Brit Limited
Interim Report 2021

BRIT
writing the future

Contents

Key points

A STRONG UNDERWRITING AND INVESTMENT RESULT

- Gross written premiums of US$1,464.4m (H1 2020: US$1,282.5m), a 14.2% increase (11.7% at constant FX rates).
- Risk adjusted premium rates increases of 10.2% (H1 2020: 8.2%). Premium rate increases since 1 January 2018 of 30.4%.
- Net earned premium[1] of US$883.3m (H1 2020: US$818.1m), an increase of 5.7% at constant FX rates.
- Attritional ratio of 49.9%, an improvement of 2.1pps (H1 2020: 52.0%), with most classes showing a strong underlying performance.
- Combined ratio[1,2] of 94.6% (H1 2020: 106.7%), including 1.3pps of COVID-19 related losses (H1 2020: 15.7pps), 8.8pps of other major losses (H1 2020: 3.5pps) and reserve releases of (4.7)pps (H1 2020: (4.2)pps).
- Operating profit before the impact of FX and tax of US$212.5m (H1 2020: loss of US$205.3m).
- Profit after tax of US$204.3m (H1 2020: loss of US$227.4m).
- RoNTA[8] (non-annualised) of 15.5% (H1 2020: -16.4%) and total value created of US$216.9m (H1 2020: -US$227.3m).
- Return on invested assets[3] after fees of US$168.9m for H1 2021, representing a non-annualised return of 3.4% (H1 2020: -US$120.3m/-2.9%).
- Balance sheet remains strong: Adjusted net tangible assets[6] of US$1,654.3m (31 December 2020: US$1,436.8m).
- Strong capital ratio[10] of 148.5% (2020: 122.1%). Capital surplus increased by US$347.9m to US$688.9m (2020: US$341.0m)
- Very successful first six months of trading for Ki.
- Continued implementation of our strategy, including restructuring of our US operations and new product launches including the Keel Marine Consortium.

The footnotes referred to above appear on page 4.

Brit at a Glance

Brit is a market leader in global specialty insurance and reinsurance. We underwrite across a broad class of commercial insurance with a strong focus on property, casualty and energy business. 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 we 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 six months ended 30 June 2021, published on 29 July 2021, includes the Brit financial result.

Disclaimer

Interim Management Report

Officer statements

I am pleased to report a very positive first half of 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 every aspect of life, the progression of our business is testament to the dedication of our people and the unique culture we have created at Brit.

2021 has continued to deliver strong risk adjusted rate increases with 10.2% achieved so far in 2021. Cumulative rate increases since 1 January 2018 now stand at 30.4%.

Our strategy delivered a strong combined ratio for the period of 94.6%. This reflected the combination of a healthy attritional ratio, robust prior year reserve releases and increased income from our third party capital management and MGA businesses, partly offset by the impact of the Texas winter storms and COVID-19 loss activity.

I am also pleased that, alongside delivering a strong underwriting result, we were able to grow our premium written by 11.7% at constant exchange rates, to US$1,464.4m. We have continued to see 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.

Embracing the potential of data and technology will be pivotal 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 six months of trading, 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, which now has over 1,000 active users. Ki has also developed and released its first broker API, which allows partner brokers to integrate seamlessly with Ki's algorithm to obtain quotes within their own broking platform. This will further accelerate access to Ki's capacity.

During the period, we have combined our US operations to create a single operation under the Ambridge brand. It will operate as a global MGA, managing over US$550m of premium in the US and internationally. The rationale for bringing our businesses together was compelling, allowing an increased focus on underwriting profit and fee generation. Our clients will benefit from the well recognised Ambridge MGA model giving them better access to products and enhanced service, and our underwriting teams will be better able to capitalise on business opportunities.

Our client service capabilities and delivering a best-in-class claims service is an important focus. We have continued to support our clients when they need it most, with innovation at the heart of our Claims approach, including launching Brit Direct Pay, the first direct to bank card 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.

During the first half we made a number of important appointments. We welcomed Gavin Wilkinson as CFO, taking over from Mark Allan who is now focussed on his Ki CEO and Brit Executive Director roles. We also appointed Wayne Page as our first Head of Inclusion and Diversity, who will act as custodian of Brit's I&D vision and will work to deliver expert advice and guidance on I&D matters, while developing and implementing policies, practices and action plans.

Further progress has been made in developing our ESG strategy. We are assessing our underwriting portfolio on an industry by industry basis and are undertaking work to build a framework across our Underwriting, Investments and Operations functions. We are fully supportive of Lloyd's ESG strategy.

Looking ahead to the remainder of 2021, uncertainty still surrounds COVID-19, including the short term impact from the easing of government restrictions, the longer term effectiveness of vaccination programmes and the economic consequences of the measures taken by governments. Insurance markets also face other challenges such as the potential of increased frequency and severity of major loss events and political and economic uncertainty. However, strong compound rate rises, a continued improvement in our attritional claims ratio and our clear strategy gives us continued optimism and positions us well to respond to the opportunities and challenges ahead.

Matthew Wilson
Group Chief Executive Officer
28 July 2021

After a challenging 2020, it is pleasing to report a strong first half result, reflecting the continued commitment of all our staff and the support of our shareholder, Fairfax. During the first half of 2021, Brit delivered a profit on ordinary activities before FX and tax of US$212.5m and a profit after tax of US$204.3m. Our return on net tangible assets was 15.5% non-annualised.

Underwriting contributed US$43.6m to the result, with a combined ratio of 94.6%. The attritional ratio for the period improved by 2.1pps to 49.9%, reflecting good underwriting discipline, rigorous risk selection, and healthy compound rate increases.

Major losses of US$93.0m contributed 10.1pps to the combined ratio, comprising the Texas winter storms (US$81.5m) and COVID-19 related losses (US$11.5m). It is pleasing to see the limited impact of COVID-19 related claims on our 2021 performance but wider uncertainty still remains.

We have maintained our long-standing track record of prior year reserve releases. As part of our quarterly reserving process, we released US$41.4m, the equivalent of a combined ratio reduction of 4.7pps. 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 a small reduction in our 2020 COVID-19 related losses estimates.

Our investment return was an excellent US$168.9m (net of fees), providing a non-annualised return of 3.4%. This was driven by the strong performance across our main equity and fund portfolios as markets responded to additional stimulus measures and vaccine rollouts, and our cash and fixed income portfolio also generated positive returns.

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 the period, we sold two subsidiaries, the Commonwealth Insurance Company of America and Scion Underwriting Services, realising a gain of US$22.0m. Brit founded Scion, a US casualty MGA, in 2018 and it has grown to over US$80m of premium in three years. Brit will continue to provide lead capacity to Scion and as such will retain a strong coverholder relationship with the team going forward.

Our balance sheet remains strong, with adjusted net tangible assets increasing to US$1,654.3m (31 December 2020: US$1,436.8m). As a result, we hold a surplus of US$688.9m or 48.5% over the Group's management capital requirement. During the period, our capital requirements decreased from US$1,540.3m to US$1,419.4m, primarily reflecting movements in interest rates.

Our investment portfolio remains conservatively positioned, with a large allocation to cash and cash equivalents (US$1,007.3m or 19.7%) and fixed income securities (US$3,224.8m or 63.2%). Brit's equity allocation stands at US$800.0m, or 15.7%. At 30 June 2021, 78.1% of our invested assets were investment grade and the duration of the portfolio was 1.6 years.

We have seen some positive market developments in the first half of 2021. However, the world faces ongoing uncertainty, challenges arising from the pandemic, and the insurance market continues to evolve. 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
28 July 2021

Performance summary and Key performance indicators

	6 months ended 30 June 2021 US$m	6 months ended 30 June 2020 US$m	Year ended 31 December 2020 US$m
Performance summary			
Gross written premium	**1,464.4**	1,282.5	2,424.4
Net earned premium[1]	**883.3**	818.1	1,713.9
Underwriting result[1]			
Attributable to owners of the parent [2]	**47.0**	(58.7)	(215.0)
Attributable to third party investors and non-controlling interests	**(3.4)**	3.0	5.5
Reported underwriting result	**43.6**	(55.7)	(209.5)
Return on invested assets, net of fees[3]	**168.9**	(120.3)	45.5
Gain on deconsolidation of subsidiaries	**19.8**	-	-
Corporate expenses	**(22.4)**	(1.4)	(23.6)
Finance costs	**(8.8)**	(11.7)	(23.6)
Other items[4]	**11.4**	(16.2)	(22.5)
Profit/(loss) on ordinary activities before FX movements and tax	**212.5**	(205.3)	(233.7)
FX movements[5]	**(15.2)**	(12.2)	3.2
Profit/(loss) on ordinary activities before tax	**197.3**	(217.5)	(230.5)
Tax	**7.0**	(9.9)	(1.5)
Profit/(loss) for the period (after tax)	**204.3**	(227.4)	(232.0)
Attributable to:			
Owners of the parent	**207.3**	(227.4)	(229.3)
Non-controlling interests	**(3.0)**	-	(2.7)
Profit/(loss) for the period	**204.3**	(227.4)	(232.0)
Adjusted net tangible assets[6]	**1,654.3**	1,102.5	1,436.8
Key performance indicators[7]			
Return on net tangible assets before FX movements (RoNTA)[8,9]	**15.5%**	(16.4)%	(19.6)%
Total value created	**US$216.9m**	US$(227.3)m	US$(217.0)m
Combined ratio[1,2]	**94.6%**	106.7%	112.6%
Investment return (net of external investment related expenses)[9]	**3.4%**	(2.9)%	1.0%
Capital ratio[10]	**148.5%**	104.4%	122.1%

1 Excludes the effect of foreign exchange on non-monetary items.
2 Excludes underwriting related amounts attributable to third party underwriting capital providers and non-controlling interests. Comparative figures have been represented on this basis.
3 Inclusive of return on investment related derivatives, return on associates and after deducting investment management expenses.
4 Other items include '(Losses)/gains on other financial liabilities.
5 Includes the effect of foreign exchange on monetary items (US$6.3m) and foreign exchange on non-monetary items (US$(4.4)m). It also includes the return on FX related derivatives (US$(17.1)m).
6 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.
7 Reconciliations of Key Performance Indicators to the Financial Statements are set out on page 45.
8 RoNTA calculation excludes all FX movements (footnote 5). Based on adjusted net tangible assets (footnote 6).
9 The 30 June figures are non-annualised.
10 Excess of capital resources over management entity capital requirements, as a percentage of management entity capital requirements (page 48).

Overview of Results

Brit Limited's ('Brit' or 'the Group') result for the six months ended 30 June 2021 reflects a good attritional performance, strong back year reserve releases, a solid investment performance and gains on disposal of subsidiaries, partly offset by 2021 major loss activity, continued COVID-19 related losses and FX movements.

Brit continued to benefit from strong market conditions. We achieved risk adjusted rate increases of 10.2%, driven by the market's reaction to COVID-19 related claims, natural catastrophe losses, class underperformance and pressure on liability lines fuelled by social inflation, ransomware claims and the low interest rate environment. This gives a total overall increase since 1 January 2018 of 30.4%. In this positive rate environment, we continued to grow our written premium to US$1,464.4m (2020: US$1,282.5m), an increase of 14.2%, or 11.7% at constant rates of exchange.

The result on ordinary activities before FX movements and tax for the six month period was a profit of US$212.5m (30 June 2020: loss of US$205.3m; 31 December 2020: loss of US$233.7m), profit before tax was US$197.3m (30 June 2020: loss of US$217.5m; 31 December 2020: loss of US$230.5m) and profit after tax was US$204.3m (30 June 2020: loss of US$227.4m; 31 December 2020: loss of US$232.0m).

The combined ratio (CoR), our key underwriting metric, for the six months ended 30 June 2021 was 94.6% (30 June 2020: 106.7%; 31 December 2020: 112.6%). The attritional loss ratio was 49.9% (30 June 2020: 52.0%; 31 December 2020: 52.6%), reflecting underwriting discipline, rigorous risk selection and the impact of rates on earned premium.

Major loss activity during the period totalled US$93.0m or 10.1 percentage points (pps) of the combined ratio (30 June 2020: US$156.2m or 19.2pps; 31 December 2020: US$404.8m or 23.7pps), while reserve releases of US$41.4m reduced the ratio by 4.7pps (30 June 2020: US$34.9m/4.2pps; 31 December 2020: US$63.4m/3.6pps). Underwriting related fee income totalled US$25.2m, reducing the ratio by 2.9pps (30 June 2020: US$10.2m/1.3pps; 31 December 2020: US$29.7m/1.7pps).

Non-annualised return on net tangible assets (RoNTA), excluding the effects of FX, was 15.5% (30 June 2020: (16.4)%; 31 December 2020: (19.6)%).

Our investment return net of fees was a strong US$168.9m or 3.4% (non-annualised) (30 June 2020: loss of US$120.3m/(2.9%); 31 December 2020: gain of US$45.5m/1.0%), with equities, funds and fixed income each contributing to the return.

Foreign exchange losses, net of returns on FX related derivatives, were US$15.2m (30 June 2020: losses of US$12.2m; 31 December 2020: gains of US$3.2m).

Our balance sheet remains strong. Adjusted net tangible assets at 30 June 2021 totalled US$1,654.3m (30 June 2020: US$1,102.5m; 31 December 2020: US$1,436.8m) and our group total capital resources at 30 June 2021 totalled US$2,108.3m (30 June 2020: US$1,518.1m; 31 December 2020: US$1,881.3m). The increase since 31 December 2020 reflects the result for the period.

At 30 June 2021, we had a management capital surplus of US$688.9m or 48.5% (30 June 2020: US$64.1m/4.4%; 31 December 2020: US$341.0m/22.1%) over our Group management capital requirement of US$1,419.4m (30 June 2020: US$1,454.0m; 31 December 2020: US$1,540.3m). During the period, the reduction in requirements primarily reflected the movement in interest rates.

