

BAR MUTUAL INDEMNITY FUND LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
**FOR THE YEAR ENDED 31 MARCH 2022**

Company Number 218 2018

<b>CONTENTS</b>	<b>PAGE</b>
Notice of Meeting	1
Directors	2
Chair's Report	3
Strategic Report	7
Directors' Report	12
Auditor's Report	16
Statement of Income and Movement in Reserves	25
Statement of Financial Position	26
The Statement of Cash Flows	27
Notes to the Financial Statements	28
Managers and Officers	52

## **NOTICE OF MEETING**

Notice is hereby given that the Annual General Meeting of the Members will be held at Chambers of 7 Kings Bench Walk Temple, London EC4Y 7DS on 6 October 2022 at 5.00pm for the following purposes:

To receive the Directors' Report and Financial Statements for the year ended 31 March 2022 and, if they are approved, to adopt them;

To appoint Directors; and

To re-appoint the auditor and authorise the Directors to fix their remuneration.

By Order of the Board

  
**K. Halpenny**  
**Secretary**

Date: 5 July 2022

- Notes: i) A Member is entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on behalf of them. A person so appointed must be a Member of the Company. The instrument appointing a proxy must be deposited with the Secretary not less than forty-eight hours before the meeting.
- ii) An agenda booklet for the Annual General Meeting setting out the resolutions and containing the minutes of the last Annual General Meeting will be available on the Bar Mutual web site prior to the meeting.

## **DIRECTORS**

### **DIRECTORS OF BAR MUTUAL INDEMNITY FUND LIMITED**

Colin Edelman QC	(Chair)
Michael Brindle QC	(Deputy Chair) Retired 14 October 2021
David Railton QC	(Deputy Chair)
Rebecca Sabben-Clare QC	(Deputy Chair)
Jasbir Dhillon QC	(Deputy Chair)
Ahmed Salim	(Chief Executive Officer)
Rajiv A A Harnal	(Chief Financial Officer)
Sushma Ananda	Appointed 28 September 2021
Thomas Coghlin QC	
Charles Dougherty QC	
Richard Handyside QC	Appointed 28 September 2021
Michael Horne QC	(Retired 20 April 2022)
Anna Markham	Appointed 7 October 2021
Christopher Pocock QC	
Nathaniel Rudolf QC	
Simon Salzedo QC	
David Scorey QC	
Sharif Shivji QC	
Fiona Sinclair QC	

## **CHAIR'S REPORT**

### **Bar Mutual's Financial Position as at 31 March 2022**

#### **Operating Results**

In the interim report sent to Members in January 2022 I commented that the financial performance of insurance companies is often cyclical. Explaining the deteriorating claims experience on the 2018/19 and the 2019/20 policy years – both of which were turning out to be Bar Mutual's worst years for claims – I observed that this was a reflection of the "roller coaster" ride professional indemnity insurers were sometimes subject to.

A consideration of Bar Mutual's recent year-end operating results shows a record of deficits. Initially these were planned deficits so as to reduce surplus capital but in the last two sets of statutory accounts there were deficits principally due to adverse claims experience. In the statutory accounts to 31 March 2020 Bar Mutual reported a deficit of £1.6m. This increased to a deficit of £3.0m in the financial statements to 31 March 2021. In my January 2022 interim report I informed Members that the forecast financial results for the year to 31 March 2022 was a deficit of £2.0m. Since then I am pleased to report that Bar Mutual's financial performance has improved markedly. Instead of posting a deficit for the year to 31 March 2022 of £2.0m we will now be reporting a surplus of £2.4m.

As to the explanation for this improvement, it is almost exclusively the result of better than expected claims experience over the second half of the year. My January 2022 interim report was based on the claims position six months into the year, which combined the claims incurred to date to the half-year position and the forecast for claims that would be incurred to the end of the year. By the year-end, the combination of a number of welcome victories on several large claims and a reduction in the actuarially projected year-end claims reserves produced an improvement in the claims position compared to the mid-year forecast by just over £3.9m.

In some years the return on Bar Mutual's investments is a material contribution to the year-end results. Bar Mutual's investment policy is not designed to produce stellar returns. Rather, the investment policy is intended to preserve the value of Bar Mutual's funds by targeting a level of return at or above inflation, inflation being measured against the consumer price index. Net investment income for the financial year to 31 March 2022 was £1.1m (a return of 1.8% of the total funds invested). This compares to an investment return last year of 2.6m (3.66%). Given the runaway rate of inflation, enormous challenges lie ahead in achieving investment performance that keeps abreast of the rate of inflation whilst maintaining the conservative nature of Bar Mutual's investments. It is also important to bear in mind that more adventurous investments trigger an increase in Bar Mutual's Solvency Capital Requirement ("SCR") and an increase in the capital reserves that Bar Mutual carries. On behalf of the Board and Members I thank the members of the Investment Committee, chaired by Jasbir Dhillon QC, and the Investment Managers, for their achievements in the most challenging of investment conditions and their continuing careful attention to Bar Mutual's investments.

#### **Bar Mutual's capital position**

A second theme I touched on in my January 2022 interim report was Bar Mutual's capital position and its risk appetite for capital.

As a regulated insurance company Bar Mutual is required to hold regulatory capital – composed of Tier 1 and, subject to regulatory approval, Tier 2 capital – that exceeds its SCR.

## **CHAIR'S REPORT (continued)**

### **Bar Mutual's capital position (continued)**

In January I noted that Bar Mutual's Tier 1 regulatory capital at the year-end was forecast to be £34.4m compared to a forecast SCR of £22.7m, a solvency ratio of 152%.

In the event, while the SCR increased to £25.3m at the year-end, Tier 1 regulatory capital increased to £41.9m. This resulted in a solvency ratio of 166% which underlines the fact that Bar Mutual continues to be in a strong financial position.

As noted in previous annual financial statements Bar Mutual's Board has an agreed policy on its risk appetite for capital. This is the prudent level of capital the Board judges Bar Mutual should hold and maintain in order to promote its long-term sustainable success. In summary, the risk appetite requires the calculation of a lower and an upper target level for capital. The target levels are in part determined by the SCR and once the limits are set then Bar Mutual endeavours to maintain its Tier 1 capital within this target range. At the time of my January 2022 interim report Bar Mutual was forecast to be £0.7m below its forecast lower target level for capital of £35.1m.

As with the operating results, I am pleased to report that, with Tier 1 capital of £41.9m and a lower target level for capital under the risk appetite of £38.0m, Bar Mutual's capital exceeds the lower target level for capital by £3.9m. It is therefore well within the target range under the risk appetite.

Given the unpredictability of insurance ventures your Board obtained the Prudential Regulation Authority ("PRA")'s approval in 2019 to Bar Mutual recognising as Tier 2 capital a portion of the deferred premiums on open policy years that it has to date provided to Members. In certain circumstances Bar Mutual can add its Tier 2 capital to what it holds in Tier 1 capital in order to meet its SCR. At the year-end the total Tier 2 capital deemed available to Bar Mutual was £15.0m, of which £12.6m would be eligible to be used to meet the SCR. Combining Tier 1 and Tier 2 capital results in total regulatory capital of £54.6m as at 31 March 2022 and a solvency ratio of 216%.

### **Board of Directors and Corporate Governance**

I reported in the financial statements to 31 March 2021 the engagement Bar Mutual had had with the PRA on the tenure limits set out in Bar Mutual's Nominations Policy and the size of its Board. The discussions were very constructive and as a result Bar Mutual reduced the length of time its Directors could serve on the Board but the PRA agreed to a transitional process to allow for succession planning.

Implementation of the change in tenure limits agreed with the PRA resulted in the departure of some of our Directors in the course of 2021 and early 2022. I mentioned in previous Chair's reports the loss of the services of Gregory Denton-Cox, Nina Goolamali QC, Joanna Smith QC (now Mrs Justice Joanna Smith) and Michael Brindle QC. Michael Horne QC has now joined the list of departed directors, although his tenure came to an end shortly after the financial year.

The Nominations Committee took the opportunity this year to strengthen Bar Mutual's Nominations Policy, updating it in general and ensuring that Bar Mutual continues to operate with a Board of Directors that is diverse and inclusive.

## **CHAIR'S REPORT (continued)**

### **Board of Directors and Corporate Governance (continued)**

Thus, in the course of the financial year, a total of three new Directors joined the Board. I took the opportunity to welcome them to the Board in my January 2022 interim report. Since the year end a further four Directors have joined the Board and I therefore take this opportunity to welcome them too. The full list of new Directors with their areas of particular specialism is set out below:

<b><i>New Director</i></b>	<b><i>Principle Practice Area</i></b>
Sushma Ananda	Insurance
Ruth Bala	Financial Services and Banking (Appointed 19 May 2022)
Richard Handyside QC	Commercial Litigation and Financial Services
Anna Markham	Company and Financial Services
Rebecca Murray	Revenue ( Appointed 19 May 2022)
Robert Purves	Financial Services and Regulation ( Appointed 19 May 2022)
Steven Snowden QC	Personal Injury ( Appointed 24 May 2022)

I write this Chair's Statement as my last. My tenure limit has expired and so I will be stepping away from the role of Chair and resigning as a Director of Bar Mutual. Having joined the Board in November 2007, and having been privileged to have been appointed as a Deputy Chair of the Board in 2009 and as Chair of the Board in April 2013, I will have served a total of just under fifteen years, nine of them as Chair of the Board. It has been an immense honour to have been given the opportunity to contribute to the Bar by ensuring that Bar Mutual, which was set up thirty-four years ago as a mutual insurer for the self-employed Bar, continues to meet the needs of its Members; and that its financial foundations are strong and so contributing to its continued survival. It has been especially gratifying to serve on a Board populated by very able and committed Directors. As Chair I have benefited hugely from a culture of open debate and challenge between Directors.

