

Solvency and Financial Condition Report

TRAVELERS INSURANCE COMPANY LIMITED

Table of Contents

Contents

EXECUTIVE SUMMARY	5
BUSINESS AND PERFORMANCE	5
SYSTEM OF GOVERNANCE	6
RISK PROFILE	7
VALUATION FOR SOLVENCY PURPOSES	7
CAPITAL MANAGEMENT	8
A. BUSINESS AND PERFORMANCE	9
A.1 BUSINESS	9
A.2 UNDERWRITING PERFORMANCE	12
A.3 INVESTMENT PERFORMANCE	13
A.4 PERFORMANCE OF OTHER ACTIVITIES	13
A.5 ANY OTHER INFORMATION	13
B. SYSTEM OF GOVERNANCE	14
B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE	14
<i>B.1.1 Governance structure</i>	14
<i>B.1.2 Remuneration Policy</i>	16
<i>B.1.3 Supplementary Pension Scheme or early retirement scheme for members of the administrative, management or supervisory body and other key function holders</i>	17
<i>B.1.4 Material Transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body</i>	17
B.2 FIT AND PROPER REQUIREMENTS	18
B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT	19
<i>B.3.1 Risk management system</i>	19
<i>B.3.2 Own Risk and Solvency Assessment (ORSA)</i>	20
<i>B.3.3 Climate Related Financial Risks</i>	21
B.4 INTERNAL CONTROL SYSTEM	21
<i>B.4.1 Delegation of Responsibilities</i>	22
<i>B.4.2 Compliance Function</i>	22
B.5 INTERNAL AUDIT FUNCTION	23
B.6 ACTUARIAL FUNCTION	23
B.7 OUTSOURCING	24
B.8 ANY OTHER INFORMATION	25
C. RISK PROFILE	26
C.1 UNDERWRITING RISK	26
<i>C.1.1 Material Risk Exposures</i>	26
<i>C.1.2 Material Risk Concentrations</i>	26
<i>C.1.3 Material Risk Mitigation</i>	27
<i>C.1.4 Risk Sensitivity and Sensitivity Analysis</i>	27
C.2 MARKET RISK	28
<i>C.2.1 Material Risk Exposures</i>	28

C.2.2	Material Risk Concentrations	28
C.2.3	Material Risk Mitigation	28
C.2.4	Risk Sensitivity	29
C.2.5	Sensitivity Analysis	29
C.3	CREDIT RISK	29
C.3.1	Material Risk Exposures	29
C.3.2	Material Risk Concentrations	29
C.3.2	Material Risk Mitigation	29
1.1.1	Risk Sensitivity	30
1.1.2	Sensitivity Analysis	30
C.4	LIQUIDITY RISK	30
C.4.1	Material Risk Exposures	30
C.4.2	Material Risk Concentrations	30
C.4.3	Material Risk Mitigation	30
C.4.4	Risk Sensitivity	30
C.4.5	Expected Profit in future Premiums	30
C.5	OPERATIONAL RISK	31
C.5.1	Material Risk Exposures	31
C.5.2	Material Risk Concentrations	33
C.5.3	Material Risk Mitigation	33
C.5.4	Sensitivity Analysis	33
C.5.5	Other Material Risks	33
C.6	ANY OTHER INFORMATION	33
C.7	STRESS AND SCENARIO TESTING	34
	OVERVIEW OF THE METHODOLOGY	35
	APPETITE AND CAPITAL SCENARIO ANALYSIS	35
D	VALUATION FOR SOLVENCY PURPOSES	36
D.1	ASSETS	36
	ACCRUED INTEREST IS VALUED AT BOOK VALUE FOR BOTH SOLVENCY II AND UK GAAP PURPOSES. AS ALL AMOUNTS ACCRUED FALL DUE FOR PAYMENT WITHIN SIX MONTHS, THIS IS DEEMED A REASONABLE PROXY FOR MARKET VALUE. FOR SOLVENCY II PURPOSES ACCRUED INTEREST IS CLASSIFIED AS PART OF INVESTMENTS	38
D.2	TECHNICAL PROVISIONS	38
D.3	OTHER LIABILITIES	42
D.4	ALTERNATIVE METHODS FOR VALUATION	43
D.5	GOING CONCERN	43
E	CAPITAL MANAGEMENT	45
E.1	OWN FUNDS	45
E.2	SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT	47
E.3	USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT	47
E.4	DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODELS USED	48
E.5	NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT	48
E.6	ANY OTHER INFORMATION	48
	APPROVAL BY THE BOARD OF DIRECTORS OF THE SFCR AND QUANTITATIVE REPORTING TEMPLATES	49
	APPENDIX A: QUANTITATIVE REPORTING TEMPLATES	

Executive Summary

Business and Performance

Travelers Insurance Company Limited (**The Company and "TICL"**) is a United Kingdom regulated entity authorised to carry out general insurance business. The scope of this Solvency and Financial Condition Report (**SFCR**) is the Travelers Insurance Company Limited solo entity. The Company will be producing a Group SFCR incorporating its results and the results of its wholly owned subsidiary, Travelers Insurance Designated Activity Company ("TIDAC").

The ultimate parent company, The Travelers Companies, Inc. (**Travelers**), is a leading provider of property and liability insurance based in the United States. The Group has more than 30,000 employees and over 150 years' experience in the insurance industry. Travelers is traded on the New York Stock Exchange as "TRV" and is one of the 30 select companies that comprise the Dow Jones Industrial Average. As at 31 December 2020 Travelers reported total assets of US\$110.1 billion (2019: US\$104.2 billion) and shareholders' equity of US\$25.9 billion (2019: US\$22.9 billion).

The Company was incorporated in 1971 as the St. Katherine Insurance Company Limited. In 1988, St. Katherine was acquired by The St. Paul Companies, Inc., and was gradually integrated into The St. Paul's existing UK-based insurance operations. In 2004, The St. Paul Companies, Inc. and Travelers Property Casualty Corp. merged to form The Travelers Companies, Inc. In 2007, the Company's name was changed to Travelers Insurance Company Limited.

Before 1 April 2019 the Company wrote commercial lines insurance in the United Kingdom and, through its branch in Dublin, in Ireland. As of 1 April 2019, all new business and renewals for the Company's branch in Ireland were written by the Company's wholly owned Irish subsidiary, TIDAC. On 1 October 2019 a Part VII transfer of the business to TIDAC of the Company's Ireland branch, and its run-off branches in Holland, France and Germany, was completed. The Company writes an 80% whole account quota share reinsurance of all business written by TIDAC, including the business subject to the Part VII transfer. The Company also covers risks located outside of the UK by way of facultative reinsurance in support of its UK based insureds. There have been no changes to the scope of the Company's operations during 2020.

The Company is a provider of insurance solutions targeted at specific customer groups where it can add value with tailored insurance coverage or specific claims handling and risk management expertise. The Company's major target customer groups include technology, healthcare and automotive companies, local authorities, property owners, solicitors, financial institutions, and large corporate insureds. The Company also writes certain specialty classes of insurance including Renewable Energy, Construction, public and private company D&O and certain marine classes, including Hull, Cargo and Ports and Terminals.

Travelers' European based operations offer our customers a wide range of cover through the Company, TIDAC, Travelers Syndicate Management Limited (the Managing Agent of Syndicate 5000 at Lloyd's) and Travelers Underwriting Agency Limited.

Performance

The Company produces its financial statements in accordance with UK GAAP FRS 102. The Company reported a loss for the year of £15.1m (2019: profit of £4.0m).

System of Governance

The Company understands the importance of effective corporate governance, together with a system of internal control that provides relevant information to the Board of Directors.

The Company's Board comprises eight directors, three of whom are independent non-executive directors. The Board has two constitutional committees, the Audit Committee and the Risk and Remuneration Committee, the members of both of which are the independent non-executive Board directors.