Outlook

Significant uncertainty still surrounds COVID-19, including the short term impact of the easing of government restrictions and the longer term effectiveness of vaccination programmes. We also face the consequences of the measures taken by governments driving yields down to record lows and the likely impact on the economy, with recessionary and inflationary risks heightened.

The industry also faces other challenges, including the potential of increased frequency and magnitude of major loss events, the pressures of social inflation, excess capacity, the cost of doing business in the London Market, and increased competition from local carriers in some markets, together with political and economic challenges.

However, against this backdrop there are a number of indicators to give us cause for optimism. We have continued our strong momentum into 2021 with rate increases over 10%, compounding on previous years to result in very attractive pricing conditions in many areas. We have also seen the withdrawal of capacity in the market from certain classes and a continued improvement in our attritional claims ratio. In this environment, our clear strategy of embracing data driven disciplined underwriting, and rigorous risk selection, coupled with innovative capital management and underwriting solutions and investment in distribution, gives us continued optimism and positions us well to respond to the opportunities and challenges ahead.

Underwriting

Overview

Our underwriting result for the period, attributable to owners of Brit Limited, was a profit of US$47.0m (30 June 2020: loss of US$58.7m; 31 December 2020: loss of US$215.0m) and our reported underwriting result was a profit of US$43.6m (30 June 2020: loss of US$55.7m; 31 December 2020: loss of US$209.5m). Our combined ratio was 94.6% (30 June 2020: 106.7%; 31 December 2020: 112.6%).

The premiums, claims, fee income and expenses components of this result are examined below.

Premiums

	6 months ended 30 June 2021 US$m	**6 months ended 30 June 2020 (Restated)[2] US$m**	**Increase %**	**Increase at constant FX rates %**
London Direct	**742.6**	694.0	7.0	3.8
London Reinsurance	**369.1**	352.4	4.7	2.9
Overseas Distribution	**185.5**	192.2	(3.5)	(3.5)
Ki	**114.2**	-	-	-
Discontinued underwriting	**2.0**	4.4	(54.5)	(55.6)
Other underwriting[1]	**51.0**	39.5	29.1	26.3
Group	**1,464.4**	1,282.5	14.2	11.7

1 'Other' comprises premium written by Brit Reinsurance (Bermuda) Limited, the Group's special purpose vehicles (including premium attributable to third party underwriting capital providers) and Brit's share of Syndicate 2988, less adjustments in respect of intra-group trading.
2 The 2020 analysis has been re-analysed to reflect the underwriting class monitoring structure introduced in 2021.

2021 continues to deliver strong rate increases. In the 6 months ended 30 June 2021, we achieved a risk adjusted rate change (RARC) of 10.2% (30 June 2020: 8.2%; 31 December 2020: 10.6%), giving total overall RARC since 1 January 2018 of 30.4%. All divisions contributed to the increase, with the most significant increases experienced in Professional Lines, Ambridge Specialty Casualty, Financial Lines, Property Open Market, and Marine.

In the period we continued to grow our business in this increasingly favourable rating environment. Gross written premium (GWP) for the six months ended 30 June 2021 increased by 14.2% to US$1,464.4m (30 June 2020: US$1,282.5m; 31 December 2020: US$2,424.4m). At constant exchange rates the increase was 11.7%. London Direct business totalled US$742.6m (30 June 2020: US$694.0m; 31 December 2020: US$1,411.6m), London Reinsurance US$369.1m (30 June 2020: US$352.4m; 31 December 2020: US$479.2m), Overseas Distribution US$185.5m (30 June 2020: US$192.2m; 31 December 2020: US$437.6m), Ki US$114.2m (30 June 2020: US$nil; 31 December 2020: US$nil), and other underwriting US$51.0m (30 June 2020: US$39.5m; 31 December 2020: US$91.0m).

The key drivers of the increase between the six months ended 30 June 2020 and 30 June 2021 are explained further below:

- Current year premiums in our core book have increased by US$172.5m, reflecting targeted growth in London Direct and London Reinsurance. We continue to focus on measured growth across our high performing segments, with Financial and Professional Liability growing by US$39.1m, Property Treaty by US$26.6m, Specialty by US$15.0m, Programs and Facilities by US$11.1m, Ambridge by US$9.0m and Property by US$6.2m). In its six months of underwriting, Ki succeeded in generating US$114.2m of premium. This growth was partly offset by planned contractions across a number of non-performing classes.

- Prior year premium development, while still favourable, was US$19.1m lower than in H1 2020.

- A favourable exchange rate movement effect of US$28.5m, reflecting the movements during 2021 of the US dollar against a number of currencies in which the Group writes business.

The Group retention rate for the period was 79.1% (30 June 2020: 75.2%; 31 December 2020: 76.1%), reflecting active portfolio management, the continued focus on our core accounts and our strong market proposition.

Outwards reinsurance

Reinsurance expenditure in the six months ended 30 June 2021 was US$600.0m or 41.0% of GWP (30 June 2020: US$416.2m/32.5%; 31 December 2020: US$648.8m/26.8%).

During the period, Brit entered into a four year excess of loss contact with a segregated cell of Sussex UK PCC Limited for a premium of US$93.0m. This excess of loss contract is supported by the Brit-sponsored Catastrophe Bond issued by the segregated cell in late 2020. The four year premium is reflected in the amount ceded to reinsurers in the period, thereby having a distortional effect on that figure and on net written premium. This ceded premium will be earned over the four year period of cover.

The remining increase is driven by the impact of higher premium levels on adjustable excess of loss contracts and proportional reinsurance treaties, the purchase of protections for Ki and the purchase of increased protection for the growing Cyber account.

Net earned premium

Net earned premium (NEP) excluding the effects of foreign exchange on non-monetary items, increased by 8.0% to US$883.3m (30 June 2020: US$818.1m; 31 December 2020: US$1,713.9m). At constant exchange rates, the movement was an increase of 5.7%.

This was predominantly driven by premium growth in both our London Direct and London Reinsurance portfolios, as we continue to pursue growth in our most profitable segments. Ki, in its first period of underwriting, generated US$25.5m of net earned premium. These increases were partially offset by reductions in certain direct classes, reflecting the decision to exit areas of underperforming business.

Claims

The claims ratio excluding the effect of foreign exchange on non-monetary items was 55.3% (30 June 2020: 67.0%; 31 December 2020: 72.6%).

Claims ratio analysis[1]	**6 months ended 30 June 2021 %**	**6 months ended 30 June 2020 %**	**Year ended 31 December 2020 %**
Attritional claims ratio	**49.9**	52.0	52.6
Major loss ratio	**10.1**	19.2	23.7
Reserve release ratio	**(4.7)**	(4.2)	(3.6)
Claims ratio	**55.3**	67.0	72.6

1 Excludes amounts attributable to third party underwriting capital providers.

The attritional claims ratio for the period improved by 2.1pps to 49.9% (30 June 2020: 52.0%; 31 December 2020: 52.6%). This improvement arose from a number of factors including underwriting discipline, rigorous risk selection, and rate increases.

Major losses totalled US$93.0m or 10.1 claims ratio percentage points (30 June 2020: US$156.2m or 19.2 claims ratio percentage points; 31 December 2020: US$404.8m or 23.7 claims ratio percentage points). They consisted of the Texas winter storms (US$81.5m) and COVID-19 related losses (US$11.5m). The COVID-19 losses related predominantly impacted our Contingency (Event Cancellation) and Casualty Treaty books and relate to 2021 year events.

We have maintained our long-standing track record of prior year reserve releases. As part of our quarterly reserving process, we released US$41.4m of claims reserves established for prior year claims, the equivalent of a combined ratio reduction of 4.7pps (30 June 2020: US$34.9m/4.2pps; 31 December 2020: US$63.4m/3.6pps). These releases reflect attritional ratio improvements reflecting increased certainty across a number of portfolios as exposure earns out across a number of segments in the London Direct (principally Property, Programs & Facilities, Specialty and Ambridge) and London Reinsurance (Casualty Treaty) portfolios. There have also been overall net loss estimate reductions on the 2017 to 2020 catastrophe events, with releases in respect of the 2018 California wildfires and Typhoons Jebi, Faxai and Hagibis, partly offset by an increase in Hurricane Laura. There has also been a small reduction in estimates for 2020 COVID-19 related losses.

Underwriting expenses

The expense ratio excluding the effect of foreign exchange on non-monetary items was 39.3% (30 June 2020: 39.7%; 31 December 2020: 40.0%). This comprised commission costs, underwriting related operating expenses and the effect of other underwriting income:

- Commission costs: Commission costs for the period, excluding the effect of foreign exchange on non-monetary items, were US$228.4m and the commission expense ratio improved by 0.3pps to 25.9% (30 June 2020: US$213.3m/26.2%; 31 December 2020: US$454.3m/26.6%). This improvement in the ratio was largely due to changes in business mix.
- Operating expenses: The operating expense ratio was, excluding the effect of foreign exchange on non-monetary items, 13.4% (30 June 2020: 13.5%; 31 December 2020: 13.4%). This comprised the following:

    - Underwriting related operating expenses for the period, excluding the effect of foreign exchange on non-monetary items, were US$145.3m and contributed 16.3pps to the operating expense ratio (30 June 2020: US$124.8m/15.3pps; 31 December 2020: US$259.7m/15.1pps). This increase reflects investment in initiatives in a strengthening underwriting environment.
    - Underwriting related fee income totalled US$25.2m, reducing the expense ratio by 2.9pps (30 June 2020: US$10.2m/1.3pps; 31 December 2020: US$29.7m/1.7pps). The improvement reflects increased business written by our MGA Ambridge Partners LLC, and increased third party fee income in respect of Syndicate 2988 and consortia. 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.

Expenses

Total operating expenses during the six months ended 30 June 2021 increased by 32.0% to US$166.9m (30 June 2020: US$126.4m; 31 December 2020: US$282.9m). At constant rates of exchange, the increase was 22.9%, reflecting that the majority of our expense base in Sterling. The main contributors to this increase were increased staff costs, reflecting headcount growth and the inclusion of a bonus accrual, and increased costs resulting from the launch of Ki.

At 30 June 2021, group headcount was 785 (30 June 2020: 727; 31 December 2020: 748). The increase is primarily due to the launch of Ki, targeted underwriting expansion in favourable market conditions, and the related growth of support functions. These were partly offset by reductions resulting from the withdrawal from certain classes of business.

The disclosure of operating expenses within the consolidated income statement is as follows:

Disclosure of operating expenses	**6 months ended 30 June 2021 US$m**	**6 months ended 30 June 2020 US$m**	**Year ended 31 December 2020 US$m**
Acquisition costs	**(77.0)**	(65.1)	(145.4)
Other insurance related expenses	**(67.5)**	(59.9)	(113.9)
Total insurance related expenses	**(144.5)**	(125.0)	(259.3)
Other operating expenses	**(22.4)**	(1.4)	(23.6)
Total operating expenses	**(166.9)**	(126.4)	(282.9)

The increased allocation to Other operating expenses primarily reflects increased project expenditure, increased Group incentive scheme costs and the and the inclusion of a non-underwriting bonus accrual.

(Losses)/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 the six months ended 30 June 2021, the income statement impact was a loss of US$0.1m (30 June 2020: gain of US$0.7m; 31 December 2020: loss of US$6.0m). Brit allocates these gains/losses to its underwriting result.

Return on invested assets

The aggregated return on invested assets (cash and cash equivalents, investments, investment related derivatives and associated undertakings), net of expenses, in H1 2021 was a strong US$168.9m or 3.4% (30 June 2020: negative return of US$120.3m/2.9%; 31 December 2020: positive return of US$45.5m/1.0%).

This was driven by strong returns across a number of asset classes, including equities (US$100.7m return), funds (US$67.2m return) and fixed income (US$5.4m return).

The Group's return on investments is analysed in the table below:

Investment return	**6 months ended 30 June 2021 US$m**	**6 months ended 30 June 2020 US$m**	**Year ended 31 December 2020 US$m**
Income	**30.7**	40.1	73.2
Realised (losses)/gains	**14.0**	18.0	7.5
Unrealised gains/(losses)	**128.7**	(160.8)	(11.6)
Investment return before fees	**173.4**	(102.7)	69.1
Investment management expenses	**(7.1)**	(5.8)	(12.6)
Investment return net of fees	**166.3**	(108.5)	56.5
Investment related derivative return	**1.7**	(13.0)	(13.9)
Third party investors share of investment return	**-**	-	0.9
Return on associated undertakings	**0.9**	1.2	2.0
Total return	**168.9**	(120.3)	45.5
Total return[1]	3.4%[1]	(2.9)%[1]	1.0%

1 30 June figures are non-annualised.

Our associated undertakings produced a return of US$0.9m (30 June 2020: US$1.2m; 31 December 2020: US$2.0m).

- 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 holds a 50% share, contributed US$0.3m to this return (30 June 2020: US$0.3m; 31 December 2020: US$1.0m); and
- Sutton Special Risk Inc., a leading Canada-based managing general underwriter specialising in Accident & Health business in which Brit holds a 49% share, contributed US$0.6m to this return (30 June 2020: US$0.9m; 31 December 2020: US$1.0m).

Invested assets (cash and cash equivalents, investments, investment related derivatives and associated undertakings) at 30 June 2021 totalled US$5,101.6m (30 June 2020: US$4,226.2m; 31 December 2020: US$4,857.1m). The Group's asset allocation, on a look-through basis, is set out in the table below:

Invested assets	**30 June 2021 US$m**	**30 June 2020 US$m**	**31 December 2020 US$m**
Government debt securities	**1,547.7**	1,486.8	1,842.2
Corporate debt securities	**1,677.1**	1,678.6	1,579.3
Structured products	**20.6**	14.6	18.7
Loan instruments	**39.2**	-	23.0
Equity securities	**800.0**	454.5	609.7
Cash and cash equivalents	**1,007.3**	589.1	781.3
Derivatives (net) (investment related)	**9.7**	2.6	2.9
Total invested assets	**5,101.6**	4,226.2	4,857.1

The portfolio remains consistently positioned, with a large allocation to cash and cash equivalents (US$1,007.3m/19.7%) and fixed income securities (US$3,224.8m/63.2%). Brit's equity allocation at 30 June 2021 was US$800.0m/15.7%.