I remind Members that all the non-executive Directors serve on a pro-bono basis, our Articles of Association expressly prohibiting their remuneration. In my time I have witnessed a considerable increase in the Directors' workload because of a significant growth in the reach of insurance regulation. I therefore wish to record my deep gratitude to all past and current Directors for their labour. It has been a privilege to serve with them on the Board of Bar Mutual and the Bar owes a debt of gratitude to them.

As with any modern Board, succession planning is an essential responsibility of the Nominations Committee. In line with the requirements of good corporate governance, my successor was identified some while ago. She is an eminent and well-respected insurance practitioner who is also thoroughly well-grounded in issues relating to professional liability insurance. She has spent a considerable amount of time absorbing the business of Bar Mutual. She was appointed to the Board in November 2014 and, with two exceptions, she has been a member of all of Bar Mutual's Board committees. It therefore gives me enormous pleasure to report that Rebecca Sabben-Clare QC will succeed me as Chair of the Board on my retirement in July 2022.

## CHAIR'S REPORT (continued)

In addition to the smooth transition of the Chair of the Board, the Nominations Committee has also sought to ensure transparency in the current leadership of its Committees. I list below the Chairs and Deputy Chairs of the Committees of the Board following my retirement in July.

<i>Committee</i>	<b>Chair and Deputy Chair</b>
<i>Audit and Risk</i>	Christopher Pocock QC Simon Salzedo QC
<i>Claims</i>	Rebecca Sabben-Clare QC David Railton QC
<i>Investment</i>	Jasbir Dhillon QC Charles Dougherty QC
<i>Legal Services</i>	Rebecca Sabben-Clare QC Christopher Pocock QC
<i>Nominations</i>	Rebecca Sabben-Clare QC Tom Coghlin QC
<i>Management Fee and Oversight</i>	Christopher Pocock QC Sharif Shivji QC
<i>Rating and Reinsurance</i>	Rebecca Sabben-Clare QC David Scorey QC
<i>Reserves</i>	Sharif Shivji QC Richard Handyside QC
<i>Rules and Cover</i>	Rebecca Sabben-Clare QC

Finally, I wish to express my thanks to our Managers for their continuing contribution to the work of Bar Mutual and all the support and assistance they have provided to me as a Director and as the Chair of the Board. I would single out in particular Ahmed Salim and Rajiv Harnal, who act respectively as Chief Executive Officer and Chief Financial Officer of Bar Mutual, for their outstanding and dedicated work in those roles over the years in the management of the affairs of Bar Mutual and in supporting the work of the Board.



Colin Edelman QC

Chair

5 July 2022



## **STRATEGIC REPORT**

### **Review of the Year**

The Directors present their Strategic Report on the Company for the year ended 31 March 2022.

The Company continued to provide professional indemnity insurance to self-employed barristers and entities authorised by the Bar Standards Board in England and Wales. The surplus arising out of the year's operations after tax was £2.386m (2021 deficit £3.015m) and this was transferred to reserves. The reserves now amount to £35.686m (2021 - £33.301m) and have been retained to meet claims and the solvency requirement under The Financial Services and Markets Act 2000. The Directors anticipate no significant changes in the Company's future activities.

The principal movements of note are those relating to gross written premiums, gross claims paid and the investment return. Gross Written Premium has increased during the year due to the decrease in the deferral rate as further explained in note 5. The principal movements relating to gross claims paid and investment returns are detailed in the Chair's Report.

### **Principal Risks and Uncertainties**

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by the Audit & Risk Committee and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company, the compliance team and finance department. They perform an important oversight role in this regard.

The Company operates a risk transfer strategy by purchasing reinsurance and so safeguarding its reserves. During the year ended 31 March 2022, about 50.15% of the reinsurance contract was placed at Lloyd's (2021: 50.45%) with the balance placed with insurance companies in the UK. This is consistent with the placement last year. Note 6 in the Financial Statements explains the Company's reinsurance programme.

The principal risk facing the Company as an insurance company is a severe claims experience. The claims history demonstrates that, quite unexpectedly, claims can climb to levels that could have an impact on its financial strength were it not adequately reserved.

### **Key Performance Indicators**

The Company's objective is to benefit its Members through the provision of professional indemnity insurance on a mutual basis, and its ability to continue do so is partly measured by its solvency position. The key performance indicator is considered to be the amount by which the Company's capital resource exceed the Company's regulatory capital requirement, its Solvency Capital Requirement, with reference to a target range, as explained in note 4.7.

## STRATEGIC REPORT (continued)

### Financial results

The Statement of Income and Movement in Reserves (on page 25) and the Statement of Financial Position (on page 26) together with the notes to the Financial Statements set out the Company's financial position in detail.

The following table compares key financial information for the year-ended 31 March 2022 and 31 March 2021.

	2022	2021
	£'000	£'000
Gross Premium Written	18,191	16,670
Reinsurance Premium	(5,341)	(3,588)
Change in net provision for unearned premium	1	6
Net claims incurred	(10,119)	(16,627)
Operating expenses	(1,260)	(1,654)
Surplus/(deficit) on technical account	1,472	(5,192)
Investment Income	1,117	2,646
Surplus/(deficit) before tax	2,589	(2546)
Tax	(203)	(469)
Surplus/(deficit) for the financial year	2,386	(3,015)
Free Reserves at 31 March	35,686	33,301

### Investments

The Directors have set in place formal investment policies and objectives. The objectives of the Investment Policy are the following:

- To maintain sufficient funds to cover its known claim liabilities and its required regulatory capital; and
- To preserve capital in real terms (CPI rate of inflation) over the medium term, the medium term being defined as a period of five years.

The investment return for the year under review was 1.80% (2021: 3.66%).

### The Company's Current and Future Plans

The Company's central objective is to provide professional indemnity insurance to its Members at a price that is fair and reasonable. Generating profits for distribution to shareholders is therefore not one of the Company's objectives. Rather, it will only seek to generate sufficient profit where necessary to strengthen its financial and solvency position to ensure that it can continue to provide professional indemnity insurance to self-employed barristers in the longer term.

## STRATEGIC REPORT (continued)

### Company's Current and Future Plans (continued)

The Company has a target range in excess of its regulatory capital requirement, with upper and lower target levels within which its regulatory capital reserves should sit. The Company bases its target ranges on its Tier 1 Regulatory Capital.

The upper and lower targets have been calculated with reference to a 1 in 20 year capital loss. The targets are shown in the table below:

	£'000
Regulatory Capital Reserves as at 31 March 2022	
Tier 1 Basic Own Funds	41,920
Tier 2 Ancillary Own Funds	12,637
Total Regulatory Capital	54,557
Solvency Capital Requirement	25,273
Lower capital target	38,017
Upper capital target	50,761

At the year end the Company had met its objectives of being in a strong financial position with Tier 1 reserves for regulatory purposes at £41.920m, which is within its defined target limits.

### IMPACT OF COVID-19

The Directors have been monitoring the on-going Covid 19 pandemic and have determined that it has not had a material effect on its business.

### COMPANIES ACT SECTION 172(1)

Section 172(1) of the Companies Act 2006 provides that a Director of a Company must act in a way that is considered to be in good faith, would most likely promote the success of the Company and benefit the Members as a whole; and in doing so to have regard to various other stakeholder interests, including the Managers, regulators, brokers and reinsurers.

As a mutual insurer, Bar Mutual exists for the benefit of its Members, who are also the insureds of the Company. The key decisions made in the year are the continuance of the reinsurance programme and the pricing of member premiums. The key factors under section 172(1) are considered further below:

#### 1. The likely consequences of any long-term decision.

Bar Mutual operates in a stable business environment. It has an annual business plan and, as a result, any decisions taken by the Board that produce an adverse financial result can quickly be identified and corrected. The Board's scope for making adjustments is assisted by regulatory approval for the Company to utilise notional capital (Tier 2 capital) in order to meet any short-term reductions in its capital resources.

## **STRATEGIC REPORT (continued)**

### **COMPANIES ACT SECTION 172(1) (continued)**

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

The Company has no employees. It has outsourced its day-to-day operations to the Managers. Two employees of the Managers have been appointed to the Company's Board as executive directors.

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

The Company's primary focus, as a mutual insurer, is the provision of insurance to its Members at rates that are fair and reasonable and ensuring that its Members are provided with an outstanding claims handling service.

The Managers report to the Company on the performance of suppliers and its relationship with others, including insurance and professional regulators.

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

The Company considers the best interests of its Members as a priority. It makes an annual donation of £8,000 to Wellbeing at the Bar, which is a charity set up to support the challenges facing Barristers on a daily basis. It acts as a sounding board on behalf of its Members on legal issues and either makes or assists in making representations to protect its Members' interests to regulators as well as governmental bodies. The Company also makes discretionary payments if it is in the interest of its members or the wider public.

As a service orientated organisation, the Company does not have a material impact on the environment. The Board has established a policy on climate change, which is owned by the Company's Risk Officer. The policy considers the risk of climate change associated with the Company. The Board bears ultimate responsibility for managing the financial risks arising from climate change. Their responsibilities include:

- Understanding and assessing the risks to which Bar Mutual is exposed; their effect on solvency, liquidity and the ability to pay claims, together with their potential to cause reputational risk;
- Setting the tone by exercising effective oversight of risk management and controls and ensuring that adequate resources and sufficient skills and expertise are devoted to managing the financial risks from climate change; and
- Reviewing Bar Mutual's investment portfolio to determine climate-related risk factors.