The Boards and each Committee have clear Terms of Reference which are reviewed by the relevant committee on an annual basis. The Company's executive management is undertaken by the Senior Leadership Team (SLT), comprising the eleven senior managers who effectively run the Company. The SLT reports to the Company's Board on a quarterly basis.

Governance over other aspects of the Company's activities is within the scope of the Executive Risk Committee, the Finance Committee, the Underwriting Committee, and certain panels which have specific terms of reference. Each committee and panel is governed by its own terms of reference. The Company ensures that all persons who effectively run the Company, or hold key functions, are fit and proper to undertake their roles. The Company assesses the fitness and propriety of persons performing key functions on an ongoing basis. In addition, the Company has an annual performance assessment process which measures performance against minimum competencies required for those persons effectively running the Company.

The Company's remuneration policy reflects a commitment to achieve a consistent remuneration process and to promote effective risk management.

The Company's risk strategy is articulated in a risk management framework, as well as a number of policies, frameworks and processes, which operate across the three lines of defence. The "three lines of defence" model aims to ensure that responsibilities for the risk strategy are operated effectively.

First Line of Defence – Business Management. Risk owners, embedded within business operations, make up the first line of defence and are responsible for the day to day management of risk on a continuous basis, as well as delivering this strategy and optimising performance according to a pre-agreed risk appetite.

Second Line of Defence – Oversight. The second line of defence primarily comprises the Risk Management, Actuarial and Compliance functions, which provide independent assurance to the Board with regard to the adequacy and effectiveness of risk management practices.

Third line of defence – Assurance. The third line of defence comprises internal audit, providing an independent and balanced view of the effectiveness of the first- and second-line functions. The third line of defence has direct access to the Board and is independent of management.

The internal control system is designed to ensure that the Company achieves its objectives through operational effectiveness and efficiency, robust financial reporting and compliance with rules, regulations and policies. The tone for the control environment is set by the Shareholder, the Company's board of directors and the Company's SLT, who are all committed to a culture of management integrity, transparency and honesty, and who attribute high importance to the establishment and maintenance of a strong system of internal controls. A key aspect of the internal control framework is a robust risk management framework that ensures strong processes exist for risk identification, risk measurement and

risk monitoring, and that ensures appropriate risk mitigation strategies are in place. Internal controls are documented in the risk control policies and the accompanying policy and procedure documents. The operation of these internal controls and risk identification processes is monitored by the four control functions, namely the Compliance function, the Internal Audit function, the Actuarial function and the Risk Management function.

Risk Profile

Underwriting Risk is the major risk to which the Company is exposed and is the major driver of its capital requirements. Underwriting risk is managed by the Underwriting Committee, comprising senior underwriting staff as well as members of the actuarial, reinsurance, risk and claims functions. The Committee ensures adherence to the Board determined risk appetite in terms of product, line of business, geographical exposure, line sizes and rating adequacy. The underwriting strategy includes limits on the Company's total exposure to specific risks together with limits on geographical and industry exposures. The aim is to ensure a well-diversified book with no excessive exposure in any one industry, line of business or geographical region.

In respect of Market Risk, the Company employs a thoughtful investment philosophy that focuses on appropriate risk-adjusted returns. It invests wholly in high quality government and corporate fixed interest securities. Credit Risk is managed through the thoughtful analysis and selection of individual counterparties and the use of limits and managing exposures to individual counterparties. The Company has no material liquidity risk exposures.

Operational risks are reviewed quarterly and linked to the Company's ORSA through performance of the risk and control self-assessment process facilitated by the Risk Management function.

The Company has been in compliance with its regulatory capital requirements throughout the year and remains so to the date of this report and continues to monitor this closely.

Valuation for Solvency purposes

The valuation of assets and liabilities for the Company on a Solvency II and UK GAAP basis as at 31 December 2020 is summarised below:

	Solvency II	UK GAAP	Difference
	£ 'm	£ 'm	£ 'm
Assets	1,456.2	1,583.4	(127.2)
Gross Technical Provisions	945.9	1,022.1	(76.2)
Other Liabilities	17.7	46.4	(28.7)
Excess of Assets over Liabilities	492.6	514.9	(22.3)

For the Company the excess of assets over liabilities is lower on a Solvency II basis than under UK GAAP. This difference largely reflects the fact that the benefit of the release of the reserve margin carried under UK GAAP, and the recognition of profits on unearned and bound but not incepted premiums, does not offset the adverse impact of the adjustments required to put technical provisions onto an economic basis.

Capital Management

The Company uses the Solvency II Standard Formula to calculate its regulatory Solvency Capital Requirement (**SCR**). The Company does not use any undertaking specific parameters. The amount of the Company's SCR at 31 December 2020 was £347.9m (2019: £287.0m). The Company was in compliance with its regulatory capital requirements throughout the year and through to the date of this report.

A. Business and Performance

A.1 Business

Name and legal form of the undertaking

Travelers Insurance Company Limited is a company limited by shares and is incorporated in England. Its registered office address is One Creechurch Place, London. EC3A 5AF. This is a solo SFCR for the Company.

Organisational group structure

The Travelers Companies, Inc. (**TRV**) is a holding company principally engaged, through its subsidiaries, in providing a wide range of commercial and personal property and casualty insurance products and services to businesses, government units, associations and individuals. TRV is incorporated as a general business corporation under the laws of the state of Minnesota and is one of the oldest insurance organizations in the United States, dating back to 1853. The principal executive offices of TRV are located at 485 Lexington Avenue, New York, New York 10017. TRV also maintains executive offices in Hartford, Connecticut, and St. Paul, Minnesota.

TRV is both the immediate and ultimate parent undertaking and controlling party of the Company and provides 100% of its capital. TRV is also the immediate and ultimate parent undertaking of Travelers' Syndicate Management Limited, which manages Travelers Syndicate 5000 at Lloyd's. The Syndicate's capital is provided by two corporate capital providers, F&G UK Underwriters Limited and Aprilgrange Limited. TRV is the immediate and ultimate parent undertaking and controlling party of both capital providers.

Travelers Underwriting Agency Limited (**TUAL**) is an authorised intermediary based in the UK and a fellow subsidiary of TICAL. TRV is the ultimate and immediate parent undertaking of TUAL which, as an intermediary, has no regulatory capital requirements.

Travelers Insurance DAC (**TIDAC**) is a wholly owned insurance undertaking of the Company, domiciled in the Republic of Ireland. TIDAC is authorised and regulated by the Central Bank of Ireland. TIDAC has established a branch in the United Kingdom which is authorised by the Prudential regulation Authority (**PRA**) and the Financial Conduct Authority (**FCA**). The TIDAC UK Branch has been entered into the FCA's Temporary Permission Regime.

Name and contact details of the supervisory authority responsible for the financial supervision of the undertaking and the group

The PRA in the UK is responsible for the prudential supervision of the Company and its EEA Group. The FCA in the UK is responsible for the conduct supervision of the Company. The PRA can be contacted at Bank of England, Threadneedle St, London, EC2R 8AH United Kingdom, and the FCA at 12 Endeavour Square, London E20 1JN, United Kingdom. The Central Bank of Ireland is responsible for the prudential and conduct supervision of the Company's subsidiary, TIDAC.

The Company is a member of The Travelers Companies, Inc., Group based in the United States of America, which is not an equivalent country for Solvency II group supervision. On 31 December 2015, the Company received a direction given by the PRA under section 138A of the Financial Services and Markets Act 2000, which took effect on 1 January 2016 and which ends on the earlier of: (i) the date the relevant rule is revoked or no longer applies to the firm (in whole or in part); or (ii) 31 December 2018. The direction modifies Rules 20.1 and 20.2 (Group Supervision) of the PRA Rulebook and requires that the Company provides the PRA with certain information. This direction was extended by consent on 4 December 2018

and is now valid until 1 October 2021 unless revoked or any conditions in the modification cease to be fulfilled.