At 30 June 2021, 78.1% of our invested assets were investment grade quality (30 June 2020: 84.4%; 31 December 2020: 83.7%) and the duration of the portfolio has been increased to 1.6 years (30 June 2020: 1.7 years; 31 December 2020: 1.45 years).

Gain on deconsolidation of subsidiaries

	30 June 2021 US$m	30 June 2020 US$m	31 December 2020 US$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 US$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 US$18.3m. Brit founded Scion, a US casualty MGA, in 2018 and it has grown to over US$80m of premium in three years. However, following the completion of the purchase of 100% of Ambridge and the subsequent restructuring of Brit Global Specialty USA (BGSU) under the Ambridge brand, together we felt that a sale of Scion to the Amynta Group 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.

- **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 US$2.2m.

Foreign exchange

Brit seeks to reduce the impact on our stakeholders of the effects of movements in foreign exchange rates by matching the currencies of our liabilities and capital requirements with the assets we hold. This can import some exchange rate related volatility into the income statement.

In H1 2021, we experienced a total foreign exchange loss of US$15.2m in the six months ended 30 June 2021 (30 June 2020: loss of US$12.2m; 31 December 2020: gain of US$3.2m), which comprised:

- An unrealised revaluation gain of US$6.3m (30 June 2020: loss of US$10.0m; 31 December 2020: loss of US$12.4m). This primarily related to losses arising from the mark to market of the capital we hold in non-US dollar currencies to match our risk exposures, partly offset by gains on currency trades;
- A loss of US$17.1m (30 June 2020: gain of US$1.0m; 31 December 2020: gain of US$12.8m) on derivative contracts which were entered into to help manage the Group's FX exposures; and
- An accounting loss of US$4.4m (30 June 2020: loss of US$3.2m; 31 December 2020: gain of US$2.8m), as a result of the IFRS requirement to recognise non-monetary assets and liabilities at historic exchange rates. This adjustment is essentially a timing difference. The adjustment for the six months ended 30 June 2021 includes the un-wind of the debit carried on the balance sheet at 31 December 2020.

The allocation of the FX result within the income statement is as follows:

Foreign exchange gains and (losses)	6 months ended 30 June 2021 US$m	6 months ended 30 June 2020 US$m	Year ended 31 December 2020 US$m
Net change in unearned premium provision - non-monetary FX effect	**(7.3)**	1.8	(3.2)
Acquisition costs - non-monetary FX effect	**3.4**	(0.9)	1.4
Net foreign exchange (losses)/gains - non-monetary[1]	**(0.5)**	(4.1)	4.6
Non-monetary - Total	**(4.4)**	(3.2)	2.8
Net foreign exchange losses - monetary[1]	**6.3**	(10.0)	(12.4)
Return on derivative contracts - FX related instruments	**(17.1)**	1.0	12.8
	(10.8)	(9.0)	0.4
Total (loss)/gain	**(15.2)**	(12.2)	3.2

1 The sum of these two amounts, US$5.8m, is the 'Net foreign exchange gains' figures per the condensed consolidated income statement.

Tax

Our tax on ordinary activities for the six months to 30 June 2021 resulted in a tax credit of US$7.0m (30 June 2020: charge of US$9.9m; 31 December 2020: charge of US$1.5m), based on a group profit before tax of US$197.3m (30 June 2020: loss of US$217.5m; 31 December 2020: loss of US$230.5m). This credit comprised a current tax charge of US$(7.0)m and a deferred tax credit of US$14.0m. 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, Australia, Germany and the US. 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 charged in those jurisdictions.

Balance sheet and capital strength

Brit Syndicates 2987 and 2988, and Ki Syndicate 1618's effective rating from trading through Lloyd's is A+ (Strong) from Standard and Poor's, AA- (Very Strong) from Fitch Ratings and A (Excellent) from A.M. Best.

We continue to maintain a strong financial position, a factor critical to the long-term success of an insurance business.

Adjusted net tangible assets at 30 June 2021 totalled US$1,654.3m (30 June 2020: US$1,102.5m; 31 December 2020: US$1,436.8m) and our group total capital resources at 30 June 2021 totalled US$2,108.3m (30 June 2020: US$1,518.1m; 31 December 2020: US$1,881.3m). The increase reflects the result for the period.

At 30 June 2021, we had a management capital surplus of US$688.9m or 48.5% (30 June 2020: US$64.1m/4.4%; 31 December 2020: US$341.0m/22.1%) over our Group management capital requirement of US$1,419.4m (30 June 2020: US$1,454.0m; 31 December 2020: US$1,540.3m). During the period, the decrease in requirements primarily reflected the movement in interest rates.

Brit has in place a US$450m revolving credit facility (RCF). On 8 July 2021 this facility was amended and extended by 24 months to 31 December 2025.

At 30 June 2021, drawings on the RCF were US$60.0m of cash and a US$130.0m uncollateralised letter of credit (LoC) (30 June 2020: US$140.0m cash drawings and US$80.0m uncollateralised LoC; 31 December 2020: US$130.0m cash drawings and US$130.0m uncollateralised LoC). At the date of this report, drawings on the RCF were US$70m of cash and the US$130.0m uncollateralised LoC.

In addition, we have in issue £135.0m of 3.6757% subordinated debt with a carrying value of £135.0m/ US$186.5m (30 June 2020: £134.0m/ US$165.6m; 31 December 2020: £135.0m/ US$184.5m). This instrument, which is listed on the London Stock Exchange, was issued in December 2005, matures in 2030.

At 30 June 2021, Brit's gearing ratio was 21.4% (30 June 2020: 30.4%; 31 December 2020: 28.0%).

Dividends

No dividends were paid or proposed during the period.

Business development

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

KI: Underwriting traction and continued development

In its first six months of trading, Ki, the first algorithmically driven Lloyd's of London syndicate, has gained excellent traction, with GWP recorded during the period of US$114.2m. It has had a very positive reception from its broking partners 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.

Working closely with its partner brokers, Ki has continued to update and enhance the platform, further streamlining the placement of risks. Enhanced by the launch of version two of its platform, Ki now has over 1,000 active users and is generating approximately 40 quotes per day.

Ki has also developed and released its first broker API. This transformative step will allow partner brokers to integrate digitally with Ki and create a totally seamless connection to Ki's algorithm to obtain quotes within their own broking platform. This will further accelerate access to Ki's capacity, providing straight-through processing of data and a fully integrated end-to-end quotation process between market participants at Lloyd's.

We were delighted that Ki won the Digital Insurance Award at the 2021 National Insurance Awards.

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 US$450m of premium in the US and a further US$110m 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.

Product innovation

During the period, we have continued to develop and launch new products.

- **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. It offers up to US$152.2m of capacity per risk. 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 very 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.

Development of Brit's ESG strategy

Lloyd's released their ESG statement in December 2020. This set out the intention to eliminate by 1 January 2022 new risks being written in the market in respect of coal-fired power plants, thermal coal mines, oil sands and arctic drilling, and the phasing out of existing risks by 2030. Brit is aligned to this strategy.

Brit is assessing its underwriting portfolio on an industry by industry basis and have appointed an ESG consultancy firm, to support us in constructing a framework across the Underwriting, Investments and Operations functions.

Inclusion and diversity

We have continued to focus on inclusion and diversity (I&D) initiatives.

In February we appointed our first Head of Inclusion & Diversity, who will act as custodian of Brit's I&D vision and will work to deliver expert advice and guidance on I&D matters, while developing and implementing policies, practices and action plans.

We have continued to focus on the 'Brit Outreach Program', aiming to raise aspirations for young people, particularly those in socially deprived and BAME communities, continued the development of the Brit 'People Forum', held unconscious bias training for all staff, and have introduced cultural and diversity leave in acknowledgement that not everyone celebrates the same festivals.

Senior appointments

On 10 May, Gavin Wilkinson joined as Group Chief Financial Officer from RSA. He was appointed a Director of Brit Limited on 28 July, following receipt of regulatory approval.

Risk management and principal risks

Risk Management Framework

Brit delivers shareholder value by actively seeking and accepting risk within agreed limits. Risk management within 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.
- **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 reflect 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.

The risk management team, led by the Chief Risk Officer (CRO), ensures that Brit operates within the risk tolerance level approved by the Board. This includes the assessment of the new strategic initiatives and principal risks and uncertainties faced by the business as detailed below. All Brit staff are involved in ensuring there is an appropriate culture which promotes the identification and management of risk.

The sections below set out the approach to risk governance, and the principal 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 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.

Principal risks

The RMF categorises the risks to Brit as follows:

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

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

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

Risk category	Risk	Description of risk
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 and 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

The Brit Group has continued 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 has caused a temporary shift from an office-based working environment to a remote working environment for all staff since 18 March 2020. Brit and its outsourced service providers have adapted well. Operational performance has generally been strong.

All key business services have continued to operate with no material impact from COVID-19. The investment in 2019 in Microsoft Office 365 and the decision to rollout laptops to all full-time employees has made working remotely relatively seamless. Underwriting can be managed through PPL, Whitespace and reinsurance trading platforms, and underwriting and claims staff contact details are available online or via the Brit App. The Claims team continues to service our policyholders in these challenging circumstances.

We immediately put in place support mechanisms 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 the operational risk profile has not identified any material concerns or failings.

In 2020, Marsh and Lockton rated Brit the number one carrier for services provided in the London Market, while AJG ranked us third in the London Market and Aon ranked us third out of 34 carriers.

- **Insurance risk**

In 2020, COVID-19 has 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 risks**

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. 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 30 June 2021, the Group has not seen a material increase in defaults but continues to monitor this closely.

- **Solvency and Liquidity risk**

As at 30 June, the Group held a surplus of US$688.9m over its management capital requirements.

Following the COVID-19 outbreak, the Group conducted stress testing of its underwriting subsidiaries' liquidity resources, in order to assess their ability to continue making claims payments as they fell due. This stress testing demonstrated their continued ability to access sufficient liquidity, even in severe stress scenarios. At 30 June 2021, the Group held US$2,555.0m of cash and short-dated government debt securities, and US$260.0m 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 30 June 2021, Brit was well within this threshold, with RCF drawings equating to 11.3% of consolidated net tangible assets (31 December 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.

Climate change specific tests and scenarios have been included in both ORSAs and Brit's Solvency II internal models. Brit is managing the risks associated with climate change in line with the RMF and is embracing the latest regulatory guidance. This will continue to be an area of management, Risk Committee and Board focus, with a multi-disciplinary Climate Change Risk Working Party having been set up to consider the financial risks associated with climate change.

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

United Kingdom's exit from the EU (Brexit)

Brit notes the Trade and Cooperation Agreement (TCA) between the UK and the EU, which governs the UK and EU's economic and trading relationship from 1 January 2021. Brit also notes the areas on which further agreement still needs to be reached, including financial services.

We have continued to work to minimise the impact of Brexit on Brit and our clients. While direct European Economic Area (EEA) business is not material for Brit, we have continued to monitor and evaluate the associated risks.

Brit has written direct EEA business via Lloyd's Europe for all risks incepting on or after 1 January 2019. The Belgian Financial Services and Markets Authority (FSMA) has requested changes to Lloyd's Europe's operating model to enable it to continue underwriting business on behalf of managing agents, including Brit, from 1 January 2022 onwards. Brit is taking an active role in designing and implementing an updated operating model to address the points raised by the FSMA. Changes to the operating model are not currently expected to have a material financial impact on Brit.

Ownership

Brit Limited's ultimate parent undertaking is Fairfax Financial Holdings Limited, a company registered in Canada. Fairfax Financial Holdings Limited is quoted on the Toronto Stock Exchange. As at the date of this report, the Fairfax Group owned 100.0% of Brit's ordinary shares.

Auditor review

This interim financial report has not been audited or reviewed by the Company's independent auditor.

Responsibility statement of the Directors in respect of the Interim Report

We confirm that to the best of our knowledge:

- The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU; and
- The interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year.