Bar Mutual has no direct exposure to climate change risks but will continually analyse its exposure as regards the risks to which its Members might be exposed. Consideration of indirect climate change related financial risks such as the impact on its investment portfolio following unanticipated or premature write-downs or devaluation will also be monitored.

Bar Mutual does not meet the definition of a large unquoted company and therefore does not fall under the scope of the Streamlined Energy and Carbon reporting (SECR) requirements. Energy, carbon and usage information has therefore not been disclosed.

**STRATEGIC REPORT (continued)**

**COMPANIES ACT SECTION 172(1) (continued)**

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

The Board has in place a conduct risk policy that applies to both the Board and the Managers. The policy is intended to ensure that the Company has due regard to the interest of its Members whilst keeping them, and the integrity of the markets in which they operate, at the heart of everything it does.

**6. The need to act fairly between Members of the Company.**

The Company's conduct risk policy ensures that Members are treated fairly. In addition, the Board has established a conflicts of interest policy which ensures that any Director's conflict of interest is appropriately disclosed and dealt with at Board level.

The Directors therefore consider that the requirements of Section 172(1) are appropriately addressed by the Company's policies and procedures.



Colin Edelman QC  
Chair  
Date: 5 July 2022

## **DIRECTORS' REPORT**

The Directors have pleasure in presenting their annual Report and the Financial Statements for the year ended 31 March 2022.

The Company has appointed Thomas Miller Professional Indemnity Limited (previously Bar Mutual Management Company Limited) as sole Managers to manage its business affairs and operations and has appointed Thomas Miller Investment Limited to manage the Company's investment portfolio. Both Thomas Miller Professional Indemnity Limited and Thomas Miller Investment Limited are owned by Thomas Miller Holdings Limited.

The duties of the Managers and details of their remuneration are detailed in note 8 to the Financial Statements.

The Company has no employees.

The Board of Directors has effected a Directors' and Officers' Liability Insurance Policy to indemnify the Directors or Officers of the Company against loss arising from any claim made against them jointly or severally by reason of any wrongful act in their capacity as Director or Officer of the Company. The insurance also covers the Company's loss when it is required or permitted to indemnify the Directors or Officers pursuant to the law, common or statutory, or the Articles of Company. The cost of the insurance is met by the Company and is detailed in note 9 to the Financial Statements.

### **Risk Management**

The Company's risk management is overseen by the Audit & Risk Committee. The Committee considers the type and scale of risk that the Company is prepared to accept in its ordinary course of activity and this is used to develop strategy and decision making.

Information on how these risks are managed is disclosed in Note 4 to the Financial Statements.

During the year, the Committee reviewed and approved the Company's risk management policies and procedures in the context of Solvency II.

### **Directors and Officers**

The names of the Directors of the Company who served during the year are shown on page 2.

In accordance with the Articles of Company, Rajiv Harnal, Ahmed Salim, Simon Salzedo QC and Fiona Sinclair QC retire by rotation and, being eligible, will seek reappointment at the forthcoming Annual General Meeting to be held on 6 October 2022.

In the case of each of the persons who are Directors at the time this report is approved, the following applies:

- (a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditor are unaware, and
- (b) They have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

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

### **Directors and Officers (continued)**

Colin Edelman QC the chair will retire after the Board meeting being held on 5 July 2022.

The following Directors as per the recommendation of the Boards Effectiveness review offer themselves for re-election annually as a result of having served for more than nine years in office. The remainder of the Board confirm their independence:

1. Jasbir Dhillon QC
2. Christopher Pocock QC
3. David Railton QC
4. Sharif Shivji QC

### **Meetings of the Directors**

The Board of the Company held three formal meetings in the financial year: in, July 2021 December 2021 and March 2022.

The Directors also maintained contact with the Managers between meetings, in order to fulfil the general and specific responsibilities entrusted to them by the Members under the Company's Articles of Association and Rules.

The Directors received and discussed written reports from the Managers on financial development, investment of its portfolio, renewals, reinsurance, major claims paid and outstanding and claims reserves.

The Annual Reports and Financial Statements for the year ended 31 March 2021 were approved by the Board in July 2021 for submission to the Members of the Company at the Annual General Meeting.

### **Board Committees**

The Board has delegated specific authority to a number of committees. The Board is informed of the main issues discussed as all minutes of the meetings of the committees are distributed to the Board.

**The Audit and Risk Committee** comprising Christopher Pocock QC, (Chair), Anna Markham, Nathaniel Rudolf QC, Simon Salzedo QC, and David Scorey QC assists the Board in reviewing the effectiveness of the Company's internal control processes, the Internal Audit reports, recommending that the Board approve the year-end financials, monitoring the Managers' responses to findings and recommendations of Internal audit and statutory audit and assessing the business risks of the Company. The Committee met on three occasions in the course of the year.

**The Claims Committee** comprising Colin Edelman QC (Chair), David Railton QC , Rebecca Sabben-Clare QC and Fiona Sinclair QC assists the Board in reviewing issues of principle arising in claims-related matters. The Committee also deals with applications for discretionary cover as and when such applications are made. The Committee met twice during the year and liaised frequently throughout the year on claims-related issues.

## **DIRECTORS' REPORT (CONTINUED)**

### **Board Committees (continued)**

**The Investment Committee** comprising Jasbir Dhillon QC (Chair), Thomas Coghlin QC, Charles Dougherty QC, and Sharif Shivji QC assists the Board in reviewing in detail the performance of the Company's investments and making recommendations to the Board in respect of the Investment Policy and other investment related issues. The Committee met on three occasions in the course of the year.

**The Management Fee and Oversight Committee** comprising Christopher Pocock QC (Chair) David Railton QC, Colin Edelman QC, Anna Markham Sharif Shivji QC and Rebecca Sabben-Clare QC assists the Board in reviewing the effectiveness of the Managers and reporting to the board on the Manager's management fee proposals. The Committee met twice during the year.

**The Nominations Committee** comprising Colin Edelman QC (Chair), Tom Coghlin QC, Rebecca Sabben-Clare QC and Sharif Shivji QC assists the Board in complying with the Company's and its Committees' Fit and Proper Policy. It also assists the Board on the policy it should adopt for the appointment of Directors and in identifying suitable potential candidates for appointment as Directors for the Board to consider. The Committee met on three occasions during the year.

**The Reserves Committee** comprising Sharif Shivji QC (Chair), Jasbir Dhillon QC, Richard Handyside QC, Nathaniel Rudolf QC and Simon Salzedo QC and assists the Board in reviewing in detail the Company's claims reserves, capital resources policy and regulatory capital position. It also provides a clear channel of communication between the Managers' actuaries and the Board. The Committee met twice during the year.

**The Rating and Reinsurance Committee** comprising Colin Edelman QC (Chair), Sushma Ananda, Charles Dougherty QC, Christopher Pocock QC, David Railton QC, Rebecca Sabben-Clare QC, and David Scorey QC assists the Board in reviewing in detail the rating system of the Company and making annual recommendations to the Board in respect of the ratings to be applied to the next policy year. The Committee also reviews Bar Mutual's reinsurance programme. The Committee met on two occasions during the year.

**The Rules and Cover Committee** comprising Colin Edelman QC (Chair), Sushma Ananda, Thomas Coghlin QC, Rebecca Sabben-Clare QC and Fiona Sinclair QC reviews the basis on which Bar Mutual provides insurance cover to Members. The Committee met once during the year.

**The Legal Services Act Committee** comprises Colin Edelman QC (Chair), Rebecca-Sabben-Clare QC, Richard Handyside QC and Christopher Pocock QC. The Committee assists the Board in its response to the effect of the introduction of the Legal Services Act on the Members of Bar Mutual Indemnity Fund. There were no formal meetings of the Committee during the year, but the Committee liaised throughout the year on issues relating to the insurance of entities regulated by the Bar Standards Board.

### **Future developments**

The future developments of the Company have been considered in the Chair's report and the Strategic report.



## **DIRECTORS' REPORT (CONTINUED)**

### **Post balance sheet events**

There have been no events since the balance sheet date, which either require changes to be made to the figures included in the financial statements or to be disclosed by way of a note.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Strategic Report and Directors' Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. The Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### **AUDITOR**

The Company appointed Mazars as its new auditor at its last Annual General Meeting. The Board will be recommending to the members that they approve the re-appointment of Mazars as Bar Mutual's statutory auditor and authorise the Directors to fix their remuneration at the forthcoming Annual General Meeting scheduled for 7 October 2022.