The State of Connecticut Insurance Department (**Connecticut Insurance Department**) is the designated group-wide supervisory authority for The Travelers Companies, Inc. pursuant to the Connecticut Insurance Holding Company System Regulatory Act. The Connecticut Insurance Department can be contacted at 153 Market St, Hartford, CT 06103, USA.

Given the amount of business TRV conducts outside of the United States, the Connecticut Insurance Department hosts and leads a supervisory college of Travelers and coordinates the participation of insurance supervisors from the jurisdictions where the Group has insurance operations, including the PRA. Approximately 96% of TRV's consolidated group assets and statutory capital and surplus are held by U.S. domiciled insurance companies. The Connecticut Insurance Department directly regulates approximately 98% of the total U.S. domiciled insurer assets of TRV. As part of its group-wide regulatory requirements, the Connecticut Insurance Department monitors the Group's financial results and conducts financial analysis at both the group and legal entity level. Additionally, the Connecticut Insurance Department conducts financial examinations of the insurance subsidiaries over which it has direct regulatory authority. The Connecticut Insurance Department receives annual Holding Company filings at the group level with extensive disclosure of Travelers group and subsidiary activities, and governance, including notice or approval of transactions with affiliates, depending on the materiality of such transactions. As part of the Connecticut Insurance Department's requirements pertaining to enterprise risk management, the Department requires the annual filing of a Group ORSA and conducts an analysis of the ORSA, including discussions with the Group's management.

Material lines of business and geographical area

The Company writes commercial lines insurance in the United Kingdom. The Company also covers risks located outside of the UK in support of its UK based insureds by way of facultative reinsurance. In addition, the Company writes an 80% whole account quota share of all business written by TIDAC. Approximately 27.6% (2019: 21.1%) of the Company's 2020 gross written premiums related to the 80% quota share reinsurance of TIDAC. Under this quota share reinsurance, the Company has exposure to commercial lines insurance in Ireland.

The Company continues to be a provider of insurance solutions targeted at specific customer groups where it can add value with tailored insurance coverage or specific claims handling and risk management expertise. The Company's major target customer groups include technology, healthcare and automotive companies, local authorities, property owners, solicitors, financial institutions and large corporate insureds. The Company also writes certain specialty classes of insurance including Renewable Energy, Construction, public and private company D&O and certain marine classes, including Hull, Cargo and Ports and Terminals.

Material events during the year

COVID-19

The year has been dominated by the impact of the COVID-19 global pandemic. The Company has suffered direct insurance losses as a result of the pandemic. The Company's staff have been operating in a working from home environment throughout most of the year. The global economic recession following the pandemic has created volatility in investment markets and uncertainty in the operating environment as the Company looks forward over the short to medium term.

Performance

The UK commercial lines marketplace remains very competitive although rates have started to harden appreciably during the year.

The Company reported a combined ratio of 110.9% (2019: 103.7%) and a loss for the year after tax of £15.1m (2019: profit of £4.0m).

Material related party transactions

Under its 80% whole account quota share reinsurance of TIDAC the Company wrote £102.6m (2019: £64.8m) of premiums during the year. TIDAC traded for nine months only in 2019.

The Company has some investments on deposit with Lloyd's to support the underwriting capital requirements of Syndicate 5000, the capital providers of which are wholly owned affiliated group undertakings. The amount of such investments the Company had placed on deposit reduced during the year to £83.0m (2019: £130.5m).

Certain elements of the Company's reinsurance programme are placed with affiliated group undertakings. All Surety business is 100% reinsured with Travelers Casualty & Surety Company of America. All London Market run off reserves are reinsured 100% with The Travelers Indemnity Company. Certain elements of the reinsurance programme for ongoing business are placed with The Travelers Indemnity Company. In most cases these are small shares of layers that are largely placed externally. The exception is the first layer of the property catastrophe reinsurance programme, a £40m excess of £10m layer, which is placed 100% with The Travelers Indemnity Company.

All expenses and salary costs continue to be borne in the first instance by the Travelers Group's wholly owned management services company in the UK, Travelers Management Limited. Some services are provided by affiliated TRV group companies in the US to Travelers Management Limited for the benefit of the Group pursuant to an intercompany services agreement. Investment management is outsourced to The Travelers Indemnity Company, an affiliated TRV group company.

No distribution has been made by the Company to the shareholder during the year or is proposed as at the year end.

External auditor

The Company's external auditor for the 2020 financial year is KPMG LLP. The contact details of KPMG LLP are 15 Canada Square, Canary Wharf, London E14 5GL. During the year the Company ran an audit tender process as a result of which Mazars will become the Company's auditor for the 2021 financial year.

A.2 Underwriting performance

The Company's results for the year on a UK GAAP reporting basis were as follows:

	2020	2019	Change
	£'m	£'m	£'m/%
Gross written premiums	370.9	306.8	64.1
Net written premiums	323.0	263.5	59.5
Net earned premiums	298.1	240.6	57.5
Incurred claims	(226.7)	(152.6)	(74.1)
Operating expenses	(103.8)	(96.9)	(6.7)
Underwriting Result	(32.4)	(8.9)	(23.5)
Loss Ratio	76.1%	63.4%	(12.7%)
Expense Ratio	34.8%	40.3%	5.5%
Combined Ratio	110.9%	103.7%	(7.2%)

The Company reported a £32.4m underwriting loss in 2020 (2019: £8.9m underwriting loss) and a 110.9% combined ratio (2019: 103.7%).

The financial result for the year has been impacted by claims arising from the COVID-19 pandemic. The exposure to COVID-19 arises primarily from business interruption claims within the property class of business. The Company's standard policy wording does not provide such cover, but in a limited number of cases cover is provided based on a broker wording. The Company completed a detailed exposure-based analysis of the likely cost of claims under these policies. As a result, the Company has provided £21.7m net of reinsurance in the 2020 results, representing a loss ratio impact of 7.3%. Further, the Company has provided for an additional 4.6% of loss ratio in the expectation of increased claims frequency and severity as a consequence of the economic recession following the pandemic.

Gross written premiums increased by 20.9%, or £64.1m, to £370.9m (2019: £306.8m). Growth was strong across all three areas of the business, being, the commercial middle market, the professional lines portfolios and the London Market specialty classes. All areas benefitted from strong rate increases during the year. The expense ratio improved to 34.8% (2019: 40.3%) driven by the growth in earned premium.

The two most material lines of business are General Liability and Property, which respectively comprised 57.5% (2019: 58.3%) and 28.4% (2019: 29.9%) of net earned premiums in 2020. The General Liability combined ratios deteriorated over the prior year to 104.6% (2019: 87.3%). The 2019 result had benefited from the favourable impact of the change in the "Ogden" personal injury discount rate. The Property combined ratio improved to 110.0% (2019: 137.8%). 2020 was impacted by COVID-19 whilst 2019 was impacted by a frequency and severity of large losses. The most material geographical area in which the Company writes business is the United Kingdom which, based on gross written premiums, comprised 90.8% of the Company's business in 2020 (2019: 87.9%). The business written in the United Kingdom reported a combined ratio of 110.6% (2019: 102.5%).

Further information on underwriting performance by material line of business and material geographical areas over the reporting period can be found at Form S.05.01.02 and Form S.05.02.01 respectively within the quantitative returns in the Appendix to this report.