Matthew Wilson
Group Chief Executive Officer
28 July 2021

Condensed Consolidated Income Statement
For 6 months ended 30 June 2021

	Note	**Unaudited 6 months ended 30 June 2021 US$m**	Unaudited 6 months ended 30 June 2020 US$m	Audited Year ended 31 December 2020 US$m
Revenue				
Gross premiums written	5	**1,464.4**	1,282.5	2,424.4
Less premiums ceded to reinsurers	5	**(600.0)**	(416.2)	(648.8)
Premiums written, net of reinsurance		**864.4**	866.3	1,775.6
Gross amount of change in provision for unearned premiums		**(289.3)**	(188.5)	(52.2)
Reinsurers' share of change in provision for unearned premiums		**300.9**	142.1	(12.7)
Net change in provision for unearned premiums		**11.6**	(46.4)	(64.9)
Earned premiums, net of reinsurance	5	**876.0**	819.9	1,710.7
Investment return	6	**166.3**	(108.5)	56.5
Return on derivative contracts	7	**(15.4)**	(12.0)	(1.1)
Gains on deconsolidation of subsidiaries	8	**19.8**	-	-
Other income	9	**36.7**	(6.7)	14.1
(Losses)/gains on other financial liabilities	9	**(0.1)**	0.7	(6.0)
Net foreign exchange gains	10	**5.8**	-	-
Total revenue		**1,089.1**	693.4	1,774.2
Expenses				
Claims incurred:				
Claims paid:				
Gross amount		**(692.6)**	(660.1)	(1,326.8)
Reinsurers' share		**230.6**	187.6	391.4
Claims paid, net of reinsurance		**(462.0)**	(472.5)	(935.4)
Change in the provision for claims:				
Gross amount		**(6.4)**	(146.6)	(417.6)
Reinsurers' share		**(22.8)**	73.2	113.9
Net change in the provision for claims		**(29.2)**	(73.4)	(303.7)
Claims incurred, net of reinsurance	5	**(491.2)**	(545.9)	(1,239.1)
Acquisition costs	11	**(302.8)**	(279.1)	(598.7)
Other operating expenses	11	**(89.9)**	(61.3)	(137.5)
Net foreign exchange losses	10	**-**	(14.1)	(7.8)
Total expenses excluding finance costs		**(883.9)**	(900.4)	(1,983.1)
Operating profit/(loss)		**205.2**	(207.0)	(208.9)
Finance costs		**(8.8)**	(11.7)	(23.6)
Share of profit after tax of associated undertakings		**0.9**	1.2	2.0
Profit/(loss) on ordinary activities before tax		**197.3**	(217.5)	(230.5)
Tax credit/(expense)	12(a)	**7.0**	(9.9)	(1.5)
Profit/(loss) for the period		**204.3**	(227.4)	(232.0)

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

For 6 months ended 30 June 2021

	Note	**Unaudited 6 months ended 30 June 2021 US$m**	Unaudited 6 months ended 30 June 2020 US$m	Audited Year ended 31 December 2020 US$m
Profit/(loss) attributable to:				
Owners of the parent		**207.3**	(227.4)	(229.3)
Non-controlling interests		**(3.0)**	-	(2.7)
Profit/(loss) for the period		**204.3**	(227.4)	(232.0)
Other comprehensive income				
Items not to be reclassified to profit or loss in subsequent periods:				
Actuarial loss on defined benefit pension scheme		**-**	-	(5.5)
Deferred tax credit on actuarial gains on defined benefit pension scheme	12(b)	**-**	-	1.8
Retained earnings of liquidated subsidiaries		**-**	0.1	-
Items that may be reclassified to profit or loss in subsequent periods:				
Change in unrealised foreign currency translation gains/(losses) on foreign operations		**2.7**	(6.3)	2.3
Total other comprehensive income		**2.7**	(6.2)	(1.4)
Total comprehensive income recognised		**207.0**	(233.6)	(233.4)
Total comprehensive income attributable to:				
Owners of the parent		**210.0**	(233.6)	(230.7)
Non-controlling interests		**(3.0)**	-	(2.7)
Total comprehensive income recognised		**207.0**	(233.6)	(233.4)

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Note	**Unaudited 30 June 2021 US$m**	Unaudited 30 June 2020 US$m	Audited 31 December 2020 US$m
Assets				
Intangible assets		**179.8**	188.0	181.2
Property, plant and equipment		**60.2**	59.0	60.5
Deferred acquisition costs		**301.4**	270.8	247.3
Investment in associated undertakings		**21.5**	20.4	20.5
Reinsurance contracts	13	**2,082.3**	1,810.1	1,764.1
Employee benefits		**49.8**	48.9	48.8
Deferred taxation		**62.8**	34.0	49.8
Current taxation		**5.1**	8.8	8.5
Financial investments	14	**4,084.6**	3,620.8	4,056.6
Derivative contracts	15	**22.6**	18.9	14.9
Insurance and other receivables		**1,615.0**	1,361.2	1,302.0
Cash and cash equivalents		**987.8**	581.7	775.7
Assets classified as held for sale	16	**-**	-	17.8
Total assets		**9,472.9**	8,022.6	8,547.7
Liabilities and Equity				
Liabilities				
Insurance contracts	13	**6,116.6**	5,561.5	5,813.0
Borrowings		**246.5**	305.6	314.5
Other financial liabilities		**84.4**	60.1	62.0
Provisions		**2.3**	2.1	2.3
Deferred taxation		**9.0**	-	9.9
Current taxation		**3.3**	2.9	-
Derivative contracts	15	**15.2**	21.1	9.2
Insurance and other payables		**1,045.7**	803.6	620.7
Liabilities directly associated with assets classified as held for sale	16	**-**	-	1.8
Total liabilities		**7,523.0**	6,756.9	6,833.4
Equity				
Called up share capital	17	**8.6**	7.6	8.6
Share premium	17	**1,027.9**	704.9	1,027.9
Capital redemption reserve		**1.0**	1.0	1.0
Foreign currency translation reserve		**(81.4)**	(92.7)	(84.1)
Retained earnings		**847.1**	644.9	639.2
Total equity attributable to owners of the parent		**1,803.2**	1,265.7	1,592.6
Non-controlling interests		**146.7**	-	121.7
Total liabilities and equity		**9,472.9**	8,022.6	8,547.7

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

These financial statements were approved by the Board of Directors on 28 July 2021 and were signed on its behalf by:

Matthew Wilson
Group Chief Executive Officer

Mark Allan
Executive Director

Condensed Consolidated Statement of Cash Flows

For 6 months ended 30 June 2021

	Note	**Unaudited 6 months ended 30 June 2021 US$m**	Unaudited 6 months ended 30 June 2020 US$m	Audited Year ended 31 December 2020 US$m
Cash generated from operations				
Cash flows generated from/(used in) operating activities	19	**217.7**	(138.5)	(414.3)
Tax (paid)/received		**(0.3)**	(1.9)	2.7
Interest received		**28.2**	33.1	63.3
Dividends received		**5.5**	2.5	6.3
Net cash inflows/(outflows) from operating activities		**251.1**	(104.8)	(342.0)
Cash flows from investing activities				
Purchase of intangible assets		**(3.7)**	(1.9)	(6.5)
Purchase of property, plant and equipment		**(4.6)**	(0.7)	(1.2)
Disposal of subsidiary undertakings		**31.8**	-	-
Dividends from associated undertakings		**-**	0.3	1.0
Net cash inflows/(outflows) from investing activities		**23.5**	(2.3)	(6.7)
Cash flows from financing activities				
Proceeds from issue of shares		**-**	200.0	524.0
Repayment on revolving credit facility		**(70.0)**	-	(10.0)
Purchase of shares for share-based payment schemes		**(16.9)**	(3.0)	(3.0)
Interest paid		**(4.3)**	(1.9)	(14.0)
Transactions with non-controlling interests		**28.0**	-	124.0
Dividends paid to owners of the parent		**-**	(20.6)	(20.6)
Net cash (outflows)/inflows from financing activities		**(63.2)**	174.5	600.4
Net increase in cash and cash equivalents		**211.4**	67.4	251.7
Cash and cash equivalents at beginning of the period		**775.7**	520.1	520.1
Effect of exchange rate fluctuations on cash and cash equivalents		**0.7**	(5.8)	3.9
Cash and cash equivalents at the end of the period		**987.8**	581.7	775.7

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For 6 months ended 30 June 2021

	Called up share capital US$m	Share premium US$m	Capital redemption reserve US$m	Foreign currency translation reserve US$m	Retained earnings US$m	Total attributable to owner of the parent	Non-controlling interests	Total Equity US$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	**-**	**-**	**-**	**2.7**	**207.3**	**210.0**	**(3.0)**	**207.0**
Reallocation of forfeited rollover shares to LTIP schemes	**-**	**-**	**-**	**-**	**0.6**	**0.6**	**-**	**0.6**
Transactions with non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**28.0**	**28.0**
At 30 June 2021	**8.6**	**1,027.9**	**1.0**	**(81.4)**	**847.1**	**1,803.2**	**146.7**	**1,949.9**

For 6 months ended 30 June 2020

	Called up share capital US$m	Share premium US$m	Capital redemption reserve US$m	Foreign currency translation reserve US$m	Retained earnings US$m	Total attributable to owner of the parent	Non-controlling interests	Total Equity US$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	-	-	-	(6.3)	(227.3)	(233.6)	-	(233.6)
Issuance of share capital	0.6	199.4	-	-	-	200.0	-	200.0
Dividend	-	-	-	-	(20.6)	(20.6)	-	(20.6)
At 30 June 2020	7.6	704.9	1.0	(92.7)	644.9	1,265.7	-	1,265.7

Condensed Consolidated Statement of Changes in Equity (continued)
For year ended 31 December 2020

	Called up share capital US$m	Share premium US$m	Capital redemption reserve US$m	Foreign currency translation reserve US$m	Retained earnings US$m	Total attributable to owner of the parent	Non-controlling interests	Total Equity US$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

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1 General information

The condensed consolidated interim financial statements of Brit Limited and its subsidiaries (collectively, the Group) for the six months ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 28 July 2021.

Brit Limited is a limited company, incorporated and domiciled in England and Wales. The Group's principal activity is the underwriting of general insurance and reinsurance business.

2 Accounting policies and basis of preparation

(a) Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied by the Brit Limited Group in its consolidated financial statements as at the year ended 31 December 2020.

This 2021 condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006.

Statutory accounts for Brit Limited, for the year ended 31 December 2020 were prepared in accordance with UK company law and IFRS, which comprised standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and as endorsed by the EU. The consolidated financial statements of the Brit Limited Group for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 16 February 2021.

The 2021 statutory accounts of Brit Limited will be prepared in accordance with UK-adopted international accounting standards.

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules issued by the Financial Conduct Authority. The information presented herein does not include all the disclosures typically required for full consolidated financial statements. Consequently, these financial statements should be read in conjunction with the full consolidated financial statements of the Brit Limited Group as at, and for the year ended 31 December 2020 available from the Company's registered office or from www.britinsurance.com.

COVID-19 has added additional complexity and uncertainty to the Group's principal risks. The Directors have reviewed the principal risks and uncertainties faced by the Group as summarised on pages 13 to 15 of the Interim Management Report. These principal risks and uncertainties, including those relating to COVID-19, are largely unchanged from those disclosed on pages 40 to 45 of the Group's 2020 Annual Report.

The capital position of the Group remains strong, following its performance in the first six months of 2021 and the support during 2020 of its parent company, Fairfax Financial Holdings Limited. A review of the financial performance of the Group is summarised on pages 4 to 11. The financial position of the Group and borrowing facilities are summarised on page 11.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they consider it appropriate to continue to adopt the going concern basis for the preparation of its condensed consolidated interim financial statements.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and associates and the Group's participation in Lloyd's syndicates' assets, liabilities, revenues and expenses. Subsidiaries are those entities (including structured entities) that an investor controls, when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are prepared up to 31 December each year. Consolidation adjustments are made to convert subsidiary financial statements from local GAAP into IFRS so as to remove any dissimilar accounting policies that may exist. Subsidiaries are consolidated from the date control is transferred to the Group and cease to be consolidated from the date control is transferred from the Group. All inter-company balances, profits and transactions are eliminated.

2 Accounting policies and basis of preparation (continued)

Associates are those entities over which the Group has the power to exercise significant influence but not control. The Group's investments in associated undertakings are accounted for under the equity method of accounting whereby associated undertakings are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The Group's investment in associated undertakings also includes goodwill identified on acquisition less any accumulated impairment loss. The income statement reflects the Group's share of the post-acquisition results of operations of the associated undertaking and the statement of comprehensive income reflects the Group's share of the comprehensive income of the associated undertaking. The financial statements of associated undertakings are prepared up to 31 December each year.

Business acquisitions are accounted for by applying the acquisition method of accounting, which adjusts the net assets of the acquired company to fair value at the date of purchase. The excess of the acquisition consideration over the fair value of the assets and liabilities of the acquired entity is recorded as goodwill. Expenses related to acquiring new subsidiaries are expensed in the period in which they are incurred. Income and expenses of acquired entities are included in the income statement from the date of acquisition.

(c) Critical accounting estimates and judgements in applying accounting policies

Management is required to make various judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.

Estimates

Estimates are regularly re-evaluated and are based on a combination of historical experience and other factors, including exposure analysis, expectations of future experience and expert judgement. The areas of critical accounting estimates and the key sources of estimation uncertainty are unchanged from those applied to the Group's 2020 Annual Report and accounts. In addition, the potential impact of COVID-19 on the Group has been considered in the preparation of the interim financial statements, including in our application of critical accounting estimates. Actual results may differ from these estimates.

Judgements

The areas of critical accounting judgement the Group makes in applying accounting policies and the key sources of estimation uncertainty are unchanged from those applied to the Group's 2020 Annual Report. The potential impact of COVID-19 on the Group has been considered in management's evaluation of critical accounting judgements.

(d) New accounting standards adopted in the period

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

3 Risk management policies

The Group's financial, insurance and other risk management objectives and policies are consistent with those disclosed in Note 4 to the Group's consolidated financial statements as at and for the year ended 31 December 2020. The principal risks and uncertainties are unchanged and may be summarised as insurance risk, investment risk, market risk, credit risk, liquidity risk, capital risk and operational risk.

The Brit Group has managed the risks associated with COVID-19 in line with its risk management policies. Further details are provided on pages 14 and 15 of the Interim Management Report.

4 Seasonality of operations

The Group underwrites a wide range of risks, some of which are subject to potential seasonal variation. The most material of these is the Group's exposure to North Atlantic hurricanes which are largely concentrated into the second half of a calendar year. The Group actively participates in many regions and if any catastrophe events do occur, it is likely that the Group will share some of the market's losses. Consequently, the potential for significantly greater volatility in expected returns remains during the second half of the year.

5 Segmental information

As at 30 June 2021, the reportable segments identified were as follows:

- 'London Direct', which underwrites the Group's International and US business, other than treaty reinsurance. In the main, London Direct deals with wholesale buyers of insurance, rather than individuals. Risks are large and usually syndicated by several underwriters by means of the subscription market.

- 'London Reinsurance', which underwrites reinsurance business (essentially the insurance of insurance and reinsurance companies) and includes writing non-proportional cover for major events such as earthquakes or hurricanes. These insurance and reinsurance companies calculate how much risk they want to retain and then pass on their remaining exposure to reinsurers in return for a premium.