Colin Edelman QC  
Chair

Date: 5 July 2022

## **Independent auditor's report to the members of Bar Mutual Indemnity Fund Limited**

### **Opinion**

We have audited the financial statements of Bar Mutual Indemnity Fund Limited ("the company") for the year ended 31 March 2022 which comprise the Statement of Income and Movement in Reserves, the Statement of Financial Position, the Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;

### **Conclusions relating to going concern (continued)**

- Obtaining an understanding of the process relating to the directors' going concern assessment, the period of assessment considered by them, the assumptions they considered and the implication of these when assessing the company's future financial performance;
- Reviewing the company's Own Risk and Solvency Assessment including the financial forecasts for the company over the next three years based on different assumptions and scenarios;
- Reviewing the forecast Solvency Table for the three year period to 2025 (which formed part of the actuarial claims reserves review);
- Evaluating the appropriateness of the key assumptions in their forecasts by reviewing supporting evidence in relation to these key assumptions;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit;
- Obtaining and reviewing the company's Reserves Committee meeting pack dated June 2022 which included the actuarial claims reserves review; a copy of the key performance and risk indicators; and a copy of the Business Risk Assessment; and
- Evaluating the appropriateness of the disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
<p data-bbox="245 241 764 394"><b>Valuation of Gross technical provisions, specifically the valuation of the provision for Incurred But Not Enough Reported (“IBNER”)</b></p> <p data-bbox="245 445 764 517"><b>Gross technical provisions - £50,959,222 (2021: £54,713,085)</b></p> <p data-bbox="245 577 764 770"><i>Refer to Note 2 “Significant accounting policies – Claims”, Note 3 “Critical judgements, assumptions and estimates”, and Note 7 “Claims and Technical Provisions”</i></p> <p data-bbox="245 831 764 943">The valuation of technical provisions is a key area of judgement and management estimation.</p> <p data-bbox="245 999 764 1435">Professional indemnity insurance is inherently more uncertain than other classes of business, and for the company these are often more complex claims given their longer tail. The long-tail claims settlement pattern, volatile nature of the company’s claims experience and their unique position as sole insurer for self-employed Barristers in England and Wales makes it more difficult to predict, with accuracy, the estimated total claims costs.</p> <p data-bbox="245 1491 764 1684">The company underwrites professional indemnity insurance on a ‘claims made’ basis and recognises technical provisions primarily made up of case reserves and a provision for IBNER.</p> <p data-bbox="245 1740 764 1852">The provision for IBNER is the most subjective and is based on the estimate of the ultimate cost to settle all claims.</p> <p data-bbox="245 1908 764 2094">Given the level of subjectivity and judgement, there is a risk that inappropriate reserve projections are made, and we therefore identified the valuation of technical provisions,</p>	<p data-bbox="783 241 1321 353">With the involvement of our actuarial team, we performed the following audit procedures:</p> <ul data-bbox="836 409 1321 2040" style="list-style-type: none"> <li data-bbox="836 409 1321 562">• We gained an understanding of the reserving process used by the actuaries of the company and of the related controls;</li> <li data-bbox="836 618 1321 853">• With the support from our IT specialists, we assessed the flow of data and tested the completeness and accuracy of key system-generated reports used in the reserving process;</li> <li data-bbox="836 909 1321 1133">• We performed data integrity testing and confirmed that the data used by the actuaries in the reserving models is consistent with the audit work performed over premiums and claims paid;</li> <li data-bbox="836 1189 1321 1424">• We compared the actual gross incurred position at 31 March 2022 with that last seen at 31 March 2021 prepared by the company’s actuaries and considered the reasons given for differences;</li> <li data-bbox="836 1480 1321 1637">• We performed diagnostic checks in order to understand the developments in the paid and incurred data;</li> <li data-bbox="836 1693 1321 1917">• We considered the appropriateness of the actuarial methodologies and assumptions applied and performed an independent reserve projection and compared it to that derived by the company’s actuaries;</li> <li data-bbox="836 1973 1321 2040">• We substantively tested case reserves, agreeing a sample to the</li> </ul>

<p>specifically the valuation of the provision for IBNER, as a significant risk and a key audit matter.</p>	<p>system and supporting documentation;</p> <ul style="list-style-type: none"> <li>• We evaluated the appropriateness of the margin to be applied to the actuarial best estimate by considering the allowance for uncertainties inherent in the data and assumptions used in the estimate; and</li> <li>• We assessed the disclosures in the financial statements.</li> </ul> <p><b>Our observations:</b> Based on these procedures, we found that the valuation of the technical provisions, specifically the valuation of the provision for IBNER to be reasonable.</p>
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### Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£635,000
How we determined it	2% of Free reserves
Rationale for benchmark applied	In determining our materiality, we considered financial metrics which we believed to be relevant and concluded that Free reserves was the most relevant benchmark as it best represents the financial stability and solvency of the company.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected

	<p>misstatements in the financial statements exceeds materiality for the financial statements as a whole.</p> <p>We set performance materiality at £413,000, which represents 65% of overall materiality.</p> <p>The primary factors we considered in determining the level of performance materiality include the fact that this is an initial audit engagement; our understanding of the company's control environment; the level and nature of errors detected in previous audits by the predecessor auditor and our expectation of the number of errors in the current year audit.</p>
Reporting threshold	<p>We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £19,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.</p>

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the company, its environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

#### **Other information**

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

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

We have nothing to report in this regard.

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

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

## **Responsibilities of Directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: breaches of the regulatory requirements of the Prudential Regulation Authority's ("PRA") and the Financial Conduct Authority's ("FCA").

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considering the risk of acts by the company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors and management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities including the PRA and the FCA;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as UK tax legislation and the Companies Act 2006.



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

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the valuation of technical provisions (specifically IBNER) and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;
- Critically assessing accounting estimates impacting amounts included in the financial statements for evidence of management bias; and
- Considering significant transactions outside of the normal course of business. Our approach included reviewing Board minutes, review of correspondence with the PRA and FCA and substantively testing the transaction and related disclosure where considered material.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Other matters which we are required to address**

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board of Directors on 14 July 2021 to audit the financial statements for the year ending 31 March 2022 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ended 31 March 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with our additional report to the Audit and Risk Committee.

## **Use of the audit report**

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



[Sam Porritt \(Jul 11, 2022 13:57 GMT+1\)](#)

Sam Porritt (Senior Statutory Auditor) For and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
30 Old Bailey  
London  
EC4M 7AU

Date: Jul 11, 2022

**STATEMENT OF INCOME AND MOVEMENT IN RESERVES**  
For the year ended 31 March 2022

	Note	2022 £	+ 2021 £
<b>TECHNICAL ACCOUNT GENERAL BUSINESS</b>			
<b>Earned premiums, net of reinsurance</b>			
Gross Premiums written	5	18,191,107	16,670,268
Outward reinsurance premiums	6	(5,340,866)	(3,587,559)
Change in net provision for unearned premium		1,031	5,948
Earned premiums, net of reinsurance		<u>12,851,272</u>	<u>13,088,657</u>
<b>Claims incurred, net of reinsurance</b>			
<b>Claims paid</b>			
Gross amount	7	(11,550,854)	(18,734,545)
Reinsurers' share	7	1,332,578	3,576,414
Net claims paid	A	<u>(10,218,276)</u>	<u>(15,158,131)</u>
<b>Change in the provision for claims</b>			
Gross amount	7	3,752,833	(3,866,262)
Reinsurers' share	7	(3,653,683)	2,397,807
Change in the net provision for claims	B	<u>99,150</u>	<u>(1,468,455)</u>
Claims incurred, net of reinsurance	A+B	<u>(10,119,126)</u>	<u>(16,626,586)</u>
Net operating expenses	9	(1,259,777)	(1,654,313)
Balance on the technical account	C	<u>1,472,369</u>	<u>(5,192,243)</u>
<b>NON-TECHNICAL ACCOUNT</b>			
Balance on the technical account		1,472,369	(5,192,243)
Investment income	10	2,132,065	180,393
Unrealised gains/(losses) on investments	10	(623,376)	2,605,212
Investment expenses and charges	10	(392,092)	(139,759)
	D	<u>1,116,597</u>	<u>2,645,846</u>
Surplus/(losses) before tax	C+D	2,588,966	(2,546,396)
Tax charge	11	(203,338)	(469,408)
Surplus/(deficit) for the financial year		<u>2,385,628</u>	<u>(3,015,804)</u>
Reserves at 31 March, 2021		<u>33,300,521</u>	<u>36,316,325</u>
Reserves at 31 March, 2022		<u>35,686,149</u>	<u>33,300,521</u>

All income and expenses relate to continuing operations.

The notes on pages 28 to 51 form an integral part of these Financial Statements.

Company number 218 2018  
STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2022	
		2022	2021
		£	£
<b>ASSETS</b>			
<b>Investments</b>			
Other financial investments	12	82,955,686	80,384,546
<b>Reinsurers' share of gross technical provisions</b>			
Claims outstanding	7	11,539,176	15,192,859
<b>Debtors</b>			
Debtors arising out of direct insurance operations	13	21,734	22,869
Debtors arising out of reinsurance operations	14	745,588	1,390,486
Other debtors	15	2,751,861	71,282
		3,519,183	1,484,637
<b>Other assets</b>			
Cash at bank and in hand	16	9,966,385	6,411,618
<b>Prepayments and accrued income</b>			
Accrued interest-interest earned but not yet received on fixed interest securities		140,468	106,322
Other prepayments and accrued income		37,326	29,857
<b>TOTAL ASSETS</b>		<b>108,158,224</b>	<b>103,609,839</b>
<b>LIABILITIES AND RESERVES</b>			
<b>Reserves</b>			
Free reserves		35,686,149	33,300,521
<b>Technical provisions</b>			
Provision for unearned premiums	5	159,173	160,203
Gross Claims outstanding	7	50,800,049	54,552,882
<b>Creditors</b>			
Creditor arising out of direct insurance operations		29,768	27,731
Creditors arising out of reinsurance operations	17	1,262,636	715,315
Other creditors including taxation	18	205,044	239,643
		1,497,448	982,689
<b>Accruals and deferred income</b>	19	20,015,405	14,613,544
<b>TOTAL LIABILITIES AND RESERVES</b>		<b>108,158,224</b>	<b>103,609,839</b>