A.3 Investment performance

During the year the Company continued to invest wholly in high quality government and corporate fixed interest securities. These are considered as a single asset class and are managed together. The total investment return for the year for the Company was £27.7m (2019 : £23.3m). The composition of the investment return was as follows:

	2020	2019	Change
	£'m	£'m	£'m
Investment income	24.3	26.6	(2.3)
Realised investment gains	0.3	1.0	(0.7)
Realised investment losses	(15.5)	(14.7)	(0.8)
Unrealised investment gains	19.4	11.2	8.2
Investment expenses	(0.8)	(0.8)	-
Total investment return	27.7	23.3	4.4

Realised investment losses arose as bonds bought above par value have subsequently matured. The portfolio showed significant unrealised gains during 2019 and 2020 as market expectations of interest rate movements changed.

Unrealised investment gains were reported directly in equity on a UK GAAP basis. No investments in securitisations were made in either period. The investment portfolio does not include any shares in any other Travelers group entity. Management of the investment portfolio is outsourced to an affiliated TRV group undertaking, The Travelers Indemnity Company. Investment portfolios are managed in accordance with the investment guidelines set out in the Company's Investment and Market Risk Policy, which is approved by the Company's Board. Investment reviews with the investment manager are conducted quarterly by the Company's Finance Committee.

A.4 Performance of other activities

Other income for the Company improved to £3.3m during the year (2019: £1.9m). This was largely due to an increase in the level of the Pool Re distribution which increased by £1m compared to the prior year.

A.5 Any other information

During the year the Company produced a total comprehensive gain on a UK GAAP basis of £1.0m (2019: £14.5m). The reduction year on year is driven by the deterioration in the underwriting result due to the impact of the pandemic.

B System of Governance

B.1 General information on the system of governance

B.1.1 Governance structure

Overall governance and oversight are provided by the Company's Board, which comprises eight directors. Three of the directors are independent non-executive directors. Three directors are non-executive and the remaining two directors are executive directors.

The responsibilities of the Board are set out in the "Matters Reserved for the Board" document and fall within the following headings:

- Strategy and Management
- Structure and capital
- Financial reporting and controls
- Oversight of Control Functions
- Contracts and Transactions
- Borrowings
- Board membership and other appointments
- Remuneration
- Delegation of Authority
- Corporate governance matters

The Board has two constitutional committees: the Audit Committee, and the Risk and Remuneration Committee. Each Board committee has three members, and the committee members are the independent non-executive directors.

The Board Audit Committee has the following broad responsibilities:

- Review, discuss, and challenge where necessary, with management and the external auditors, the annual financial statements before submission to the Board.
- Review actuarial and any internal or external auditor's reports on the Company's reserve position
- Consider and recommend the appointment of the external auditors
- In consultation with the external auditors, management and the internal auditors, review the integrity of the Company's financial reporting processes, as well as any audit problems or other difficulties encountered by the external auditors in the course of the audit process and management's responses to such matters
- Review the reports submitted and evaluate the adequacy of the work performed and the annual plan proposed by internal audit
- Review and discuss periodically, with relevant legal counsel, any legal matter that could have a significant impact on the Company's financial statements
- Consider the Company's procedures for handling allegations from whistleblowers.

The Board Risk and Remuneration Committee has the following broad responsibilities in respect of risk:

- Oversee the Company's enterprise risk management programme and ensure the establishment and maintenance of appropriate systems, procedures and controls, including the Company's risk appetite and strategy and the carrying out of the Own Risk and Solvency Assessments at appropriate times;
- Review the policies and procedures of the Company and review specific operational segments of the Company that may be posing unusual significant risks that could have a material impact on the risk profile of the Company.
- Monitor that all issues identified in the Risk Register, or through other reports, are being addressed.
- Receive external auditors' management letters, internal audit reports, reports from regulators or any other relevant source regarding weaknesses in internal procedures and controls and ensure that management addresses any issues that arise.

The Board Risk and Remuneration Committee has the following broad responsibilities in respect of remuneration:

- Review and approve the Company's general compensation philosophy and objectives and recommend to the Board the approval of Company compensation and benefit programmes determined by the Committee to be appropriate.
- Ensure that appropriate policies and procedures are in place to ensure that compensation plans are properly administered by the responsible individuals and management committees in accordance with the terms of the plans.
- Review the Company's regulatory compliance with respect to compensation matters, including ensuring that the Company's compensation philosophy, objectives and procedures are consistent with applicable regulatory aims concerning the avoidance or minimisation of undue risk and inappropriate staff behaviours.

At an executive level, the Company is managed by a Senior Leadership Team (SLT), comprising eleven senior managers who effectively run the Company. These are: Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk and Administrative Officer, Head of HR, European Chief Actuary, General Counsel, Head of Claims, Head of Business Insurance, Head of Bond and Specialty Insurance and Chief Underwriting Officer. The SLT meets weekly and is chaired by the CEO. The SLT reports on a quarterly basis to the Board. In addition, the CEO is also a member of the Board and presents a CEO's report to the Board which includes details of matters discussed by the SLT. The SLT considers the following matters on a regular and continuous basis:

- (i) ongoing management and review of progress against the Company's strategy as approved by the Board;
- (ii) monitoring of the Company's trading results and financial position;
- (iii) review of the Company's operations and functions;
- (iv) review of the talent within the Company;
- (v) management of special projects; and
- (vi) reporting to the Company's parent company.

Governance over the Company's financial risks is provided by the Finance Committee, chaired by the Chief Financial Officer, which meets on a quarterly basis. The Chief Financial Officer reports monthly to the SLT on financial performance and risks, and quarterly to the Board Audit Committee and the Board.

Governance over the Company's risk management is provided by the Executive Risk Committee (**ERC**), chaired by the Chief Risk and Administrative Officer, which meets at least quarterly as well as on an ad-hoc basis when required. The Chief Risk and Administrative Officer reports monthly to the SLT and quarterly to the Board Risk and Remuneration Committee and to the Board.

Challenge from a customer perspective of high product risk insurance products is provided by the Product Oversight Group, chaired by the General Counsel and which meets on an ad hoc basis, but at least once per quarter. The Chief Actuary reports monthly to the SLT and quarterly to the Board.

Governance over underwriting matters is provided by the Underwriting Committee, chaired by the Head of Bond and Specialty Insurance, which meets monthly. Underwriting performance is reported monthly to the SLT and quarterly to the Board.

The governance structure includes various committees and panels relating to specific activities. Decisions relating to reinsurance activities are made by the Reinsurance Purchasing Panel which reports into the Underwriting Committee. Recommendation relating to reserving are made by the Finance Committee. The interrelationship of various committees and panels is set out on a governance structure chart. This system of governance is subject to regular internal review by the ERC.

B.1.2 Remuneration Policy

The Company has adopted a Remuneration Policy which has been approved by the Board. The purpose of the Remuneration Policy is to define the minimum standards, and roles and responsibilities, relating to remuneration of employees within the Company. The policy reflects the Company's commitment to achieve a consistent remuneration process and to promote effective risk management. The Remuneration Policy states that the Company is committed to measuring both the actual performance and the underlying level of risk assumed to achieve that performance. As to risk mitigation, all planned individual compensation actions, including fixed and variable elements are reviewed in a robust and disciplined manner internally at several layers of management, in addition to a review with the Company's Risk and Remuneration Committee of the Board of Directors. This review is facilitated by the Head of Human Resources and seeks the Risk and Remuneration Committee's ratification of incentives and compensation for senior managers.

In addition, compensation of each employee is reviewed by their line manager, functional manager, CEO and the Head of HR, and the equivalent functional roles within the Company's parent company.

Compensation is delivered through a combination of base salary and incentive compensation, consisting of an annual cash bonus and stock-based, long-term incentive awards, all of which are performance based.

Base salary. Base salaries are reviewed annually, and adjustments are made from time to time as management deems appropriate to recognise performance, changes in duties and/or changes in the competitive marketplace. Base salary will comprise a significant proportion of total compensation.