- 'Overseas Distribution' writes business generated by Ambridge and Scion in the US.

- 'Discontinued' represents lines on business which have been placed into run-off. These include discontinued classes written by Brit Global Specialty USA (BGSU) before it combined with Ambridge (BGSU Property E&S, BGSU Marine, BGSU First Dollar Package) as well as discontinued London classes (Structured Risks, Legal Expenses, Bloodstock, Kidnap and Ransom).

- 'Other Underwriting' includes 'Ki', which underwrites business through Lloyd's Syndicate 1618. It also includes the Group's special purpose vehicles and Brit's share of Syndicate 2988. The share of the Group's special purpose vehicles attributable to third-party underwriting capital providers is represented by the 'gains on other financial liabilities'.

- 'Other corporate', which is made up of residual income and expenditure not allocated to other segments.

Foreign exchange differences on non-monetary items are separately disclosed. This provides a fairer representation of the claims ratios and financial performance of the Strategic Business Units (SBUs) which would otherwise be distorted by the mismatch arising from IFRS whereby unearned premium, reinsurer's share of unearned premium and deferred acquisition costs are treated as non-monetary items and the majority of other assets and liabilities are treated as monetary items. Non-monetary items are carried at historic exchange rates, while monetary items are translated at closing rates.

Where investments are managed centrally, an allocation of investment return is made to the strategic business units based on the average risk-free interest rate applied to the opening insurance funds of each strategic business unit. The annualised average risk-free rate applied to insurance funds was 1.5% for the six months ended 30 June 2021 (30 June 2020: 1.5%; 31 December 2020: 1.5%). Where investments are separately managed, the actual return is allocated to the relevant strategic business units.

The Group ratios set out in the segmental analysis are calculated on page 46 (Reconciliation of key performance indicators to the financial statements). The ratios have also been calculated after eliminating the underwriting result attributable to third party underwriting capital providers and non-controlling interests.

Information regarding the Group's reportable segments is presented below.

a) Statement of profit or loss by segment

6 months ended 30 June 2021

	London Direct US$m	London Reinsurance US$m	Overseas Distribution US$m	Discontinued US$m	Other Underwriting US$m	Total underwriting excluding the effect of foreign exchange on non-monetary items US$m	Effect of foreign exchange on non-monetary items US$m	Total underwriting after the effect of foreign exchange on non-monetary items US$m	Other corporate US$m	Total US$m
Gross premiums written	742.6	369.1	185.5	2.0	165.2	1,464.4	-	1,464.4	-	1,464.4
Less premiums ceded to reinsurers	(300.4)	(196.9)	(63.8)	(2.0)	(36.9)	(600.0)	-	(600.0)	-	(600.0)
Premiums written, net of reinsurance	442.2	172.2	121.7	-	128.3	864.4	-	864.4	-	864.4
Gross earned premiums	672.8	221.9	172.7	40.3	78.1	1,185.8	(10.7)	1,175.1	-	1,175.1
Reinsurers' share	(169.9)	(60.1)	(46.2)	(13.3)	(13.0)	(302.5)	3.4	(299.1)	-	(299.1)
Earned premiums, net of reinsurance	502.9	161.8	126.5	27.0	65.1	883.3	(7.3)	876.0	-	876.0
Investment return	10.2	7.3	4.4	1.9	5.1	28.9	-	28.9	137.4	166.3
Return on derivative contracts	-	-	-	-	-	-	-	-	(15.4)	(15.4)
Gain on deconsolidation of subsidiaries	-	-	-	-	-	-	-	-	19.8	19.8
Other income	5.6	1.0	0.9	-	17.7	25.2	-	25.2	11.5	36.7
Losses on other financial liabilities	-	-	-	-	0.5	0.5	-	0.5	(0.6)	(0.1)
Net foreign exchange gains	-	-	-	-	-	-	(0.5)	(0.5)	6.3	5.8
Total revenue	518.7	170.1	131.8	28.9	88.4	937.9	(7.8)	930.1	159.0	1,089.1
Gross claims incurred	(351.5)	(157.1)	(122.3)	(24.1)	(44.0)	(699.0)	-	(699.0)	-	(699.0)
Reinsurers' share	108.9	57.7	35.2	4.8	1.2	207.8	-	207.8	-	207.8
Claims incurred, net of reinsurance	(242.6)	(99.4)	(87.1)	(19.3)	(42.8)	(491.2)	-	(491.2)	-	(491.2)
Acquisition costs – commission	(149.4)	(30.4)	(23.4)	(11.8)	(13.3)	(228.4)	2.6	(225.8)	-	(225.8)
Acquisition costs – other	(34.8)	(9.1)	(15.6)	(2.5)	(15.8)	(77.8)	0.8	(77.0)	-	(77.0)
Other insurance related expenses	(39.3)	(15.9)	(7.8)	(0.2)	(4.3)	(67.5)	-	(67.5)	-	(67.5)
Other expenses	-	-	-	-	-	-	-	-	(22.4)	(22.4)
Total expenses excluding finance costs	(466.1)	(154.8)	(133.9)	(33.8)	(76.2)	(864.9)	3.4	(861.5)	(22.4)	(883.9)
					-					
Operating profit	52.6	15.3	(2.1)	(4.9)	12.2	73.0	(4.4)	68.6	136.6	205.2
Finance costs										(8.8)
Share of net profit of associates										0.9
Profit on ordinary activities before tax										197.3
Tax charge										7.0
Profit for the year										204.3
Claims ratio	48.2%	61.4%	68.9%			55.3%				
Expense ratio	44.4%	34.2%	37.0%			39.3%				
Combined ratio	92.7%	95.7%	105.8%			94.6%				

6 months ended 30 June 2020

	London Direct US$m	London Reinsurance US$m	Overseas Distribution US$m	Discontinued US$m	Other Underwriting US$m	Total underwriting excluding the effect of foreign exchange on non-monetary items US$m	Effect of foreign exchange on non-monetary items US$m	Total underwriting after the effect of foreign exchange on non-monetary items US$m	Other corporate US$m	Total US$m
Gross premiums written	694.0	352.4	192.2	4.4	39.5	**1,282.5**	-	**1,282.5**	-	**1,282.5**
Less premiums ceded to reinsurers	(232.4)	(113.1)	(55.9)	(1.4)	(13.4)	**(416.2)**	-	**(416.2)**	-	**(416.2)**
Premiums written, net of reinsurance	461.6	239.3	136.3	3.0	26.1	**866.3**	-	**866.3**	-	**866.3**
Gross earned premiums	667.8	203.2	184.2	21.6	14.6	**1,091.4**	2.7	**1,094.1**	-	**1,094.1**
Reinsurers' share	(192.4)	(37.7)	(42.0)	(7.3)	6.1	**(273.3)**	(0.9)	**(274.2)**	-	**(274.2)**
Earned premiums, net of reinsurance	475.4	165.5	142.2	14.3	20.7	**818.1**	1.8	**819.9**	-	**819.9**
Investment return	9.3	6.3	3.9	1.6	3.9	**25.0**	-	**25.0**	(133.5)	**(108.5)**
Return on derivative contracts	-	-	-	-	-	**-**	-	**-**	(12.0)	**(12.0)**
Other income	3.0	0.8	0.7	-	5.7	**10.2**	-	**10.2**	(16.9)	**(6.7)**
Gains on other financial liabilities	-	-	-	-	0.7	**0.7**	-	**0.7**	-	**0.7**
Total revenue	487.7	172.6	146.8	15.9	31.0	**854.0**	1.8	**855.8**	(162.4)	**693.4**
Gross claims incurred	(524.2)	(113.0)	(134.4)	(26.8)	(8.3)	**(806.7)**	-	**(806.7)**	-	**(806.7)**
Reinsurers' share	202.6	1.3	38.3	14.6	4.0	**260.8**	-	**260.8**	-	**260.8**
Claims incurred, net of reinsurance	(321.6)	(111.7)	(96.1)	(12.2)	(4.3)	**(545.9)**	-	**(545.9)**	-	**(545.9)**
Acquisition costs – commission	(155.0)	(30.0)	(22.7)	(3.7)	(1.9)	**(213.3)**	(0.7)	**(214.0)**	-	**(214.0)**
Acquisition costs – other	(29.4)	(7.4)	(16.4)	(1.6)	(10.1)	**(64.9)**	(0.2)	**(65.1)**	-	**(65.1)**
Other insurance related expenses	(31.7)	(13.0)	(8.4)	-	(6.8)	**(59.9)**	-	**(59.9)**	-	**(59.9)**
Other expenses	-	-	-	-	-	**-**	-	**-**	(1.4)	**(1.4)**
Net foreign exchange losses	-	-	-	-	-	**-**	(4.1)	**(4.1)**	(10.0)	**(14.1)**
Total expenses excluding finance costs	(537.7)	(162.1)	(143.6)	(17.5)	(23.1)	**(884.0)**	(5.0)	**(889.0)**	(11.4)	**(900.4)**
Operating loss	(50.0)	10.5	3.2	(1.6)	7.9	**(30.0)**	(3.2)	**(33.2)**	(173.8)	**(207.0)**
Finance costs										**(11.7)**
Share of net profit of associates										**1.2**
Loss on ordinary activities before tax										**(217.5)**
Tax charge										**(9.9)**
Loss for the year										**(227.4)**
Claims ratio	67.6%	67.5%	67.6%			**67.0%**				
Expense ratio	45.5%	30.5%	33.4%			**39.7%**				
Combined ratio	113.1%	97.9%	101.0%			**106.7%**				

Year ended 31 December 2020

	London Direct US$m	London Reinsurance US$m	Overseas Distribution US$m	Discontinued US$m	Other Underwriting US$m	Total underwriting excluding the effect of foreign exchange on non-monetary items US$m	Effect of foreign exchange on non-monetary items US$m	Total underwriting after the effect of foreign exchange on non-monetary items US$m	Other corporate US$m	Total US$m
Gross premiums written	**1,411.6**	**479.2**	**437.6**	**5.0**	**91.0**	**2,424.4**	**-**	**2,424.4**	**-**	**2,424.4**
Less premiums ceded to reinsurers	**(363.5)**	**(138.8)**	**(131.8)**	**(1.6)**	**(13.1)**	**(648.8)**	**-**	**(648.8)**	**-**	**(648.8)**
Premiums written, net of reinsurance	**1,048.1**	**340.4**	**305.8**	**3.4**	**77.9**	**1,775.6**	**-**	**1,775.6**	**-**	**1,775.6**
Gross earned premiums	**1,386.8**	**472.1**	**432.5**	**33.4**	**52.0**	**2,376.8**	**(4.6)**	**2,372.2**	**-**	**2,372.2**
Reinsurers' share	**(407.5)**	**(133.6)**	**(124.0)**	**(11.7)**	**13.9**	**(662.9)**	**1.4**	**(661.5)**	**-**	**(661.5)**
Earned premiums, net of reinsurance	**979.3**	**338.5**	**308.5**	**21.7**	**65.9**	**1,713.9**	**(3.2)**	**1,710.7**	**-**	**1,710.7**
Investment return	**18.5**	**12.2**	**8.5**	**3.2**	**3.9**	**46.3**	**-**	**46.3**	**10.2**	**56.5**
Return on derivative contracts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1.1)**	**(1.1)**
Other income	**6.9**	**1.4**	**1.8**	**-**	**19.6**	**29.7**	**-**	**29.7**	**(15.6)**	**14.1**
Losses on other financial liabilities	**-**	**-**	**-**	**.-**	**(8.2)**	**(8.2)**	**-**	**(8.2)**	**2.2**	**(6.0)**
Total revenue	**1,004.7**	**352.1**	**318.8**	**24.9**	**81.2**	**1,781.7**	**(3.2)**	**1,778.5**	**(4.3)**	**1,774.2**
Gross claims incurred	**(1,045.5)**	**(302.6)**	**(331.1)**	**(28.4)**	**(36.8)**	**(1,744.4)**		**(1,744.4)**	**-**	**(1,744.4)**
Reinsurers' share	**372.2**	**37.1**	**73.3**	**11.3**	**11.4**	**505.3**		**505.3**	**-**	**505.3**
Claims incurred, net of reinsurance	**(673.3)**	**(265.5)**	**(257.8)**	**(17.1)**	**(25.4)**	**(1,239.1)**	**-**	**(1,239.1)**	**-**	**(1,239.1)**
Acquisition costs – commission	**(320.9)**	**(66.4)**	**(51.9)**	**(6.2)**	**(8.9)**	**(454.3)**	**1.0**	**(453.3)**	**-**	**(453.3)**
Acquisition costs – other	**(60.8)**	**(14.8)**	**(40.2)**	**(2.6)**	**(27.4)**	**(145.8)**	**0.4**	**(145.4)**	**-**	**(145.4)**
Other insurance related expenses	**(66.3)**	**(24.9)**	**(22.2)**	**-**	**(0.5)**	**(113.9)**	**-**	**(113.9)**	**-**	**(113.9)**
Other expenses	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(23.6)**	**(23.6)**
Net foreign exchange losses	**-**	**-**	**-**	**-**	**-**	**-**	**4.6**	**4.6**	**(12.4)**	**(7.8)**
Total expenses excluding finance costs	**(1,121.3)**	**(371.6)**	**(372.1)**	**(25.9)**	**(62.2)**	**(1,953.1)**	**6.0**	**(1,947.1)**	**(36.0)**	**(1,983.1)**
Operating loss	**(116.6)**	**(19.5)**	**(53.3)**	**(1.0)**	**19.0**	**(171.4)**	**2.8**	**(168.6)**	**(40.3)**	**(208.9)**
Finance costs										**(23.6)**
Share of net profit of associates										**2.0**
Loss on ordinary activities before tax										**(230.5)**
Tax charge										**(1.5)**
Loss for the year										**(232.0)**
Claims ratio	68.8%	78.4%	83.6%			**72.6%**				
Expense ratio	45.7%	31.3%	37.1%			**40.0%**				
Combined ratio	114.5%	109.7%	120.7%			**112.6%**				

