minster Court, Mincing Lane, London EC3R 7BB.

The ultimate parent undertaking and controlling party is Fairfax Financial Holdings Limited (Fairfax), a Company incorporated in Canada. Fairfax is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of Fairfax are available from 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7.

The Company has carried out transactions with fellow subsidiaries of Fairfax during the year. Inwards reinsurance premiums from related parties are set out below.

15. Related parties and parent Company (continued)

	2019	2018
	$	$
Zenith National Insurance Corp.	-	0.3
Brit Syndicate 2987	-	0.1
Crum and Forster Insurance Company	-	0.3
Hudson Insurance Group	0.1	1.0
	0.1	**1.7**

Ceded outwards reinsurance premiums and related reinsurance recoveries to and from related parties are set out in the table below.

	Reinsurance Premiums		Reinsurance Recoveries	
	2019	2018	2019	2018
	$	$	$	$
Wentworth Insurance Company Limited	3.3	96.7	8.4	80.6
Polskie Towarzystwo Reasekuracji S.A (Polish Re)	-	-	-	(0.1)
Odyssey Re holding Corp	0.1	0.1	(0.7)	(1.9)
Allied World Assurance Company Holdings, GmbH	0.2	1.2	0.5	-
Riverstone Insurance UK Limited	-	-	-	(0.1)
Brit Re (Bermuda)	26.2	-	8.9	-
Crum and Forster Insurance Company	1.3	34.2	13.5	31.0
	31.1	**132.2**	**30.6**	**109.5**

The Company paid investment management fees to HWIC of $0.3 (2018: $0.9).

16. Subsequent Events

On 20 December 2019, Fairfax entered into an agreement to sell a 40% equity interest in its wholly owned European Run-off group to Ontario Municipal Employees Retirement System ("OMERS"), the pension plan manager for government employees in the province of Ontario. The European Run-off group includes the Company and its immediate part ACH. Upon completion of the transaction, OMERS and Fairfax will have joint control of the European Run-off group. Accordingly, Fairfax will deconsolidate the European Run-off group from its Run-off reporting segment and apply the equity method of accounting for its remaining equity interest. The transaction is subject to regulatory approval and is expected to close in the first quarter of 2020.