Performance-Based Annual Cash Bonus. Annual bonuses are always discretionary and are based upon the individual performance of each employee as well as that of the Company and The Travelers Companies, Inc. as a whole. The following factors are used to determine the appropriate annual cash bonus that should be paid to an employee:

- the performance of the employee;
- compensation market practices as reflected by external vendor compensation surveys;
- performance of the Company relative to financial measures set in the business plan, prior year's performance and the performance of industry peers; and
- performance of The Travelers Companies, Inc. relative to financial objectives.

Additional qualitative factors are also considered, such as:

- the effective management of risk; and
- the demonstration of individual or leadership competence, teamwork and innovation.

Performance-based long-term incentives. Certain employees are eligible for long-term incentives in the form of The Travelers Companies, Inc. stock awards. Eligibility is determined by job criteria, while award decisions are made with consideration of individual performance. These performance-based awards are designed to ensure individuals have a continuing stake in the long-term success of The Travelers Companies, Inc., and the Company.

As employees acquire increasing responsibility more of their compensation is variable and tied to The Travelers Companies, Inc's performance. Higher levels of management will receive proportionally more of their award in the form of stock options and performance shares, in alignment with the impact they have on the direction of the Company which can inevitably impact The Travelers Companies, Inc. stock price. Lower levels of management and individual contributors will receive most of their entire award in the form of restricted stock units.

In addition, compensation of each employee is reviewed by their line manager, functional manager, CEO and the Head of HR.

B.1.3 Supplementary Pension Scheme or early retirement scheme for members of the administrative, management or supervisory body and other key function holders

The Company's remuneration policy does not include any supplementary pension or early retirement scheme for members of the Board or key function holders.

Details of the remuneration of the members of the Company's Board is disclosed in the Company's report and accounts, in accordance with the requirements of the applicable law and UK accounting standards (UK Generally Accepted Accounting Practice) including FRS102, the financial reporting standards applicable in the United Kingdom and the Republic of Ireland.

All executive directors and senior managers participate in one of the Group's pension plans. Company contributions range from 9% to 12%, depending on the individual's own contributions under a matching scheme. If pension contributions at this level would result in a punitive personal income tax charge, rather than a pension contribution an increase to the individual's salary is made in an amount such that there is no incremental cost to the Company.

B.1.4 Material Transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body

There was one new material related party transaction with the Company's shareholder during the year.

The Company has some investments on deposit in a trust at Lloyd's to support the underwriting capital requirements of Syndicate 5000, the capital providers of which are wholly owned affiliated group undertakings. The amount of such investments the Company had placed on deposit in this trust reduced during the year to £83.0m (2019: £130.5m).

B.2 Fit and proper requirements

The Company has a Fit and Proper Policy which is approved by the Company's Board. The purpose of the Fit and Proper Policy is to:

- (i) identify the key functions that are important to the sound and prudent management of the business, and
- (ii) set out the policies and procedures in accordance with the Senior Managers & Certification Regime for the fit and proper assessment of the individuals that perform key functions, including every person in respect of whom an application for approval is made.

Fitness and propriety checks are made before an individual is appointed to a key function and periodically thereafter. The Company needs to ensure that key function holders are fit for their roles by having appropriate qualifications and experience, and proper by having a good reputation and appropriate integrity. These checks include the following:

- (i) At least two interviews conducted by the hiring manager and at least one other permanent member of staff.
- (ii) Background check process which will include, as a minimum:
 - a. Criminal records check,
 - b. Credit check,
 - c. Verification of previous employment for the last seven years (unless the individual has been continuously employed by a Travelers group company during this period),
 - d. Verification of educational and professional qualifications, and
 - e. reasonable steps to obtain appropriate references from the person's current and previous employers.

The Company will assess the fitness and propriety of persons performing key functions on an on-going basis. The frequency of this assessment will be at least every three years, and sooner if a specific issue arises. Annually, the General Counsel will ask each person performing a key function to certify that there have been no changes to their criminal record status or credit status since the date of the last background check or annual certification, as applicable.

The Company has an annual performance assessment process which sets out the minimum competencies required for those persons effectively running the Company. These minimum competencies against which performance is measured include Performance Management of others, Employee Engagement, Customer Outcomes, Governance, Compliance, and acting with integrity, due care, skill and diligence. The fitness and propriety assessment forms part of the individual's appraisal/performance review and involves consideration of the following:

- the person's role and responsibilities by reference to their job description (and, for approved persons only, the approved person competency set and scope of responsibilities document (as applicable));
- whether the individual has attended the necessary training (including risk and compliance training) in order to remain competent and capable to perform the role;
- the individual's business conduct; and
- whether the person has performed his or her key function in accordance with the relevant conduct standards (which apply to that individual).

B.3 Risk management system including the own risk and solvency assessment

B.3.1 Risk management system

The risk strategy is articulated in an overarching Risk Management Framework (**RMF**) as well as a number of policies, frameworks and processes which operate across the three lines of defence. The Company's RMF assists Risk and Control Owners to identify, assess and manage significant, or potentially significant, internal and external risks to achieving the Company's plans and objectives, which includes maintaining targeted capital levels.

Risk management has a fundamental role in both the business planning process and monitoring progress against those plans. The Company business planning process turns the strategy into a set of objectives and targets that are articulated and cascaded across the Company. Development of these plans and objectives/targets considers the risks to which the Company is exposed.

To manage risk across the business, the Company has adopted the "three lines of defence" model and has established four key control functions that operate per the requirements of the Solvency II Directive (Actuarial, Risk, Compliance and Internal Audit). These functions work across all of the three lines of defence to help manage the range of risks to which the Company is exposed. These key functions are responsible for providing oversight of, and challenge to, the business and to provide assurance to the Board in relation to the Company's internal control framework.

Responsibilities in the risk strategy are summarised as:

The First Line of Defence – Business Management

Risk Owners, embedded within business operations, make up the first line of defence and are responsible for the day to day management of risk on a continuous basis, as well as delivering the strategy and optimising performance according to pre-agreed risk appetite.

The Second Line of Defence – Oversight

The second line of defence primarily comprises the Risk Management, Actuarial and Compliance functions. The second line of defence provides independent assurance to the Board with regards to the adequacy and effectiveness of risk management.

The Third Line of Defence – Assurance

The third line of defence comprises internal audit, also referred to as the Company's assurance function. The third line of defence provides an independent and balanced view of the effectiveness of the first- and second-line functions, has direct access to the Board, and is independent of management.

The Company's RMF links to the parent's identification of significant risks. The RMF is implemented by the Risk Management function which monitors and review the risk profile and the effectiveness of risk management activities on a continuous basis. The Risk Management Function is led by the Chief Risk and Administrative Officer, who chairs the Executive Risk Committee and reports to the Company's Board and the Risk and Remuneration Committee.

Key risk management information, linked to the risk strategy, including specific risk appetite metrics and risk assessments, are employed across the entirety of the business to measure and monitor the level of risk taking actually occurring, and to provide a view of the Company's progress against its business plans. The Risk Management function facilitates production and provides oversight of this key risk management

information, through the risk register, which enables the Company effectively to identify, assess, measure and monitor individual and aggregated risks frequently. Risk register metrics and assessments also provide appropriate inputs into capital modelling and forecasting processes (e.g. the ORSA, and other internal requirements). The risk register and associated reporting is integrated into the organisational structure as Risk and Control Owners (the majority of who are in the first line of defence) frequently review the risks to which the Company is exposed with review and challenge by the Committees and the second line of defence.

B.3.2 Own Risk and Solvency Assessment (ORSA)

The ORSA process is an ongoing and forward-looking process of the Company's reflection and assessment of its own risks to ensure it holds enough capital for current and future solvency needs as well as assessment of non-solvency risks.