6 Investment return

6 months ended 30 June 2021

	Investment income US$m	Net realised (losses)/gains US$m	Net unrealised gains/(losses) US$m	Total investment return US$m
Equity securities	**5.8**	**(1.4)**	**96.3**	**100.7**
Debt securities	**24.4**	**13.3**	**(32.7)**	**5.0**
Mortgages and loans	**0.4**	**-**	**-**	**0.4**
Specialised investment funds	**-**	**2.1**	**65.1**	**67.2**
Cash and cash equivalents	**0.1**	**-**	**-**	**0.1**
Total investment return before expenses	**30.7**	**14.0**	**128.7**	**173.4**
Investment management expenses	**(7.1)**	**-**	**-**	**(7.1)**
Total investment return	**23.6**	**14.0**	**128.7**	**166.3**

6 months ended 30 June 2020

	Investment income US$m	Net realised gains US$m	Net unrealised (losses)/gains US$m	Total investment return US$m
Equity securities	2.7	8.7	(128.3)	(116.9)
Debt securities	34.7	7.7	55.6	98.0
Specialised investment funds	-	1.6	(88.1)	(86.5)
Cash and cash equivalents	2.7	-	-	2.7
Total investment return before expenses	40.1	18.0	(160.8)	(102.7)
Investment management expenses	(5.8)	-	-	(5.8)
Total investment return	34.3	18.0	(160.8)	(108.5)

Year ended 31 December 2020

	Investment income US$m	Net realised (losses)/gains US$m	Net unrealised (losses)/gains US$m	Total investment return US$m
Equity securities	6.3	(7.1)	(41.7)	(42.5)
Debt securities	63.8	13.0	64.5	141.3
Mortgages and loans	0.2	-	-	0.2
Specialised investment funds	-	1.6	(34.4)	(32.8)
Cash and cash equivalents	2.9	-	-	2.9
Total investment return before expenses	73.2	7.5	(11.6)	69.1
Investment management expenses	(12.6)	-	-	(12.6)
Total investment return	60.6	7.5	(11.6)	56.5

7 Return on derivative contracts

	6 months ended 30 June 2021 US$m	6 months ended 30 June 2020 US$m	Year ended 31 December 2020 US$m
Investment-related non-currency options	**1.7**	(13.0)	(13.9)
Currency forwards	**(17.1)**	1.0	12.8
Total return on derivative contracts	**(15.4)**	(12.0)	(1.1)

8 Deconsolidation of subsidiaries

On 25 March 2021, the Brit Group received a return of its investment in North America Property Insurance Series 2017 Account A-3 ('Account A3') (a segregated account within Versutus limited that was previously consolidated into Group). As Brit no longer has an economic interest in Account A3 it has been deconsolidated, resulting in a loss on disposal of US$2.2m.

On 5 February 2021, the Group sold its entire investment in Commonwealth Insurance Company of America and a profit of US$3.7m was recognised in the consolidated statement of comprehensive income. At this point, there was a loss of control and, as such, only the subsidiary's results up to date of disposal are included in the current year Group result.

On 28 June 2021, the Group sold its entire investment in Scion Underwriting Services Inc. and a profit of US$18.3m was recognised in the consolidated statement of comprehensive income. At this point, there was a loss of control and, as such, only the subsidiary's results up to date of disposal are included in the current year Group result.

9 Other income (including gains/(losses) on other financial liabilities)

	6 months ended 30 June 2021 US$m	6 months ended 30 June 2020 US$m	Year ended 31 December 2020 US$m
Fees and commission from non-aligned syndicate	**3.9**	2.9	6.9
Net commission fee income from intermediary activities	**18.1**	4.5	18.5
Consortium income	**2.3**	1.4	2.9
Other	**0.9**	1.4	1.4
Fee income	**25.2**	10.2	29.7
Change in value of ultimate parent company shares held by Brit	**11.5**	(16.9)	(15.6)
Other income	**36.7**	(6.7)	14.1
Change in value of other financial liabilities*	**(0.1)**	0.7	(6.0)
Total	**36.6**	(6.0)	8.1

*Other financial liabilities are investments made by third parties in structured insurance entities consolidated by the Group.

10 Net foreign exchange gains/(losses)

The Group recognised foreign exchange gains of US$5.8m (30 June 2020: losses of US$14.1m; 31 December 2020: losses of US$7.8m) in the income statement in the period.

Foreign exchange gains and losses result from the translation of the balance sheet to closing exchange rates and the income statement to average exchange rates. However, as an exception to this, IAS 21 'The Effects of Changes in Foreign Exchange Rates' requires that net unearned premiums and deferred acquisition costs (UPR/DAC), being non-monetary items, remain at historic exchange rates. This creates a foreign exchange mismatch, the financial effects of which are shown in the table below.

10 Net foreign exchange gains/(losses) (continued)

	6 months ended 30 June 2021 US$m	6 months ended 30 June 2020 US$m	Year ended 31 December 2020 US$m
Gains/(losses) on foreign exchange arising from:			
Translation of the statement of financial position and income statement	**6.3**	(10.0)	(12.4)
Maintaining UPR/DAC items in the statement of financial position at historic rates	**(4.4)**	(3.2)	2.8
Maintaining UPR/DAC items in the income statement at historic rates	**3.9**	(0.9)	1.8
Net foreign exchange gains/(losses)	**5.8**	(14.1)	(7.8)

Principal exchange rates applied are set out in the table below.

	6 months ended 30 June 2021		6 months ended 30 June 2020		Year ended 31 December 2020	
	Average	**Closing**	Average	Closing	Average	Closing
Sterling	**0.720**	**0.724**	0.794	0.809	0.779	0.732
Canadian dollar	**1.246**	**1.238**	1.365	1.362	1.340	1.274
Euro	**0.830**	**0.843**	0.908	0.890	0.876	0.817
Australian dollar	**1.296**	**1.332**	1.521	1.452	1.447	1.296

In accordance with IAS 1 ‘Presentation of Financial Statements’, exchange gains and losses are presented on a net basis. They are reported within revenue where they result in a net gain and within expenses where they result in a net loss.

11 Acquisition costs and other operating expenses

	6 months ended 30 June 2021			6 months ended 30 June 2020			Year ended 31 December 2020		
	Acquisition costs US$m	**Other operating expenses US$m**	**Total US$m**	Acquisition costs US$m	Other operating expenses US$m	Total US$m	Acquisition costs US$m	Other operating expenses US$m	Total US$m
Salary, pension and social security costs	**39.5**	**45.3**	**84.8**	28.1	27.5	55.6	63.1	60.0	123.1
Other staff related costs	**2.0**	**11.7**	**13.7**	1.7	3.0	4.7	3.3	9.9	13.2
Accommodation costs	**1.6**	**1.1**	**2.7**	2.7	1.1	3.8	6.2	3.2	9.4
Legal and professional charges	**4.4**	**5.5**	**9.9**	3.7	4.9	8.6	11.5	13.9	25.4
IT costs	**1.2**	**12.9**	**14.1**	1.2	11.5	12.7	2.5	24.8	27.3
Travel and entertaining	**0.1**	**0.1**	**0.2**	1.0	0.6	1.6	1.1	0.7	1.8
Marketing and communications	**0.1**	**0.9**	**1.0**	0.1	0.5	0.6	0.2	1.5	1.7
Amortisation and impairment of intangible assets	**0.3**	**5.1**	**5.4**	0.2	5.0	5.2	0.5	10.2	10.7
Depreciation and impairment of property, plant and equipment	**2.2**	**3.2**	**5.4**	1.3	3.0	4.3	2.8	6.1	8.9
Regulatory levies and charges	**28.3**	**-**	**28.3**	23.0	0.3	23.3	47.6	0.4	48.0
Other	**(2.7)**	**4.1**	**1.4**	2.1	3.9	6.0	6.6	6.8	13.4
Expenses before commissions	**77.0**	**89.9**	**166.9**	65.1	61.3	126.4	145.4	137.5	282.9
Commission costs	**225.8**	**-**	**225.8**	214.0	-	214.0	453.3	-	453.3
Total acquisition costs and other operating expenses	**302.8**	**89.9**	**392.7**	279.1	61.3	340.4	598.7	137.5	736.2

12 Tax expense

(a) Tax charged to income statement

	6 months ended 30 June 2021 US$m	6 months ended 30 June 2020 US$m	Year ended 31 December 2020 US$m
Current tax:			
Current tax on income for the period	**-**	(4.2)	-
Overseas tax on income for the period	**(7.0)**	0.1	(0.1)
	(7.0)	(4.1)	(0.1)
Double tax relief	**0.6**	0.6	1.1
Adjustments in respect of prior years	**(0.6)**	2.0	0.3
Total current tax	**(7.0)**	(1.5)	1.3
Deferred tax:			
Relating to the origination and reversal of temporary differences	**14.3**	(8.4)	(2.6)
Adjustments in respect of prior years	**(0.3)**	-	(0.2)
Total deferred tax	**14.0**	(8.4)	(2.8)
Total tax credited/(charged) to income statement	**7.0**	(9.9)	(1.5)

Overseas tax and the double tax relief principally arise from taxes suffered as a result of the Group's operations at Lloyd's. Double tax relief is effectively limited to an amount equal to the tax due at the UK tax rate on the same source of income.

(b) Tax charged to other comprehensive income

	6 months ended 30 June 2021 US$m	6 months ended 30 June 2020 US$m	Year ended 31 December 2020 US$m
Deferred tax charge on actuarial gains on defined benefit pension scheme	**-**	**-**	**1.8**

13 Insurance and reinsurance contracts

Balances on insurance and reinsurance contracts

	30 June 2021 US$m	30 June 2020 US$m	31 December 2020 US$m
Gross:			
Insurance contracts			
Claims reported and loss adjustment expenses	**1,778.3**	1,692.6	1,783.3
Unexpired risk reserve	**4.2**	-	12.4
Claims incurred but not reported	**2,991.8**	2,720.0	2,997.0
	4,774.3	4,412.6	4,792.7
Unearned premiums	**1,342.3**	1,148.9	1,020.3
Total gross liabilities	**6,116.6**	5,561.5	5,813.0
Recoverable from reinsurers:			
Reinsurance contracts			
Claims reported and loss adjustment expenses	**540.5**	522.6	578.2
Claims incurred but not reported	**937.8**	871.8	914.8
	1,478.3	1,394.4	1,493.0
Unearned premiums	**604.0**	415.7	271.1
Total reinsurers' share of liabilities	**2,082.3**	1,810.1	1,764.1
Net:			
Claims reported and loss adjustment expenses	**1,237.8**	1,170.0	1,205.1
Unexpired risk reserve	**4.2**	-	12.4
Claims incurred but not reported	**2,054.0**	1,848.2	2,082.2
	3,296.0	3,018.2	3,299.7
Unearned premiums	**738.3**	733.2	749.2
Total net insurance liabilities	**4,034.3**	3,751.4	4,048.9

The net aggregate reserve releases from prior years amounted to US$41.4m (June 2020: US$34.9m; December 2020: US$63.4m). In part this arises from the Group's reserving philosophy which reflects a conservative best estimate, reserving prudently for the most recent years where the outcome is most uncertain, leaving a potential for subsequent release.

14 Financial investments

	30 June 2021 US$m	30 June 2020 US$m	31 December 2020 US$m
Equity securities	**494.2**	277.2	376.7
Debt securities	**3,187.7**	3,155.2	3,392.5
Mortgages and loans	**39.3**	-	23.0
Specialised investment funds	**363.4**	188.4	264.4
	4,084.6	3,620.8	4,056.6

All financial investments have been designated as held at fair value through profit or loss.

14 Financial investments (continued)

Basis for determining the fair value hierarchy of financial instruments

The Group has classified fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy comprises the following levels:

- Level one - quoted prices (unadjusted) in active markets for identical assets;
- Level two - inputs other than quoted prices included within level one that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level three - inputs for the assets that are not based on observable market data (unobservable inputs).

Assets are categorised as level one where fair values are determined in whole directly by reference to an active market. These relate to prices which are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis, i.e. the market is still active.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair values for level two and level three assets include:

- Values provided at the request of the Group by pricing services and which are not publicly available or values provided by external parties which are readily available but relate to assets for which the market is not always active; and
- Assets measured on the basis of valuation techniques including a varying degree of assumptions supported by market transactions and observable data.

For all assets not quoted in an active market or for which there is no active market, the availability of financial data can vary and is affected by a wide variety of factors, including the type of financial instrument, whether it is new and not yet established in the marketplace, and other characteristics specific to each transaction. To the extent that valuation is based on the models or inputs that are unobservable in the market, the determination of fair value requires additional judgement. Accordingly, the degree of judgement exercised is higher for instruments classified in level three and the classification between level two and level three depends highly on the proportion of assumptions used, supported by market transactions and observable data.

Valuation techniques

Level one

Inputs represent unadjusted quoted prices for identical instruments exchanged in active markets (where transactions occur with sufficient frequency and volume). The fair values of securities sold short and the majority of the company's equities are based on published quotes in active markets. These also include government bonds and treasury bills issued in the US and in the UK.

Level two

Inputs include directly or indirectly observable inputs (other than Level one inputs) such as quoted prices for similar financial instruments exchanged in active markets, quoted prices for identical or similar financial instruments exchanged in inactive markets and other market observable inputs.

Level two securities contain certain investments in US and non-US government agency securities, US and non-US Corporate debt securities and specialised investment funds. US government agency securities are priced using valuations from independent pricing vendors who use discounted cash flow models supplemented with market and credit research to gather specific information. Market observable inputs for these investments may include broker-dealer quotes, reported trades, issuer spreads and available bids. Non-US government agency securities are priced with OTC quotes or broker-dealer quotes. Other market observable inputs include benchmark yields and reported trades. Issuer spreads are also available for these types of investments.