The notes on pages 28 to 51 form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors and were signed on its behalf on Date: 5 July 2022 by:



Colin Edelman QC (Chair)

  
R.A.A. Harnal (Chief Financial Officer)

**STATEMENT OF CASH FLOWS**  
**For the year ended 31 March 2022**

**Operating activities**

	Note	2022 £	2021 £
Premiums received		23,579,207	21,145,871
Reinsurance premium paid		(4,793,545)	(3,565,874)
Claims paid		(14,239,556)	(17,075,636)
Reinsurance recoveries received		1,977,476	4,068,941
Operating expenses paid		(1,247,217)	(1,737,351)
Taxation paid		(237,340)	(46,791)
Net cash provided by operating activities		<u>5,039,025</u>	<u>2,789,160</u>

**Cash flows from investment activities**

Purchase of investments		(95,924,889)	(90,431,489)
Sale of investments		93,435,712	88,929,469
Interest received		552,267	547,343
Dividends received		452,652	318,901
Net cash flow from investment activities		<u>(1,484,258)</u>	<u>(635,776)</u>

**Net increase in cash and cash equivalents**

		<u>3,554,767</u>	<u>2,153,384</u>
Cash and cash equivalents at the beginning of the year		<u>6,411,618</u>	<u>4,258,234</u>
Cash and cash equivalents at the end of the year	16	<u>9,966,385</u>	<u>6,411,618</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Constitution and ownership**

The Company provides professional indemnity insurance to self-employed barristers and Entities authorised by the Bar Standards Board in England and Wales and is incorporated in England as a company limited by guarantee and not having a share capital. Its registered office is 90 Fenchurch Street, London, EC3M 4ST.

In pursuance of its business and in accordance with its Memorandum, Articles of Association and its Rules, the Company has the right to make calls on its Members to meet its liabilities. No specific provision is made in the accounts for any such calls unless and until the Directors decide that any such calls shall be made.

In the event of the winding up of the Company, after its liabilities have been satisfied, the remaining assets shall be distributed to the Members.

### **2. Significant accounting policies**

#### **2.1 Statement of compliance and basis of preparation**

The Financial Statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103 "Insurance Contracts" ("FRS 103") and the Companies Act 2006.

The Financial Statements have been prepared under the provisions of the UK Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The Financial Statements have been prepared on the historical cost basis, except for other financial investments which are presented at fair value.

The significant accounting policies are summarised below. They have all been applied consistently throughout the year and in the preceding year.

#### **2.2 Gross premiums written**

The gross premiums written are net of deferral of premium as shown in note 5. The total receivable are for contracts with Members coming into force during the accounting period together with any premium adjustments relating to prior periods. The gross premiums written include provisions for doubtful debts and premiums returned to Members leaving the profession.

##### **Unearned premium reserve**

Cessation premium is received from retiring Members to obtain cover for six years. This premium is deferred over the period of cover and accounted for as an unearned premium reserve.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.3 Claims

The Company insures Members for claims that are made against them during the period of insurance. As such the financial statements recognise the expected cost of claims that are expected to have been notified to the insured Members by the year end. Claims are recorded on a claims made basis and therefore there is no IBNR, (incurred but not reported).

The Company uses a number of standard actuarial techniques to determine its ultimate claims liability, based on past claims experience. These include development factor methods, the Bornhuetter-Ferguson method and other related analyses as appropriate.

The claims provision recognised in the Statement of Financial Position is made up of:

- (i) Estimated claims and settlement costs as at 31 March 2022, on notified claims outstanding in all policy years;
- (ii) An additional amount to provide against the costs of adverse development on estimated claims and circumstances notified to Members as at 31 March 2022
- (iii) A provision for the Managers' future claims handling costs in respect of (i) and (ii).

Claims incurred in the statement of income and movement in reserves includes:

- (i) Claims and costs paid during the year;
- (ii) The claims handling costs of the Managers (see note 8); and
- (iii) The movement in the claims provision (see note 7).

### 2.4 Reinsurance recoveries

Reinsurance recoveries and reinstatement premiums are accrued to match the relevant claims that have been charged to the Technical Account.

### 2.5 Reinsurance premiums

Reinsurance premiums payable are charged to the Technical Account on an accruals basis and to the policy year to which they apply.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.6 Financial instruments

Financial instruments are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price and are classified as either 'basic' or 'other' in accordance with Chapter 11 and Chapter 12 of FRS 102. Subsequent to initial recognition, they are measured as set out below.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Financial assets being debtors, cash and prepayments are measured each year at amortised cost. The valuation of the other financial investments are discussed in Note 2.7.

### 2.7 Other financial Investments

The Company classifies its financial investments at fair value through profit or loss because they are managed and their performance is evaluated on a fair value basis.

Financial investments are recognised at trade date and subsequently measured at fair value. Fair values of financial investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors such as independent valuation reports.

A financial instrument is regarded as quoted in an active market if quoted prices 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 at an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

The costs of financial investments denominated in currencies other than UK sterling are translated into UK sterling on the date of purchase. Any subsequent changes in value, whether arising from market value or exchange rate movements, are charged or credited to the statement of income and movement in reserves in the period in which they occur.

Net gains or losses arising from changes in fair value of financial investments at fair value through profit or loss are presented in the statement of income and movement in reserves within 'Unrealised gains/ (losses) on investments' in the period in which they arise.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.8 Investment returns

Investment return comprises dividend income from equities, income on fixed interest securities, interest on deposits and cash.

Dividends are recognised as income on the date the relevant securities are marked ex-dividend. Other investment income is recognised on an accruals basis.

### 2.9 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balance with banks, and investments in money market instruments which are readily convertible, being those with original maturities of three months or less. Cash and cash equivalents in foreign currency are translated based on the relevant exchange rates at the reporting date.

### 2.10 Foreign currencies

Items included in the Financial Statements are measured in UK sterling which is the functional and presentational currency. Transactions in foreign currencies have been translated into UK sterling at the rate applicable for the month in which the transaction took place. At each reporting date monetary assets and liabilities that are denominated in foreign currencies are translated into UK sterling at the rates of exchange ruling at the end of the reporting period.

All exchange gains and losses, whether realised or unrealised, are included in foreign exchange gains and losses in the statement of income and movement in reserves.

### 2.11 Derivative financial instruments

Derivatives include forward foreign exchange contracts. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the statement of income and movement in reserves.

### 2.12 Taxation

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

Deferred taxation is provided in full on timing differences that result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date. The rates used in these calculations are those which are expected to apply when the timing differences crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Financial Statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax balances are not discounted.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **2.13 Provision for doubtful debts**

A provision is made for doubtful debts arising out of direct insurance for amounts due from Members that have been outstanding for one year or more (see note 13).

### **2.14 Going Concern**

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue operations for at-least twelve months from the date the financial statements are signed. For this reason, the going concern basis has been adopted in preparing the accounts.

## **3. Critical accounting estimates and judgements**

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The following critical accounting estimates and judgements are made by the Company:

### **3.1 The ultimate liability arising from claims made under insurance contracts**

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The main source of the uncertainty comes from the outcome of the claims presented to the Company. Estimates are made for the expected ultimate cost of claims, at the end of the reporting period (see note 7).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4 Management of Risk

The Company is governed by the Board of Directors which drives decision making within the Company from Board level through to operational decision making within the Managers. The Board considers the type and scale of risk that the Company is prepared to accept in its ordinary course of activity and this is used to develop strategy and decision making.

The Company is focused on the identification and management of potential risks. This covers all aspects of risk management including that to which the Company is exposed through its core activity as a provider of insurance services, and the broader range of risks. The Company's key risks are the following:

Insurance risk – incorporating underwriting and reserving risk;

Market risk – incorporating investment risk, and interest rate risk;

Credit risk – the risk that a counterparty is unable to pay amounts in full when due;

Liquidity risk – the risk that cash may not be available to pay obligations as they fall due; and

Operational risk – the risk of failure of internal processes or controls.

#### 4.1 Insurance Risk

The Company's exposure to insurance risk is initiated by the underwriting process and incorporates the possibility that an insured event occurs, leading to a claim on the Company from a Member. The risk is managed by the underwriting process, acquisition of reinsurance cover, and the management of claims costs.

Insurance risk is wholly concentrated on professional indemnity risks, with all business written in the UK.

##### Underwriting process

The Company has an underwriting policy which is approved by the Board annually which manages the underwriting risk. The policy sets out the processes by which the risk is managed.

The Company operates a tariff rating system based on earnings and so the underwriting parameters are fixed with no discretion.

##### Reinsurance

The Company's reinsurance programme is designed to manage risk to an acceptable level and to optimise the Company's capital position. The programme comprises excess of loss reinsurance cover to protect against individual large losses, and additional fees break out cover.

During the year ended 31 March 2022, 50.15% of the reinsurance contract was placed at Lloyd's and the remaining 49.85% with insurance companies in the UK.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Management of Risk (continued)

#### 4.1 Insurance Risk (continued)

The risk of the Company's reinsurers being unable to meet their obligations is presented in section 4.3 on Credit Risk.

##### Reserving process

The Company establishes provisions for unpaid notified claims and related expenses to cover its expected ultimate liability. These provisions are established through the application of actuarial techniques and assumptions as set out in Note 2 of the Financial Statements as directed and reviewed by the Audit and Risk Committee and the Reserving Committee. In order to minimise the risk of understating these provisions the assumptions made and actuarial techniques employed are reviewed in detail by senior Members of Thomas Miller Professional Indemnity Limited.