The Company's ORSA process is forward-looking and has the following objectives:

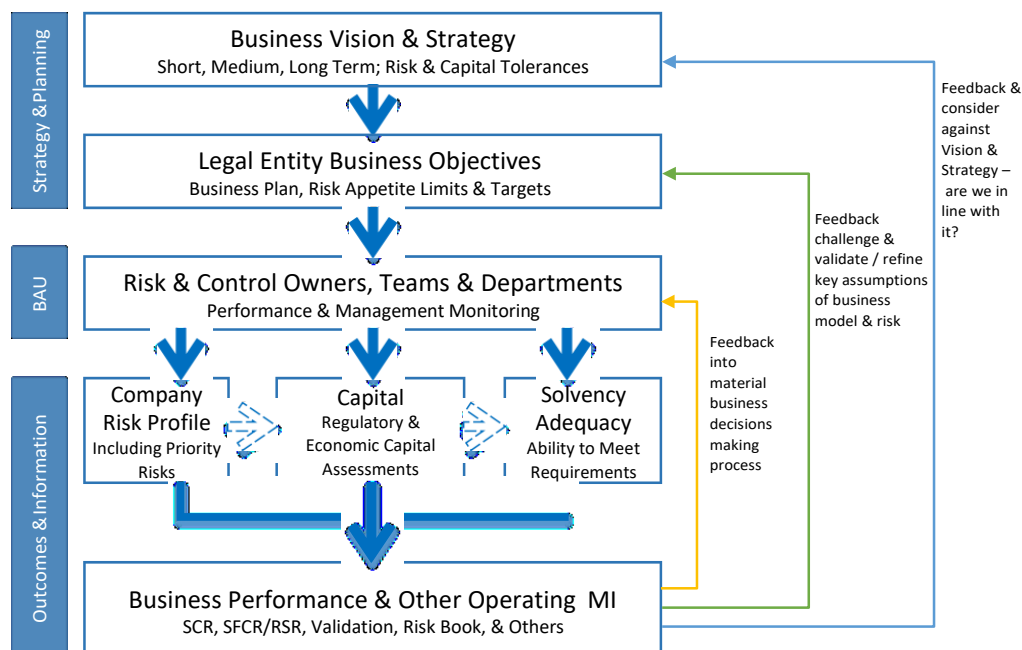
- To develop and embed an ongoing process enabling the assessment of the Company's own solvency needs that takes into account its specific risk profile, approved risk appetite limits, and its short and long-term business and capital strategies.
- To provide sufficient information that enables management to:
 - Ensure continuous compliance with regulatory capital requirements relating to Solvency Capital Requirements (SCR), Minimum Capital Requirements (MCR), and technical provisions; and
 - Test, validate and challenge its short and long-term business and capital strategies, and understand the capital resources required to support them.

The ORSA process is embedded in the first line of defence, and focuses on the Company's business model, the portfolio of its products and customers, its risk profile, its plans over the short to medium term, and capital management. The outputs of the ORSA process are documented in the annual ORSA report.

In the ORSA report, the Company describes its risks, the capital it requires and the risk management work that assures policyholder benefits. Its production is governed by the Travelers Europe ORSA Policy which is owned by the Chief Risk and Administrative Officer and reviewed at least annually by the Board and the ERC. The ORSA is reviewed and approved by the Board and is expected to be submitted at least annually to the PRA and contributes to securing an appropriate degree of protection for policyholders.

In order to achieve the Company's ORSA objectives and fulfil its obligations, the ORSA requires adequate and robust processes to assess, monitor and measure risks, including non-quantifiable risks such as reputational, strategic, and group risks alongside overall solvency needs. This is primarily achieved through the RMF which provides a structured process across the business that links business planning, execution of those plans, monitoring and assessment of the risk and capital profile that results, and the incorporation of insights and findings into business planning.

The high-level principles are presented below.



The ORSA considers both the regulatory and economic capital position of the Company. The regulatory capital position is calculated using the Standard Formula which is calibrated to a 1 in 200 risk of ruin on a one-year basis. Annually the Company assesses the appropriateness of the Standard Formula as the basis for calculating its regulatory capital requirement and documents this assessment within its ORSA. This assessment is performed by comparing the results under the Standard Formula to the results derived when using the Company’s own capital model. For economic capital purposes the Company targets holding sufficient capital that over the three-year planning time horizon it holds sufficient capital to maintain its AM Best “A ++ (Superior)” rating. As set out in the ORSA, the Company uses its own capital model and assessment of its risk profile to determine its economic capital requirement.

The ORSA process is facilitated by the Company’s Risk Management and Capital Modelling Functions in line with their requirements as documented in the RMF. These functions utilise the Company’s risk register and internal model to assist management to identify, measure and monitor risks to the business plan and solvency.

B.3.3 Climate Related Financial Risks

Climate related financial risks are considered in the Risk Management Framework and ORSA process. Further details of The Travelers Companies Inc. Climate Change Strategy can be found at <https://sustainability.travelers.com/drivers-of-sustained-value/climate-strategy/>

B.4 Internal Control System

The internal control system is designed to help assure that the Company achieves its objectives through operational effectiveness and efficiency, robust financial reporting, strong financial and operating controls and compliance with laws, regulations and policies.

The tone for the control environment is set by the Company’s parent, the Company’s Board of Directors and the SLT who are committed to a culture of management integrity, transparency and honesty, and who attribute high importance to the establishment and maintenance of a strong system of internal controls. A key aspect of the internal control framework is a robust risk management framework that ensures strong

processes exist for risk identification, risk measurement and risk monitoring and that ensures appropriate risk mitigation strategies are in place. Internal controls are documented in the risk control policies and the accompanying policy and procedure documents. The operation of these internal controls and risk identification processes is monitored by the four control functions, namely the Compliance function, the Internal Audit function, the Actuarial function and the Risk Management function.

B.4.1 Delegation of Responsibilities

Delegation of responsibilities to senior management function holders, key function holders and their direct reports, as well as the relevant reporting lines, is set out in a Responsibilities Map. The Responsibilities Map is maintained by the General Counsel and is updated on a quarterly basis.

B.4.2 Compliance Function

Responsibilities of the Compliance function are set out in a Compliance Charter and annual Compliance Plan, both of which are approved by the Company's Board and Executive Risk Committee on an annual basis. In addition, various internal control policies identify roles and responsibilities allocated to the Compliance function. The Compliance function is responsible for assisting the business in discharging its regulatory obligations. This involves helping the business in identifying, managing, monitoring and resolving compliance risks and issues, assisting with the implementation of controls around regulatory risk, encouraging the right culture across all levels of the firm and providing the Board and senior management with assurance that key regulatory risks are being appropriately managed. In particular, the Compliance function will monitor how the business has discharged its regulatory obligations using a combination of targeted monitoring reviews and continuous monitoring and reporting, as set out in the annual Compliance Plan.

The escalation procedure for a possible non-compliant issue is via the Compliance Report to the Executive Risk Committee and the Company's Board, or through more immediate escalation to the individual Board member or relevant key function if a matter is material and requires more urgent action. In the unlikely event that appropriate remedial action is not taken following escalation of a material issue, the Compliance function will notify the appropriate regulatory authorities of the matter.

The General Counsel and the Compliance Manager monitor the team's resources on a continuous basis throughout the year. Their objective is to ensure that the available resources are sufficient to complete the annual Compliance Plan within the stated timeframe and to provide the expected level of assurance.

Compliance is owned by the Company's Board, with due attention given on Board and Risk Committee agendas.