14 Financial investments (continued)

Level two common stocks are priced using a combination of independent pricing service providers and internal valuation models that rely on directly or indirectly observable inputs.

Level three

Level three equities include investments in limited partnerships and common stock which are not traded/quoted in an active market. In some instances, limited partnerships are classified as level three because they may require at least three months of notice to liquidate.

Level three debt instruments include corporate loans with unobservable inputs used in the measurement of financial instruments. Management is required to use its own assumptions regarding unobservable inputs as there is little, if any, market activity in these instruments or related observable inputs that can be corroborated at the measurement date.

Level three specialised investment funds include securities that are valued using techniques appropriate to each specific investment. The valuation techniques include fair value by reference to net asset values (NAVs) adjusted and issued by fund managers based on their knowledge of underlying investments and credit spreads of counterparties. In some instances, certain investment funds are classified as level three because they may require at least three months' notice to liquidate.

Disclosures of fair values in accordance with the fair value hierarchy

	30 June 2021			
	Level 1 US$m	**Level 2 US$m**	**Level 3 US$m**	**Total US$m**
Equity securities	**357.5**	**-**	**136.7**	**494.2**
Debt securities	**1,443.0**	**1,706.4**	**38.3**	**3,187.7**
Mortgages and loans	**-**	**-**	**39.3**	**39.3**
Specialised investment funds	**-**	**317.9**	**45.5**	**363.4**
	1,800.5	**2,024.3**	**259.8**	**4,084.6**

	30 June 2020			
	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
Equity securities	165.8	-	111.4	277.2
Debt securities	1,311.4	1,829.4	14.4	3,155.2
Specialised investment funds	-	173.5	14.9	188.4
	1,477.2	2,002.9	140.7	3,620.8

	31 December 2020			
	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
Equity securities	247.7	-	129.0	376.7
Debt securities	1,739.3	1,637.8	15.4	3,392.5
Mortgages and loans	-	-	23.0	23.0
Specialised investment funds	-	249.2	15.2	264.4
	1,987.0	1,887.0	182.6	4,056.6

All unrealised gains of US$128.7m (30 June 2020: losses of US$160.8m; 31 December 2020: losses of US$11.6m) and realised gains of US$14.0m (30 June 2020: gains of US$18.0m; 31 December 2020: gains of US$7.5m) on financial investments held during the period, are presented in investment return in the consolidated income statement.

14 Financial investments (continued)

Transfers between fair value levels
Fair values are classified as level one when the financial instrument or derivative is actively traded and a quoted price is available. In accordance with the Group's policy, if an instrument classified as level one subsequently ceases to be actively traded, it is immediately transferred out of level one. In such cases, instruments are classified into level two, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as level three. All fair value measurements above are recurring as they are required to be measured and recognised at the end of each reporting period.

Transfer from level one to level two
There were no transfers from fair value hierarchy level one to level two (30 June 2020: none; 31 December 2020: none).

Transfer from level one to level three
There were no transfers from fair value hierarchy level one to level three (30 June 2020: none; 31 December 2020: none).

Transfer from level two to level one
There were no transfers from fair value hierarchy level two to level one (30 June 2020: none; 31 December 2020: none).

Transfer from level two to level three
The QIAIF Property Fund I (US$33.4m) was transferred from level two to level three (30 June 2020: none; 31 December 2020: none).

Transfer from level three to level two
There were no transfers from fair value hierarchy level three to level two (30 June 2020: none; 31 December 2020: none).

Reconciliation of movements in level 3 financial investments measured at fair value

	Equity securities US$m	Debt securities US$m	Mortgages and loans US$m	Specialised investment funds US$m	Total US$m
At 1 January 2020	183.2	15.2	-	16.8	215.2
Total losses recognised in the income statement	(9.0)	(0.1)	-	(1.6)	(10.7)
Purchases	2.3	-	21.9	-	24.2
Sales	(48.4)	-	-	-	(48.4)
Foreign exchange gains	0.9	0.3	1.1	-	2.3
At 31 December 2020	129.0	15.4	23.0	15.2	182.6
Transfers from level two to level three	**-**	**-**	**-**	**33.4**	**33.4**
Total gains recognised in the income statement	**12.3**	**(0.1)**	**-**	**(3.4)**	**8.8**
Purchases	**5.2**	**22.7**	**26.1**	**9.4**	**63.4**
Sales	**(10.0)**	**-**	**(9.6)**	**(9.4)**	**(29.0)**
Foreign exchange gains	**0.2**	**0.3**	**(0.2)**	**0.3**	**0.6**
At 30 June 2021	**136.7**	**38.3**	**39.3**	**45.5**	**259.8**

Total net gains recognised in the income statement under 'investment return' in respect of level three financial investments for the period amounted to US$8.8m (30 June 2020: losses of US$26.1m; 31 December 2020: losses of US$10.7m). Included in this balance are US$11.6m of unrealised gains (30 June 2020: losses of US$26.1m; 31 December 2020: losses of US$6.3m) attributable to assets still held at the end of the period.

14 Financial investments (continued)

Sensitivity of level 3 financial investments measured at fair value to changes in key assumptions

The following table shows the sensitivity of the fair value of level three financial investments to changes in key assumptions.

	30 June 2021		30 June 2020		31 December 2020	
	Carrying amount US$m	**Effect of possible alternative assumptions (+/-) US$m**	Carrying amount US$m	Effect of possible alternative assumptions (+/-) US$m	Carrying amount US$m	Effect of possible alternative assumptions (+/-) US$m
Equity securities	**136.7**	**5.0**	111.4	6.7	129.0	2.4
Debt securities	**38.3**	**0.7**	14.4	0.8	15.4	1.0
Mortgages and loans	**39.3**	**0.3**	-	-	23.0	1.2
Specialised investment funds	**45.5**	**0.1**	14.9	0.1	15.2	0.4
	259.8		140.7		182.6	

In order to determine reasonably possible alternative assumptions, the Group has monitored the price movements of the securities invested on a month by month basis during 2021, or since acquisition if acquired during the period. This has resulted in an average expected percentage change due to the change in assumptions, which forms the basis of this analysis.

15 Derivative contracts

Derivative contract assets	**30 June 2021 US$m**	30 June 2020 US$m	31 December 2020 US$m
Currency forwards	**13.5**	11.7	10.6
Options	**0.1**	3.6	0.6
Industry loss warranty contracts	**1.9**	1.4	0.2
Sutton forward contract	**1.4**	1.1	1.6
Total return swap	**-**	1.1	1.9
Equity warrants	**5.7**	-	-
	22.6	18.9	14.9

Derivative contract liabilities	**30 June 2021 US$m**	30 June 2020 US$m	31 December 2020 US$m
Currency forwards	**(13.7)**	(17.2)	(9.2)
Call and put option over Camargue	**-**	(0.7)	-
Total return swap	**(1.5)**	-	-
Treasury lock	**-**	(3.2)	-
	(15.2)	(21.1)	(9.2)

15 Derivative contracts (continued)

Disclosures of fair values in accordance with the fair value hierarchy

	30 June 2021 Level 2 US$m	Level 3 US$m	Total US$m
Derivative contract assets	**13.4**	**9.2**	**22.6**
Derivative contract liabilities	**(15.2)**	**-**	**(15.2)**

	30 June 2020 Level 2 US$m	Level 3 US$m	Total US$m
Derivative contract assets	12.8	6.1	18.9
Derivative contract liabilities	(20.4)	(0.7)	(21.1)

	31 December 2020 Level 2 US$m	Level 3 US$m	Total US$m
Derivative contract assets	12.7	2.2	14.9
Derivative contract liabilities	(9.2)	-	(9.2)

Valuation techniques

Level two

The fair value of the vast majority of the company's derivative contracts are based primarily on non-binding third party broker-dealer quotes that are prepared using Level two inputs. Where third party broker-dealer quotes are used, typically one quote is obtained from a broker-dealer with particular expertise in the instrument being priced.

The valuation technique used to determine the fair value of currency forwards is derived from observable inputs such as active foreign-exchange and interest-rate markets that may require adjustments for certain unobservable inputs.

Level three

CPI-linked derivatives are classified as Level three and valued using broker-dealer quotes which management has determined utilise market observable inputs except for the inflation volatility input which is not market observable. The reasonableness of the fair values of CPI-linked derivative contracts are assessed by comparing the fair values received from third party broker-dealers to recent market transactions where available and values determined using third party pricing software based on the Black-Scholes option pricing model for European-style options that incorporates market observable and unobservable inputs such as the current value of the relevant CPI underlying the derivative, the inflation swap rate, nominal swap rate and inflation volatility. The fair values of CPI-linked derivative contracts are sensitive to assumptions such as market expectations of future rates of inflation and related inflation volatilities.

The put and call options and forward contract the Group has in respect of its associated undertaking have been classified as level three as the valuation of the options and forward contract is derived from unobservable inputs which are linked to EBITDA calculations.

15 Derivative contracts (continued)

Reconciliation of movements in level 3 derivative contracts measured at fair value

	Options US$m
At 1 January 2020	2.1
Purchases	7.0
Total losses recognised in the income statement	(9.0)
Foreign exchange gains	2.2
At 31 December 2020	2.3
Purchases	**1.3**
Total gains recognised in the income statement	**6.4**
Foreign exchange losses	**(0.8)**
At 30 June 2021	**9.2**

16 Assets and liabilities of disposal group classified as held for sale

In December 2020, management committed to a plan to sell Commonwealth Insurance Company of America, a subsidiary of the Group. Accordingly, that business was presented as a disposal group held for sale. The sale was completed on 5 February 2021, and a profit of $3.7m was recognised in the consolidated statement of comprehensive income.

As at 30 June 2021, the disposal group was no longer held on the statement of financial position, but prior to its disposal, it comprised of the following:

	31 December 2020 US$m
Assets classified as held for sale:	
Regulatory licenses	7.5
Reinsurance contracts	1.4
Financial investments	7.6
Cash equivalents	1.3
Total assets of disposal group held for sale	17.8
Liabilities directly associated with assets classified as held for sale:	
Insurance contracts	1.6
Insurance and other payables	0.2
Total liability of disposal group held for sale	1.8

17 Share Capital

	30 June 2021 US$m	30 June 2020 US$m	31 December 2020 US$m	**30 June 2021 1p each Number**	30 June 2020 1p each Number	31 December 2020 1p each Number
Ordinary shares:						
Allotted, Issued and fully paid	**8.6**	7.6	8.6	568,837,653	493,488,813	568,837,653

As at 30 June 2021, all shares currently in issue are Class B.

On 07 April 2020, 46,511,628 Class B Ordinary Shares were issued by Brit Limited, each with a nominal value of 1p, for US$200.0m. Following this share issuance, US$199.4m was recorded in the share premium accounts.

17 Share Capital (continued)

On 24 August 2020, 19,767,442 Class B Ordinary Shares were issued by Brit Limited, each with a nominal value of 1p, for US$85.0m. Following this share issuance, US$84.7m was recorded in the share premium account.

On 28 August 2020, Fairfax purchased all 48,000,000 Class A shares from OMERS and increased its percentage shareholding to 100.00%. Simultaneously, these shares were converted to Class B shares.

On 21 September 2020, 3,488,373 Class B Ordinary Shares were issued by Brit Limited, each with a nominal value of 1p, for US$15.0m. Following this share issuance, US$15.0m was recorded in the share premium account.

On 20 November 2020, 31,395,349 Class B Ordinary Shares were issued by Brit Limited, each with a nominal value of 1p, for US$135.0m. Following this share issuance, US$134.6m was recorded in the share premium account.

On 23 November 2020, 3,720,931 Class B Ordinary Shares were issued by Brit Limited, each with a nominal value of 1p, for US$16.0m. Following this share issuance, US$16.0m was recorded in the share premium account.

On 23 December 2020, 16,976,745 Class B Ordinary Shares were issued by Brit Limited, each with a nominal value of 1p, for US$73.0m. Following this share issuance, US$72.8m was recorded in the share premium account.

18 Dividends

In the six-month period ending 30 June 2021, no dividends were paid (30 June 2020: US$20.6m/0.43 per share).

19 Cash flows provided by operating activities

	6 months ended 30 June 2021 US$m	6 months ended 30 June 2020 US$	Year ended 31 December 2020 US$
Profit/(loss) on ordinary activities before tax	**197.3**	(217.5)	(230.5)
Adjustments for non-cash movements:			
Realised and unrealised (gains)/losses on investments	**(142.7)**	142.8	4.1
Realised and unrealised losses on derivatives	**15.4**	12.0	1.1
Amortisation of intangible assets	**5.4**	5.2	10.7
Depreciation and impairment of property, plant and equipment	**5.4**	5.5	8.9
Foreign exchange (gains)/losses on cash and cash equivalents	**(0.7)**	5.3	(3.3)
Share of profit after tax of associated undertakings	**(0.9)**	(1.2)	(2.0)
Profit on disposal of subsidiaries	**(19.8)**	-	-
Unrealised (gains)/losses on shares held for share based payments	**(11.5)**	20.1	15.6
Charges in respect of share-based payment schemes	**8.6**	0.7	3.0
Interest income	**(24.9)**	(37.4)	(66.9)
Dividend income	**(5.8)**	(2.7)	(6.3)
Finance costs on borrowing	**8.8**	11.7	23.6
Movement in operating assets and liabilities:			
Deferred acquisition costs	**(54.1)**	(27.2)	(3.7)
Insurance and other receivables excluding accrued income	**(278.0)**	(140.7)	(77.5)
Insurance and reinsurance contracts	**(14.6)**	113.4	410.9
Financial investments	**109.5**	(118.9)	(423.2)
Derivative contracts	**(32.3)**	(8.3)	(5.3)
Other financial liabilities	**22.4**	(15.4)	(13.5)
Insurance and other payables	**429.2**	112.5	(55.7)
Employee benefits	**1.0**	3.0	(3.1)
Provisions	**-**	(1.4)	(1.2)
Cash flows provided by/(used in) operating activities	**217.7**	(138.5)	(414.3)

20 Related party transactions

(a) Ultimate Parent Company

The ultimate parent company and controlling entity, and the largest group of which the Group is a member, is Fairfax Financial Holdings Limited (FFHL) which is registered in Canada and listed on the Toronto Stock Exchange. The consolidated financial statements for Fairfax are publicly available and can be obtained from the Corporate Secretary, 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7 or from the website at www.fairfax.ca.