The Company considers that the liability for insurance claims recognised in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

The results of sensitivity testing are set out below, showing the impact on the surplus before tax and equity, gross and net of reinsurance. The impact of a change in a single factor is shown, with other assumptions unchanged. The sensitivity analysis assumes that a change in loss ratio is driven by a change in claims incurred.

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Increase in loss ratio by 5 percentage points		
Gross	(909,555)	(833,513)
Net	(642,564)	(654,433)

A 5 per cent decrease in loss ratios would have an equal and opposite effect.

The estimation of the ultimate liability arising from claims made under insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The main source of the uncertainty comes from the outcome of the claims presented to the Company. Estimates are made for the expected ultimate cost of claims, at the end of the reporting period (see note 7).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4 Management of Risk (continued)

#### 4.2 Market Risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities.

The investment policy is formally reviewed every three years (but more frequently if required). The policy reflects the risk appetite of the Company and is designed to hold the risk to a level deemed acceptable while maximising return.

The Investment Strategy is formally reviewed annually and sets the parameters within which the Investment Manager must operate in investing the portfolio in order to meet the investment objectives set by the Board.

#### Currency exchange risk management

The currency risk exposure in the investment portfolio for Bar Mutual is trivial.

#### Interest rate risk management

Interest rate risk arises primarily from investments in fixed interest securities the value of which is inversely correlated to movements in market interest rates.

Interest rate risk is managed through the investment strategy and accordingly debt and fixed interest securities are predominantly invested in high quality corporate and government backed bonds.

#### Interest rate sensitivity analysis

An increase of 100 basis points in interest rates at the year-end date, with all other factors unchanged will result in a £515k (March 2021 : £475k) fall in the value of the Company's investments. A decrease of 100 basis points would have an equal and opposite effect.

#### Equity price risk

The Company is exposed to price risk through its holding of equities and alternatives as financial investments at fair value through profit and loss. At the year end the holding in equity instruments amounted to 20.82% of the investment portfolio (2021: 14.85%).

A 1% increase in equity values would be estimated to have increased the surplus before tax at the year-end by £173k. (March 2021: £120k) A 1% fall in equity values would have an equal and opposite effect. This analysis assumes that all other variables remain constant.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4 Management of Risk (continued)

#### 4.2 Market Risk (continued)

In accordance with section 11 of FRS 102, as a financial institution, the Company applies the requirements of FRS 102- Appendix to Section 2, paragraph 2A.1. This requires, for financial instruments held at fair value in the statement of financial position, disclosure of fair value measurements by level of the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets, either directly (that is, price) or indirectly (that is, derived from prices).

Level 3 – Inputs for the assets that are not based on observable market data (that is, unobservable inputs).

The table below presents the Company's assets measured at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
<u>As at 31 March 2022</u>	£'000	£'000	£'000	£'000
<u>Assets</u>				
Fixed interest - Government	-	43,534	-	43,534
Fixed interest – Corporate	-	7,924	-	7,924
Equities & Alternatives	18,866	-	-	18,866
UCITS	12,488	-	-	12,488
Other-cash with financial institutions	143	-	-	143
	<u>31,497</u>	<u>51,458</u>	<u>-</u>	<u>82,955</u>
	Level 1	Level 2	Level 3	Total
<u>As at 31 March 2021</u>	£'000	£'000	£'000	£'000
<u>Assets</u>				
Fixed interest - Government	-	42,229	-	42,229
Fixed interest – Corporate	-	5,232	-	5,232
Equities & Alternatives	11,369	2,438	-	13,807
UCITS	18,698	-	-	18,698
Other-cash with financial institutions	418	-	-	418
	<u>30,485</u>	<u>49,899</u>	<u>-</u>	<u>80,384</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4 Management of Risk (continued)

#### 4.3 Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company.

The key areas where the Company is exposed to credit risk are:

Amounts recoverable from reinsurance contracts;  
Amounts due from Members; and  
Counterparty risk with respect to cash and investments.

##### Amounts recoverable on reinsurance contracts

The Company is exposed to credit risk from a counterparty failing to comply with their obligations under a contract of reinsurance. In order to manage this risk the Board considers the financial position of significant counterparties. The Company has set selection criteria whereby each reinsurer is required to hold a credit rating greater than or equal to "A" at the time the contract is made and no single reinsurer carries more than a 25% line. The terms of the reinsurance contract give the Company the right to remove any reinsurer whose rating falls below A at any time during the year. The Board reviews reinsurance annually before renewal.

##### Amounts due from Members

Amounts due from Members represent premium owing to the Company in respect of insurance business written. The risk of Member default is managed by the option of reporting Members to the Bar Standards Board for non-payment which may lead to disciplinary action against the Member.

##### Counterparty risk with respect to cash and investments

The Investment Strategy sets out the investment limits to which the investment manager has to adhere. All fixed interest and floating rate investments to have minimum long term debt rating of A- from S&P or A3 from Moody's. UCITS within which cash shall be held shall have a minimum rating of AAA from S&P or Moody's and no more than 20% of the total fund size shall be held within any one UCITS or with Bar Mutual's custodian bank. No rating is required for Equity and alternative holdings.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Management of Risk (continued) 4.3 Credit Risk (continued)

The following tables provide information regarding aggregate credit risk exposure for financial investments with external credit ratings.

As at 31 March 2022	AAA/AA	A	BBB or less or not rated	Total
	£'000	£'000	£'000	£'000
Fixed interest-Government	43,534	-	-	43,534
Fixed interest-Corporate	7,924	-	-	7,924
Equities & Alternatives	-	-	18,866	18,866
UCITS	12,488	-	-	12,488
Other-cash with financial institutions	143	-	-	143
Reinsurers' share of gross technical provisions - Claims outstanding	-	11,539	-	11,539
Debtors arising out of reinsurance operations	-	746	-	746
Cash at bank	-	9,966	-	9,966
Other	141	-	2,774	2,915
	<u>64,230</u>	<u>22,251</u>	<u>21,640</u>	<u>108,121</u>

As at 31 March 2021	AAA/AA	A	BBB or less or not rated	Total
	£'000	£'000	£'000	£'000
Fixed interest-Government	42,229	-	-	42,229
Fixed interest-Corporate	4,477	755	-	5,232
Equities & Alternatives	-	-	13,808	13,808
UCITS	18,698	-	-	18,698
Other-cash with financial institutions	418	-	-	418
Reinsurers' share of gross technical provisions - Claims outstanding	-	15,193	-	15,193
Debtors arising out of reinsurance operations	-	1,390	-	1,390
Cash at bank	-	6,412	-	6,412
Other	106	-	94	200
	<u>65,928</u>	<u>23,750</u>	<u>13,902</u>	<u>103,580</u>

There were £18k of assets past due or impaired (2021: £18k) and further information is included in note 13.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Management of Risk (continued)

#### 4.4 Liquidity Risk

Liquidity and cash flow risk is the risk that cash may not be available to pay obligations as they fall due at a reasonable cost. The Company maintains holdings in short term deposits to ensure there are sufficient funds available to cover anticipated liabilities and unexpected levels of demand. As at 31 March 2022, the Company's short term deposits (including cash and UCITs) amounted to £22.597m (2021: £25.528m). The Company has sufficient liquid assets to meet its liabilities as they fall due.

The tables below show the maturity analysis of financial liabilities of the remaining contractual liabilities at undiscounted amounts:

As at 31 March 2022	Short term liabilities £'000	More than 1 year £'000	2-5 years £'000	Total £'000
Technical provisions- claims	18,138	12,111	20,551	50,800
Creditors arising out of direct insurance operations	30	-	-	30
Creditors arising out of reinsurance operations	1,263	-	-	1,263
Accruals	133	-	-	133
	<u>19,564</u>	<u>12,111</u>	<u>20,551</u>	<u>52,226</u>

As at 31 March 2021	Short term liabilities £'000	More than 1 year £'000	2-5 years £'000	Total £'000
Technical provisions- claims	18,870	14,296	21,387	54,553
Creditors arising out of direct insurance operations	28	-	-	28
Creditors arising out of reinsurance operations	715	-	-	715
Accruals	118	-	-	118
	<u>19,731</u>	<u>14,296</u>	<u>21,387</u>	<u>55,414</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Management of Risk (continued)

#### 4.4 Liquidity Risk (continued)

The tables below provide a maturity analysis of the Company's financial assets:

As at 31 March 2022	Short term assets	After 1 year	2-5 years	Total
	£'000	£'000	£'000	£'000
Fixed interest-Government	-	12,654	30,880	43,534
Fixed interest-Corporate	-	1,251	6,673	7,924
Equities & Alternatives	18,866	-	-	18,866
UCITS	12,488	-	-	12,488
Other-cash with financial institutions	143	-	-	143
Debtors arising from reinsurance contracts	4,120	2,751	4,668	11,539
Debtors arising out of reinsurance operations	746	-	-	746
Cash at bank	9,966	-	-	9,966
Other	2,952	-	-	2,952
	<u>49,281</u>	<u>16,656</u>	<u>42,221</u>	<u>108,158</u>

  

As at 31 March 2021	Short term assets	After 1 year	2-5 years	Total
	£'000	£'000	£'000	£'000
Fixed interest-Government	-	32,187	10,042	42,229
Fixed interest-Corporate	-	5,232	-	5,232
Equities & Alternatives	13,808	-	-	13,808
UCITS	18,698	-	-	18,698
Other-cash with financial institutions	418	-	-	418
Debtors arising from reinsurance contracts	5,255	3,982	5,956	15,193
Debtors arising out of reinsurance operations	1,390	-	-	1,390
Cash at bank	6,412	-	-	6,412
Other	230	-	-	230
	<u>46,210</u>	<u>41,401</u>	<u>15,998</u>	<u>103,610</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4.5 Operational risk

Operational risks relate to the failure of internal processes, systems or controls due to human or other error. In order to mitigate such risks the Company has engaged Thomas Miller Professional Indemnity Limited as Managers to document all key processes and controls in a procedures manual. This manual is embedded into the organisation and available to all staff. Compliance with the procedures and controls documented within the manual is audited on a regular basis through quality control checks and the internal audit function which is directed and reviewed by the Board of Directors. A human resource manual including all key policies has also been documented.