The Compliance function reports:

- Quarterly to the Board;
- Quarterly to the Risk and Remuneration Committee;
- Quarterly to the Executive Risk Committee;
- Monthly to the Underwriting Committee (on complaints);
- As required to the Product Oversight Group;
- Following completion of a Compliance Review, Specific Project or Continuous Monitoring to Board members, senior management and all stakeholders, and
- Monthly to SLT: (i) by means of the Compliance dashboard; and (ii) monthly tracker of progress on reviews.

B.5 Internal Audit Function

The Company has a discrete internal audit local function based in London which reports into the Head of Internal Audit in the US. In addition, the Head of Internal Audit has a direct reporting line to the Chair of the Audit Committee and meets each year with the Audit Committee without executive management in attendance.

Each Business Unit and function within the Company is subject to internal audit review on a two to three year cycle. An audit plan is prepared each year and approved by the Audit Committee and Board. Reports are issued following each audit and circulated to senior management, both locally and within the group in the United States. The resolution of issues identified are tracked to ensure they are addressed on a timely basis.

The audit plan considers the materiality of each area, to the results of prior years' audits and to the quantum of change being experienced across each area of the business. The current year's plan is therefore determined on a risk-based selection of areas to be addressed. The plan is sufficiently flexible to be changed mid-year if new circumstances arise. Any proposed changes in scope are agreed by the Audit Committee and Board before being implemented.

Internal Audit evaluates the adequacy and effectiveness of the internal controls in each area it audits and structures its work around four key risk management objectives, namely:

- Financial statement integrity
- Operational effectiveness
- Compliance with local laws and regulations
- System and data integrity

The Internal Audit Function is managed by the Head of Internal Audit, who is an employee of the Company but has a direct reporting line to the Travelers Group's Head of Internal Audit based in Hartford, United States. The Head of Internal Audit has no other role within the Company and has no additional responsibilities

The Internal Audit Function reports:

- Quarterly to the Board;
- Quarterly to the Audit Committee;
- Quarterly to the Executive Risk Committee;

B.6 Actuarial Function

Article 48 of the Solvency II Directive requires each Company to have an actuarial function and for that function to report to the Board formally on technical provisions, reinsurance arrangements and underwriting policy. The Group has an in-house team of actuaries that perform this role. The Actuarial Function is also engaged in pricing, reserving and management information related activities. The department is structured in line with the functions the team needs to perform and has a separate pricing and reserving team. This reduces the potential to create a conflict of interest.

The European Chief Actuary reports to the CEO of the Company to ensure that the Actuarial Function is not unduly influenced by the underwriting function.

The Actuarial Function Reports, and the Opinions on Underwriting Policy and Reinsurance Arrangements, are produced annually and presented to the Board by the European Chief Actuary, having first been reviewed by the Executive Risk Committee. The Board exercises appropriate additional oversight over the reserving process by receiving quarterly reports from the Company's actuarial team which are presented by

the European Chief Actuary. Detailed review of the quarterly reserve reports is delegated to the Finance Committee and on an annual basis the Audit Committee meets with the European Chief Actuary and the External Auditors to receive reserve reports and to discuss reserving issues. Controls over the Board and Company's senior management having an undue influence on the activities of the Actuarial Function arise from the maintenance of professional standards of conduct by the in-house actuarial team, oversight from external auditors and peer reviews by other actuaries within the wider Travelers organisation.

B.7 Outsourcing

The Company's Outsourcing Policy sets out the minimum standards, and roles and responsibilities, relating to the outsourcing of a process, a service or an activity by or on behalf of the Company, and ensures compliance by the Company with all applicable regulations when entering into outsourcing arrangements.

The Policy applies to all types of outsourcing arrangements entered into by the Company, including intra-group outsourcing, where another company within the Travelers group performs a function on behalf of the Company.

The Company is committed to complying fully with all applicable regulatory requirements relating to the outsourcing of a function, including the requirements of Solvency II and the requirements of the FCA and the PRA. In particular, the Outsourcing Policy provides that the Company will:

- ensure that each outsourcing arrangement that it enters into is conducted in a sound and prudent manner;
- ensure that the outsourcing of a function does not impair the ability of the supervisory authorities to monitor the Company's compliance with its obligations;
- monitor the compliance by the Company's employees with the Outsourcing Policy;
- conduct each outsourcing arrangement that it enters into with appropriate care and diligence;
- consider the interests and fair treatment of customers when assessing the outsourcing of a function;
- consider how its customers might be impacted by the outsourcing of a function;
- establish and maintain an effective system of governance that provides for the sound and prudent management of its business in respect of outsourcing arrangements, and
- include in its system of governance a process for monitoring and reviewing the quality of an outsourced function.

The Company will undertake due diligence to assess whether a proposed service provider is suitable to carry out an outsourced function, which shall include an assessment of:

- its financial and technical ability;
- its capacity to perform the outsourcing;
- its risk management and control framework;
- whether there are any actual or potential conflicts of interest, and
- whether it has adequate systems and procedures in place to manage the risks posed by financial crime.

The Company will enter into a written agreement with the service provider allocating the respective rights and obligations and will establish and maintain effective systems and controls to supervise and monitor the performance of an outsourced function.

The Outsourcing Policy and Outsourcing Process has been approved by the SLT and the Company's Board.

The Company uses several service providers to undertake operational functions or activities that can be considered critical or important, as set out in the table below.

Function or activity	Jurisdiction of service provider
Claim administration services	India
Facilities management and services	UK
IT support functions - provided through intragroup services agreement	USA
IT infrastructure and security - provided through intragroup services agreement	USA
Insurance policy administration services	India
Investment management - provided through intragroup services agreement	USA
Offsite data storage - provided through intragroup services agreement	USA
Payroll processing - provided through intragroup services agreement	USA

B.8 Any other information

This system of governance is considered by the Board, the SLT and the ERC to be appropriate for the nature, scale and complexity of the Company’s business.

C. Risk Profile

C.1 Underwriting Risk

Underwriting risk as at 31 December 2020 comprised 82.3% (2019: 82.5%) of the undiversified basic SCR.

C.1.1 Material Risk Exposures

The Company has an Insurance Risk Policy (which covers underwriting risk) which is reviewed and approved annually by the ERC and the Board. Underwriting risk includes the following exposures:

- **Claims:** Inadequate management of claims and inconsistent or inappropriate case reserving.
- **Large Loss Frequency and Severity:** Potential for the frequency and severity of claims payments to be different to that anticipated when pricing risks.
- **Portfolio Aggregation:** Inadequate or ineffective supervision of aggregate exposure, or over reliance on methods of aggregation. Failure to accumulate insurance exposures in an accurate and timely manner, or within established appropriate risk appetite levels.
- **Pricing and Selection:** Inadequate pricing or selection of risks that fails to appropriately assess the underlying risk exposures.
- **Reinsurance:** Failure to utilise reinsurance effectively as a tool to protect capital and profits and meet risk appetite guidelines.
- **Reserving:** Uncertainty as to the timing or amount of claims cash flows. Eventual claim payments are different to the reserves estimated for those liabilities.
- **Underwriting portfolio management:** Failure to predict the effect of industry, economic or market trends on individual classes of business profitability, leading to an inappropriate underwriting strategy.

The Covid-19 pandemic presented increased underwriting risk exposures during the year. On the whole, the Company's policy wordings do not provide cover for business interruption losses resulting from the pandemic. There are a few instances where we utilise broker wordings that do provide this cover. A policy by policy review was undertaken to quantify the Company's exposure under these policies.

With this exception there were no changes to the measures used to assess material underwriting risk exposures during the period.

The reference to "Life underwriting risk" in the Standard Formula and the quantitative templates relates to exposures in respect of claims funded by periodic payment orders.

C.1.2 Material Risk Concentrations

Geographically the major risk concentrations are to the UK and Ireland and by peril the largest exposure is to a large windstorm event with consequent storm surge. The underwriting portfolio with the largest exposure concentration is the professional indemnity coverage provided to UK solicitors firms.