(b) Fairfax Financial Holdings Limited

In June 2015, Hamblin Watsa Investment Counsel Limited (HWIC), an affiliate of FFHL, was appointed as an investment manager to a number of Group companies. The Group incurred and paid investment management fees to HWIC of US$6.1m (30 June 2020: US$4.9m; 31 December 2020: US$11.0m).

The Brit Group has historically entered into various reinsurance arrangements with FFHL and its affiliates.

The amounts included in the income statement relating to trading with Fairfax Financial Holdings Limited and its affiliates for the period were as follows:

	6 months to 30 June 2021 US$m	6 months to 30 June 2020 US$m	Year to 31 December 2020 US$m
Gross premiums written	**8.6**	8.3	16.8
Less premiums ceded to reinsurers	**(9.8)**	(8.5)	(17.8)
Premiums written, net of reinsurance	**(1.2)**	(0.2)	(1.0)
Gross amount of change in provision for unearned premiums	**0.4**	3.7	3.9
Reinsurers' share of change in provision for unearned premiums	**2.3**	(1.0)	(2.4)
Net change in provision for unearned premiums	**2.7**	2.7	1.5
Earned premiums, net of reinsurance	**1.5**	2.5	0.5
Gross claims paid	**(3.0)**	(4.5)	(7.0)
Reinsurers' share of claims paid	**3.9**	14.3	19.7
Claims paid, net of reinsurance	**0.9**	9.8	12.7
Gross change in the provision for claims	**4.5**	(3.7)	(5.7)
Reinsurers' share of change in the provision for claims	**2.2**	(6.3)	(4.8)
Net change in the provision for claims	**6.7**	(10.0)	(10.5)
Commission income	**0.2**	0.2	0.8
Commission expense	**(2.1)**	(2.8)	(3.3)

20 Related party transactions (continued)

The amounts included in the statement of financial position outstanding with Fairfax Financial holdings Limited and its affiliates as at the period end were as follows:

	30 June 2021 US$m	30 June 2020 US$m	31 December 2020 US$m
Debtors arising out of reinsurance operations			
Insurance premium receivable	**4.2**	7.3	7.9
Recoverable from reinsurers	**19.5**	13.9	17.2
Creditors arising out of reinsurance operations			
Payable to reinsurers	**(10.4)**	(10.1)	(4.8)
Unpaid claims liabilities	**(44.9)**	(46.8)	(49.3)
Deferred acquisition costs	**0.8**	1.5	1.1
Gross unearned premiums	**(5.4)**	(5.8)	(5.7)
Unearned premium recoverable from reinsurers	**6.1**	5.0	3.8

(c) Associated undertakings

Sutton Special Risk Inc.

On 2 January 2019, Brit Insurance Holdings Limited acquired 49% of the issued shares of Sutton Special Risk Inc (Sutton) for a total purchase consideration of CAD$17.2m and entered into a forward contract to purchase the remaining 51% in 2024. Sutton is a US MGU, specialising in Accident and Health business.

Trading with Sutton is undertaken on an arm's-length basis and is settled in cash. The amounts in the income statement relating to trading with Sutton for the period ended 30 June 2021 were US$1.8m (30 June 2020: $0.6m; 31 December 2020: US$2.6m). Amounts recorded in the statement of financial position in respect of premium net of commissions due from, and fees payable to Sutton as at 30 June 2021, 30 June 2020 and 31 December 2020 were not material.

Camargue Underwriting Managers Proprietary Limited

On 30 August 2016, the Group acquired 50% of the share capital of the South African company, Camargue Underwriting Managers Proprietary Limited (Camargue) and also entered into a call and a put option to purchase the remaining 50% in 2021. Camargue is a leading managing general underwriter of a range of specialised insurance products and specialist liability solutions in South Africa and is an important trading partner for Brit.

Trading with Camargue is undertaken on an arm's-length basis and is settled in cash. The amounts in the income statement relating to trading with Camargue for the period ended 30 June 2021 included commission for introducing insurance business of US$1.4m (30 June 2020: US$1.3m; 31 December 2020: US$2.9m).

Amounts recorded in the statement of financial position in respect of premium net of commissions due from, and fees payable to, Camargue as at 30 June 2021, 30 June 2020 and 31 December 2020 were not material.

Reconciliation of Key Performance Indicators to the Financial Statements

(i) Return on net tangible assets before FX movements and corporate activity costs (RoNTA)

Return on net tangible assets before foreign exchange movements and corporate activity costs (RoNTA) shows the return being generated by our operations compared to the adjusted net tangible assets deployed in our business.

	Comment / financial statements reference	30 June 2021 US$m	30 June 2020 US$m	31 December 2020 US$m
PAT	Consolidated income statement	**204.3**	(227.4)	(232.0)
Add back: Tax adjusted amortisation	Amortisation of intangibles, adjusted by the tax rate	**4.4**	4.3	8.7
Add back: Tax adjusted FX	FX effect for the period, adjusted by the tax rate	**14.2**	11.9	(3.8)
PAT, adjusted for RoNTA calculation		**222.9**	(211.2)	(227.1)
Adjusted NTA at start of period	See 'Total Value Created' section below.	**1,436.8**	1,150.4	1,150.4
External distributions and share issuances	Weighted adjustment to reflect distributions during the period.	**-**	135.1	10.2
NTA, adjusted for RoNTA calculation		**1,436.8**	1,285.5	1,160.6
RoNTA		**15.5%**	(16.4)%	(19.6)%

(ii) Total value created

The total value created measures the movement in adjusted NTA in a period, adjusted for capital raisings, dividends paid and the increase in intangibles arising from business combinations.

	Comment / financial statements reference	30 June 2021 US$m	30 June 2020 US$m	31 December 2020 US$m
Total equity attributable to owners of the parent	Consolidated statement of financial position	**1,803.2**	1,265.7	1,592.6
Less: Intangible assets	Consolidated statement of financial position	**(179.8)**	(188.0)	(181.2)
Net tangible assets		**1,623.4**	1,077.7	1,411.4
Add back deferred tax liability on intangible assets		**30.9**	24.8	25.4
Adjusted net tangible assets		**1,654.3**	1,102.5	1,436.8
Adjusted NTA at end of period		**1,654.3**	1,102.5	1,436.8
Less: Adjusted NTA at start of period		**(1,436.8)**	(1,150.4)	(1,150.4)
Movement in adjusted NTA		**217.5**	(47.9)	286.4
Less: Issuance of share capital, repurchase of share capital, reallocation of rollover shares and dividends paid	Consolidated statement of changes in equity	**(0.6)**	(179.4)	(503.4)
Total value created		**216.9**	(227.3)	(217.0)

Reconciliation of Key Performance Indicators to the Financial Statements (continued)

(iii) Underwriting ratios

The combined ratio is our key underwriting metric and measures the profitability of our underwriting. It shows how much of every US$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.

	Comment / financial statements reference	**30 June 2021 US$m**	**30 June 2020 US$m**	**31 December 2020 US$m**
Earned premium, net of reinsurance	Note 5: Segmental information	**883.3**	818.1	1,713.9
Adjustments for third party share of vehicles and non-controlling interest	See note (i) below	**(15.8)**	(3.0)	(12.2)
Adjusted earned premium, net of reinsurance		**867.5**	815.1	1,701.7
Attritional losses		**(439.6)**	(424.6)	(897.7)
Major claims		**(93.0)**	(156.2)	(404.8)
Reserve releases		**41.4**	34.9	63.4
Claims incurred, net of reinsurance	Note 5: Segmental information	**(491.2)**	(545.9)	(1,239.1)
Attritional losses - Adjustments for third party share of vehicles and non-controlling interest	See note (i) below	**7.5**	0.6	3.4
Major losses - Adjustments for third party share of vehicles and non-controlling interest	See note (i) below	**5.0**	-	1.6
Reserve releases - Adjustments for third party share of vehicles and non-controlling interest	See note (i) below	**(0.8)**	(0.9)	(1.9)
Adjusted claims incurred, net of RI		**(479.5)**	(546.2)	(1,236.0)
Acquisition costs - commissions	Note 5: Segmental information	**(228.4)**	(213.3)	(454.3)
Acquisition costs - other and Other insurance related expenses	Note 5: Segmental information	**(145.3)**	(124.8)	(259.7)
Other income		**25.2**	10.2	29.7
Acquisition costs – commissions - Adjustments for third party share of vehicles and non-controlling interest	See note (i) below	**3.7**	0.3	1.0
Acquisition costs – other and Other insurance related expenses - Adjustments for third party share of vehicles and non-controlling interest	See note (i) below	**3.8**	-	2.7
Adjusted underwriting expenses		**(341.0)**	(327.6)	(680.6)
Adjusted Underwriting profit/(loss)		**47.0**	(58.7)	(215.0)
Attritional loss ratio	Attritional losses / Earned premium, net of reinsurance	**49.9%**	52.0%	52.6%
Major claims ratio	Major claims / Earned premium, net of reinsurance	**10.1%**	19.2%	23.7%
Reserve release ratio	Reserve releases / Earned premium, net of reinsurance	**(4.7)%**	(4.2)%	(3.6)%
Claims ratio	Note 5: Segmental information	**55.3%**	67.0%	72.6%
Commission ratio	Acquisition costs - commissions	**25.9%**	26.2%	26.6%
Operating expense ratio	Acquisition costs - other and Other insurance related expenses	**13.4%**	13.5%	13.4%
Underwriting expense ratio	Note 5: Segmental information	**39.3%**	39.7%	40.0%
Combined ratio	Claims ratio + Underwriting expense ratio; Note 5: Segmental information	**94.6%**	106.7%	112.6%

Note (i): On the face of the consolidated income statement, the third-party share of our underwriting is consolidated, with the net impact eliminated within 'gains on other financial liabilities'. The share of our underwriting attributable to non-controlling interests is also consolidated, with their share of the net profit/loss disclosed within 'profit/loss attributable to non-controlling interests'. These adjustments reallocate the impact on a line by lines basis to the underwriting result, thereby giving a fairer view of Brit's underwriting performance as attributable to the owners of the parent.

Reconciliation of Key Performance Indicators to the Financial Statements (continued)

(iv) 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 value of those invested assets.

	Comment / financial statements reference	**30 June 2021 US$m**	**30 June 2020 US$m**	**31 December 2020 US$m**
Share of net profit/(loss) of associates	Note 5: Segmental information	**0.9**	1.2	2.0
Return on financial investments and cash and cash equivalents	Note 6: Investment return	**166.3**	(108.5)	56.5
Return on investment related derivatives	Note 7: Return on derivative contracts	**1.7**	(13.0)	(13.9)
		168.9	(120.3)	44.6
Adjustments for third party investors' share of return		**-**	-	0.9
Return on invested assets		**168.9**	(120.3)	45.5
Investment in associated undertakings	Consolidated statement of financial position	**21.5**	20.4	20.5
Financial investments	Note 14: Financial investments	**4,084.6**	3,620.8	4,056.6
Derivative contracts (investment related)	Note 15: Derivative contracts	**7.6**	3.3	4.3
Cash and cash equivalents	Consolidated statement of financial position	**987.8**	581.7	775.7
Invested assets		**5,101.5**	4,226.2	4,857.1
Opening invested assets		**4,857.1**	4,182.2	4,182.2
Closing invested assets		**5,101.5**	4,226.2	4,857.1
Average invested assets		**4,979.3**	4,204.2	4,519.7
Return (%)	Return on invested assets / Average invested assets	**3.4%**	(2.9)%	1.0%

Reconciliation of Key Performance Indicators to the Financial Statements (continued)

(v) Capital ratio

The capital ratio measures the strength of our balance sheet by comparing our available capital resources to the capital we need to hold to meet our management entity capital requirements. It is calculated as follows:

	Comment / financial statements reference	30 June 2021 US$m	30 June 2020 US$m	31 December 2020 US$m
Total equity attributable to owners of the parent	Consolidated statement of financial position	**1,803.2**	1,265.7	1,592.6
Less: Intangible assets	Consolidated statement of financial position	**(179.8)**	(188.0)	(181.2)
Net tangible assets		**1,623.4**	1,077.7	1,411.4
Add: Deferred tax liability on intangible assets		**30.9**	24.8	25.4
Adjusted net tangible assets		**1,654.3**	1,102.5	1,436.8
Subordinated debt		**186.5**	165.6	184.5
Letters of credit / contingent funding	Under our capital policy we have identified a maximum of US$250.0m of our revolving credit facility to form part of our capital resources; In addition, we have identified the owners of the parent's share of the letter of credit held to support Ki's underwriting.	**267.5**	250.0	260.0
Total available capital resources		**2,108.3**	1,518.1	1,881.3
Management entity capital requirements	The capital required by an entity for business strategy and regulatory requirements.	**(1,419.4)**	(1,454.0)	(1,540.3)
Excess of capital resources over management entity capital requirements		**688.9**	64.1	341.0
Capital ratio		**148.5%**	104.4%	122.1%

Company information

Directors

Mr Matthew Wilson	Group Chief Executive Officer
Mr Gavin Wilkinson	Group Chief Financial Officer (appointed 28 July 2021)
Mr Mark Allan	Executive Director
Mr Gordon Campbell	Chairman
Mr Andrew Barnard	Non-executive Director
Ms Andrea Welsch	Non-executive Director

Group Company Secretary

Mr Tim Harmer

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