### 4.6 Limitation of the sensitivity analysis

The sensitivity analysis in section 4.2 shows the impact of a change in one input assumption with other assumptions remaining unchanged. In reality, there is normally correlation between the change in certain assumptions and other factors which would potentially have a significant impact on the effect noted above.

### 4.7 Capital management

The Company maintains capital, comprising of policyholders' funds (surplus and reserves), consistent with the Company's risk appetite and the regulatory requirements.

The Company is subject to the Solvency II insurance regulatory regime, under which the Company's regulatory capital requirement, the Solvency Capital Requirement, has been assessed to be £25.273m as at 31 March 2022. Under the Company's risk appetite, the Company aims to maintain regulatory capital above its regulatory capital requirement and within a target range of capital defined by lower and upper levels. The value of the lower target level has been set as a 1 in 20 year capital loss in excess of the regulatory capital requirement. This capital loss is assessed to be £12.744m as at 31 March 2022. The value of the upper target level has been set as a 1 in 20 year capital loss on top of the lower target level. This capital loss is therefore also £12.744m. This therefore gives a lower target level of regulatory capital of £38.017m and an upper target level of regulatory capital of £50.761m as at 31 March 2022

The Company manages its regulatory capital position with reference to Tier 1 regulatory capital only, which at the year-end has been assessed to be £41.920m. This therefore exceeds the Company's regulatory capital requirement by £16.647m and is within the target range of capital under the Company's risk appetite. However, the Prudential Regulation Authority has also approved the Company's application to recognise a portion of the deferred premiums that the Company may call upon for payment as additional Tier 2 regulatory capital, which at the year-end has been assessed to be £12.637m. This therefore results in total regulatory capital of £54.557m as at 31 March 2022 which exceeds the Company's regulatory capital requirement by £29.284m

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. Gross premiums written

Premiums written are in relation to one class of insurance business, namely professional indemnity. In accordance with a practice the Company introduced in 1999 of providing, where appropriate given the financial circumstances of the Company, an annual premium deferral, the Company provided a deferral of 7.5% on premiums for the year ended 31 March 2022 (2021: 15%). Gross premiums written are reported net of this deferral. The Company reserves the right to call the deferred premium from Members unless it has waived its right to do so.

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Gross premium written	<u>18,191,107</u>	<u>16,670,268</u>
	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Unearned provision brought forward	160,203	166,151
Movement in the year	<u>(1,031)</u>	<u>(5,948)</u>
Unearned provision carried forward	<u>159,173</u>	<u>160,203</u>

### 6. Outward reinsurance premiums

In respect of the year ended 31 March 2022, the Company had reinsurance cover relating to claims and settlement costs of £250,000 in excess of £500,000 subject to a £500,000 aggregate deductible, £750,000 in excess of £750,000 subject to a £750,000 aggregate deductible and £1,000,000 in excess of £1,500,000.

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Treaty reinsurance	5,278,103	3,587,559
Reinstatement premium	<u>62,763</u>	<u>-</u>
	<u>5,340,866</u>	<u>3,587,559</u>

In arranging reinsurance contracts the Managers obtain and monitor credit ratings for each of the prospective reinsurers in order to ensure as far as practicable that recoveries will be settled if and when they fall due.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7. Claims and technical provisions

	2022	2021
	£	£
Gross claims paid	9,650,484	17,014,443
Claims handling (note 8)	1,900,370	1,720,102
	<u>11,550,854</u>	<u>18,734,545</u>

#### Insurance contract liabilities and assets

	2022	2021
	£	£
Gross technical provisions at the beginning of the year	54,552,882	50,686,619
Claims paid	(9,650,484)	(17,014,443)
Claims incurred	5,897,651	20,880,706
Change in gross technical provisions	<u>(3,752,833)</u>	<u>3,886,263</u>
Gross technical provisions at the end of the year	<u>50,800,049</u>	<u>54,552,882</u>
Gross Reinsurance share of technical provision at the beginning of the year	15,192,859	12,795,052
Reinsurance share of paid claims	(1,332,578)	(3,576,414)
Reinsurance share of incurred claims	(2,321,105)	5,974,221
Change in gross reinsurance provisions	<u>(3,653,683)</u>	<u>2,397,807</u>
Reinsurers' share of technical provisions at the end of the year	<u>11,539,176</u>	<u>15,192,859</u>
Net technical provisions	<u>39,260,873</u>	<u>39,360,023</u>

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular case and the ultimate cost of notified claims. The estimates for known outstanding claims are based on the best estimates and judgement of the Managers of the final cost of individual cases. These estimates are as reliable as possible given the details of the cases and taking into account all the current information. However, the final outcome of individual cases may prove to be significantly different to the estimates made at the statement of financial position date. The estimates are reviewed as required, and at least biannually. The gross provision for claims includes allowances for adverse development and the Managers' future claims handling costs (see note 2.3).

A reasonable allowance has been made for adverse claims development in the future. The allowance is assessed by an actuary employed by the Managers using standard actuarial techniques. This methodology projects the claims statistics forward based on the historical pattern of claims experience of Bar Mutual in the past and other factors.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7. Claims and technical provisions (continued)

The movement in the gross provision for claims is the difference between the provision for outstanding claims on all policy years at the beginning of the year and the equivalent provision at the end of the year, after deduction of all claims paid during the financial year and addition of the allowance for new claims notified in the 2021/2022 policy year.

The policy year is for the period 1 April to 31 March. For example in the table below the policy year 2013 refers to the period 1 April 2013 to 31 March 2014.

The reporting year is the year ended 31 March.

No discount rate is applied to the claims provision.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7. Claims and technical provisions (continued)

#### Claims development tables

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of the table below illustrates how the Company's estimate of total claims outstanding for each policy year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount shown in the statement of financial position.

#### Gross estimate of ultimate claims cost attributable to policy year

Reporting Year	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000	2022 £'000
At the end of the reporting year	9,400	10,700	10,700	11,000	12,703	17,144	16,566	20,686	15,862	13,719
1 year later	10,202	10,487	9,500	10,607	16,469	18,354	14,374	27,965	12,572	
2 years later	12,350	8,900	8,500	16,220	16,941	18,497	14,702	25,428		
3 years later	11,369	8,250	7,528	13,860	15,036	15,029	17,089			
4 years later	13,040	8,611	7,729	12,509	13,998	14,281				
5 years later	12,819	7,443	7,297	12,842	13,242					
6 years later	11,545	6,805	6,800	12,574						
7 years later	11,153	7,429	6,712							
8 years later	11,089	7,475								
9 years later	11,089									
Estimate of ultimate claims	11,089	7,475	6,712	12,574	13,242	14,281	17,089	25,428	12,572	13,719
Cumulative payments to date	11,085	7,100	6,570	11,708	12,417	11,990	9,246	13,158	3,077	862
Liability recognised in statement of financial position	4	375	142	866	825	2,290	7,843	12,270	9,495	12,857
Total liability relating to last nine policy years										46,967
Other claims liabilities										3,833
Total gross technical provisions included in the statement of financial position										50,800

#### Net estimate of ultimate claims costs attributable to policy year

Reporting Year	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000	2022 £'000
At the end of the reporting year	9,400	10,700	10,700	11,000	11,600	12,976	12,867	14,671	13,249	12,053
1 year later	9,800	10,300	9,500	9,600	13,042	12,596	12,405	17,343	11,879	
2 years later	11,100	8,900	8,500	9,434	12,930	14,967	12,521	16,654		
3 years later	10,600	8,250	7,391	9,313	12,064	11,976	13,920			
4 years later	10,100	8,467	7,543	8,715	11,646	11,648				
5 years later	9,851	7,222	7,200	8,911	10,806					
6 years later	9,171	6,700	6,800	8,881						
7 years later	8,871	7,300	6,712							
8 years later	8,740	7,335								
9 years later	8,740									
Estimate of ultimate claims	8,740	7,335	6,712	8,881	10,806	11,648	13,920	16,654	11,879	12,053
Cumulative payments to date	8,736	6,960	6,570	8,103	10,075	10,022	8,597	10,197	3,077	862
Liability recognised in statement of financial position	4	375	142	778	730	1,626	5,323	6,457	8,801	11,191
Total liability relating to last nine policy years										35,428
Other claims liabilities										3,833
Total net technical provisions included in the statement of financial position										39,261

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7. Claims and technical provisions (continued)

#### Change in reinsurers' share of technical provisions

	2022	2021
	£	£
Reinsurers' share of claims outstanding at end of year	11,539,176	15,192,859
Reinsurers' share of claims outstanding at beginning of year	15,192,859	12,795,052
Increase/(decrease) in reinsurers' share of claims outstanding	<u>(3,653,683)</u>	<u>2,397,807</u>

The reinsurers' share represents the provision for that part of the gross claims provision, which is recoverable from reinsurers. It is based on estimated recoveries against actual claims and costs payments made and estimated claims and costs provisions.

The movement in the reinsurers' share of outstanding claims is the difference between the provision at the start and at the end of the financial year.

Please refer to note 6 on page 42 for the details of the reinsurance cover purchased by the Company.

### 8. Management costs

The management fee paid to Thomas Miller Professional Indemnity Limited is apportioned between the different management functions. This fee has to be allocated to (i) acquisition costs, which in the case of the Company has been interpreted by the Directors and Managers as the cost of underwriting, processing renewals, premium adjustments and credit control; (ii) claims handling costs; and (iii) investment management expenses and administration expenses, which includes regulatory compliance, the preparation of accounts and general management.

In order to comply with this requirement, the Managers have made an apportionment.

	2022	2021
	£	£
Acquisition costs (note 9)	522,844	809,624
Claims handling (note 7)	1,900,370	1,720,102
Administration expenses (note 9)	342,763	413,017
	<u>2,765,977</u>	<u>2,942,743</u>
A separate fee is paid to the Investment Managers and included in investment expenses and charges (note 10)		
Investment management expenses	306,023	68,836
Management fees	<u>3,072,000</u>	<u>3,011,579</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 9. Net operating expenses

	2022	2021
	£	£
a) Acquisition costs	522,844	809,624
b) <u>Administration expenses</u>		
Legal and professional fees	88,982	65,633
Directors' & Officers' Liability insurance	66,586	58,343
Directors' meeting expenses	3,741	-
AGM & printing costs	34,839	24,581
Charitable donations	(7,000)	108,000
Regulatory fees	108,022	85,991
Auditors' remuneration - Audit of the company's annual accounts	79,560	76,938
Auditors' remuneration - Audit-related assurance services	19,440	12,186
Management administration expenses	342,763	413,017
	<u>1,259,777</u>	<u>1,654,313</u>

The auditor's remuneration disclosed above is inclusive of VAT.

There were no Directors' emoluments during the year.

### 10. Investment income

	2022	2021
	£	£
Interest on listed investments	469,525	426,334
Gain on foreign exchange	18,293	6,647
Bank deposit interest	183	4,232
Dividends on equities	535,210	435,678
	<u>1,023,211</u>	<u>872,891</u>
Gains on realisation of investments	1,108,854	(692,498)
	<u>2,132,065</u>	<u>180,393</u>

#### Investment expenses and charges

	2022	2021
	£	£
Bank, custodial and other charges	86,069	70,923
Investment management expenses (see note 8)	306,023	68,836
	<u>392,092</u>	<u>139,759</u>

#### Unrealised gains/ (loss) on investments

	2022	2021
	£	£
Cost (see note 12)	82,745,274	79,817,375
Market value (see note 12)	82,955,686	80,384,547
Unrealised gains/(loss) at year end	<u>210,412</u>	<u>567,172</u>
Unrealised gains/(loss) movement for the year	<u>(623,376)</u>	<u>2,605,212</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 11. Taxation

- (a) By virtue of its mutual status, the Company is not liable to tax on its insurance operations. However, it is liable to tax on its investment income and net gains. The charge in the statement of income and movement in reserves represents:

Statement of income and movement in reserves	2022	2021
	£	£
UK corporation tax (Note 11c)	207,615	469,408
Over provision prior year & interest on tax	(4,277)	-
	<u>203,338</u>	<u>469,408</u>

- (b) The tax assessed for the period differs from the standard rate of corporation tax in the UK (19 %) and is computed as follows:

	2022	2021
	£	£
Surplus/(deficit) on ordinary activities before tax	<u>2,588,966</u>	<u>(2,546,396)</u>
Surplus on ordinary activities multiplied by standard Rate of corporation tax in the UK of 19% (2021: 19%)	491,904	(483,815)
<i>Effects of:</i>		
Non-taxable mutual insurance operations	(234,152)	999,604
Non-taxable dividend distribution	(50,749)	(33,744)
Utilisation of losses, differences due to tax rates	-	-
Income tax expensed	612	(12,637)
Over provision prior year & interest on tax	(4,277)	-
Current year tax charge	<u>203,338</u>	<u>469,408</u>

- (c) Statement of financial position

	2022	2021
	£	£
<u>Taxation creditor</u>		
Taxation creditor/(debtor) brought forward	237,433	(185,184)
Receipt	231,975	-
(Payment) / recovery corporation tax	(469,408)	(46,791)
	-	(231,975)
UK corporation tax for the current year	207,615	469,408
Corporation tax credit interest	(4,184)	-
Creditor/(debtor) as at 31 March	<u>203,431</u>	<u>237,433</u>

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. This was legislated on 10 June 2021.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12. Other financial investments

	Market Value 2022 £	Market Value 2021 £	Cost 2022 £	Cost 2021 £
Other financial				
Investments comprise:				
Equities & Alternatives	18,866,487	13,807,450	17,423,934	13,161,256
UCITS & Other-cash	12,631,553	19,115,843	12,461,563	19,115,843
Fixed interest securities	51,457,646	47,461,254	52,859,777	47,540,276
	<u>82,955,686</u>	<u>80,384,547</u>	<u>82,745,274</u>	<u>79,817,375</u>

All holdings in fixed income securities are in securities traded on recognised exchanges. "Undertakings for Collective Investment in Transferable Securities" ("UCITS") are funds held for the short term.

The Companies Act 2006 identifies the categories of investment income to be disclosed in the Financial Statements. The investments are classified as financial assets measured at fair value through profit or loss (as per FRS 102 11.41) The Company's investment holdings do not fall into any specific category and as a result they are disclosed as "other financial investments".

#### Derivative financial instruments – Forward contracts

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk arising on certain other financial investments denominated in EUR and USD. At 31 March 2022, the outstanding contracts all mature on 20 April 2022 and the Company is committed to buy USD 572,000 and sell EUR 1,870,000 and USD 3,365,000.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for GBP: USD and GBP: EUR. The fair value of the forward foreign currency contracts is £5,272 (2021: £ (3,104)). This is recorded within UCITS & Other-cash above.

### 13. Debtors arising out of direct insurance

	2022 £	2021 £
Debts due from Members (Premiums)	40,233	41,303
Provision for doubtful debts	<u>(18,499)</u>	<u>(18,434)</u>
	<u>21,734</u>	<u>22,869</u>

Debtors arising out of direct insurance due from Members comprises both outstanding premiums and short-term financing to Members in respect of recoverable input VAT on defence costs.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 13. Debtors arising out of direct insurance (continued)

The Company actively pursues recovery of all outstanding debts and has a policy of reporting to the Bar Standards Board Members who have not paid their premiums so it may take appropriate action against them in accordance with the Code of Conduct.

### 14. Debtors arising out of reinsurance operations

Debtors arising out of reinsurance operations of £745,588 (2021: £1,390,486) are reinsurance recoveries which are due from reinsurers.

### 15. Other Debtors

	2022	2021
	£	£
Sundry debtors	7,340	15,463
Claim recoveries due from third parties	2,744,521	55,819
Taxation repayment (note 11 c)	-	-
	<u>2,751,861</u>	<u>71,282</u>

### 16. Cash and cash equivalents

	2022	2021
	£	£
Cash at hand and in bank	<u>9,966,385</u>	<u>6,411,618</u>

### 17. Creditors arising out of reinsurance operations

	2022	2021
	£	£
Reinsurance creditor	<u>1,262,636</u>	<u>715,315</u>

### 18. Other creditors including taxation

	2022	2021
	£	£
Insurance Premium Tax	1,613	2,210
Taxation (note 11(c))	203,431	237,433
	<u>205,044</u>	<u>239,643</u>

### 19. Accruals and deferred income

	2022	2021
	£	£
Accrued expenses	133,118	118,222
Deferred income - premiums received in advance	19,882,287	14,495,322
	<u>20,015,405</u>	<u>14,613,544</u>

Premiums received in advance relate to premiums invoiced for the 2022 policy year and received prior to the year end.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **20. Related party disclosures**

The Company has no share capital and is controlled by the Members who are also the insureds. There have been no related party transactions between the Company and its Members outside the normal course of business.

All the Directors are Members of the Company other than the Chief Executive Officer and Chief Financial Officer who are employed by the Managers. Save for their own insurance, the Directors have no financial interests in the Company, other than where Directors may have been instructed to act for a Member of the Company in a case funded by the Company.

Thomas Miller Professional Indemnity Limited received £3,072,000 (2021: £3,011,579) from the Company in respect of management fees for the year which includes the salaries of the Executive Directors.

### **21. Location and nature of business**

The business consists of direct professional indemnity insurance in respect of third party liability, written within the United Kingdom.

## **MANAGERS AND OFFICERS**

### **MANAGERS**

Thomas Miller Professional Indemnity Limited,  
90 Fenchurch Street,  
London, EC3M 4ST.

### **DIRECTORS OF THOMAS MILLER PROFESSIONAL INDEMNITY LIMITED**

R. Cunningham  
R. A. A. Harnal  
A. Mee  
A. Salim

### **SECRETARY**

K. Halpenny

### **BAR MUTUAL INDEMNITY FUND LIMITED (A COMPANY LIMITED BY GUARANTEE)**

Registered in England and Wales No. 2182018

### **REGISTERED OFFICE**

90 Fenchurch Street  
London, EC3M 4ST

### **AUDITOR**

**Mazars LLP**  
30 Old Bailey  
London EC4M 7AU