Whilst reserve risk diversifies across lines of business, it is dominated by our long-tail classes and is exposed to systemic risks such as claims inflation, legal rulings or changes in settlements such as the Ogden discount rate change.

We do not anticipate any significant changes to our material risk concentration during the business planning time period.

C.1.3 Material Risk Mitigation

The Underwriting Committee oversees the management of underwriting risk and in particular ensures adherence to the Board determined risk appetite in terms of product, line of business, geographical exposure, line sizes, and rating adequacy. The underwriting strategy includes limits on the Company's total exposure to specific risks, together with limits on geographical and industry exposures. The aim is to ensure a well-diversified book is maintained with no over exposure in any one industry, line of business or geographical region. The Underwriting Committee meets monthly and will address new product ideas, emerging claims issues, product and line of business profitability issues, as well as monitoring the overall portfolio performance.

Contracts can contain a number of features which help to manage the underwriting risk such as the use of deductibles, limits and aggregate caps. The Company uses sophisticated modelling tools to monitor and manage the concentration of exposure from weather events and to ensure they remain within the Board's risk appetite. Authority limits are accorded to individual underwriters based on their experience. The Company also makes use of reinsurance to mitigate the risk of incurring significant losses linked to any one risk or any one event, principally risk excess of loss and property catastrophe reinsurance. Where an individual exposure is in excess of the Company's appetite additional facultative reinsurance is also purchased.

On a monthly basis performance reviews are conducted to monitor premium production, business mix, rating adequacy and claims activity relative to targets set out in the Company's annual business plan. On an annual basis each portfolio is subjected to a detailed review to identify actions to be taken to improve performance where necessary and opportunities to further develop the portfolio.

The Finance Committee oversees the management of reserving risk. The Company's in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters and claims handlers. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development patterns are all instrumental in mitigating reserving risk. The aim of the quarterly reserving analysis is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections.

The Finance Committee performs a comprehensive review of the projections, both gross and net of reinsurance and following this review makes recommendations to the Company's Board of Directors of the appropriate claims provisions to be established. In arriving at the level of claims provisions carried a margin is applied over and above the actuarial best estimate to limit the likelihood of adverse run-off deviation.

C.1.4 Risk Sensitivity and Sensitivity Analysis

The major underwriting risk sensitivities are to the adequacy of reserves established at 31 December 2020 and to the projected loss ratio at which business will be written in the next twelve months. Should the net reserves established at 31 December 2020 deteriorate by 5% the impact on shareholders' funds post tax will be to reduce them by £36.0m (2019: reduce by £28.8m). Should the loss ratio projected for the 2021 year deteriorate by 5 points, the impact on shareholders' funds post tax for the Company would be a deterioration of £12.7m (2019: deterioration of £10.4m).

C.2 Market Risk

C.2.1 Material Risk Exposures

Market risk as at 31 December 2020 comprised 15.1% (2019: 16.5%), of the undiversified basic SCR.

The Company's material market risk exposures are to interest rate risk and asset price risk on the fixed income investment portfolio, foreign currency risk through having unmatched foreign currency assets and liabilities, and credit risk to investment counterparties.

As at 31 December 2020 the Company had an investment portfolio comprised of government and corporate bonds with a market value of £1,176.6m (2019: £1,072.2m). All investments are high quality, highly liquid and traded on a recognised investment exchange and as such comply with the prudent person principle embedded in the Solvency II directive. The Company does not use derivatives other than to mitigate risk and has not utilised derivatives during 2020 or the prior year.

The Company's only foreign currency exposures are to the Euro, through its subsidiary in Ireland, and to the US dollar through business written denominated in US dollars and through transactions with affiliated group companies based in the United States.

The Company also has a contingent exposure to a defined benefit pension scheme based in the UK in the event the sponsoring employer, an affiliated group company, is unable to meet its liabilities as they fall due.

COVID-19 caused significant uncertainty and volatility within investment markets in 2020, particularly in the first half of the year. The Company's thoughtful investment philosophy which is focused on appropriate risk-adjusted returns, largely mitigated the impact of COVID-19 on the Company's Market Risk. There were no changes during the year to the measures used to assess material market risk exposures.

C.2.2 Material Risk Concentrations

The Company's most material investment exposure is to the bonds of the UK Government. At 31 December 2020 the market value of its holding in UK government bonds was £179.7m (2019: £271.5m) or 15% (2019: 24%) of its investment portfolio. The Company's single largest holding in a corporate bond was £45.1m (2019: £22.6m) or 4% (2019: 2%) of its investment portfolio.

The Company's only material foreign currency exposure as at 31 December 2020 and 31 December 2019 was to the Euro due to its investment in its subsidiary Travelers Insurance DAC.

C.2.3 Material Risk Mitigation

Management of the Company's investment portfolio is outsourced to an affiliated group company, The Travelers Indemnity Company. The investment strategy is agreed annually by the Company's Board and performance against this strategy is reviewed quarterly in meetings between the investment manager and the Finance Committee. The Company invests only in high quality and highly liquid assets that are traded on recognised investment exchanges and are rated "A-" or higher with Standard & Poor's. Limits are in place to manage exposures to particular industries and individual counterparties. The term of the invested assets purchased are set to approximate the duration of the underlying insurance liabilities.

The Company aims to match foreign currency assets and liabilities by currency, with any surplus being held in sterling. Any foreign currency surpluses or deficiencies are actively managed, on at least a quarterly basis, by selling or buying currency assets to resolve the situation.

The Finance Committee monitors market risk and foreign currency exposures and adherence to the Company's risk appetite.

C.2.4 Risk Sensitivity

The major market risk sensitivities are to a significant change in interest rate expectations, the financial impairment of an individual investment counterparty or a significant movement in foreign currency rates.

C.2.5 Sensitivity Analysis

The investment portfolio typically has a relatively short duration approximating the term of the insurance liabilities. If interest rates had risen by 100 basis points as at 31 December 2020, shareholder's equity for the Company would have reduced by £25.2m (2019: £21.2m) after tax.

The failure of its largest corporate investment counterparty as at 31 December 2020 would cost the Company £45.1m, or approximately 9% of the net assets. (2019: £22.6m, or approximately 4% of the Company's net assets).

The impact of a 10% movement in the exchange rate for the largest currency exposure impacts the Company's net assets by approximately £6m as at 31 December 2020 (2019: approximately £5m).

C.3 Credit Risk

C.3.1 Material Risk Exposures

Credit risk as at 31 December 2020 comprised 2.4% (2019: 2.6%) for the Company of the undiversified basic SCR. The Company's material credit risk exposures are to reinsurers, brokers and policyholders through their insurance underwriting activities.

COVID-19 caused significant uncertainty in the global economy in 2020 and certain reinsurers reported underwriting losses as a result of the pandemic. There were no material downgrades to the credit ratings of the Company's reinsurer counterparties. All counterparty credit ratings remained within the Company's risk appetite.

There were no changes to the measures used to assess those material risk exposures during the year.

C.3.2 Material Risk Concentrations

The single biggest reinsurer exposure as at 31 December 2020 for the Company was £24.5m (2019: £20.9m). There was no material exposure to any individual broker or policyholder.

C.3.2 Material Risk Mitigation

Credit exposures are managed through the thoughtful analysis and selection of individual counterparties and the use of limits to manage exposures to individual counterparties.

The Company's policy is to purchase reinsurance only from those reinsurers who meet the Travelers Group's security standards. Reinsurance counterparties are subject to a rigorous internal assessment

process by reviewing ratings provided by rating agencies and other publicly available information. The Company utilises resources from the Travelers group in managing this risk. Some insurance policies underwritten by the Company provide for a significant individual loss deductible, and/or aggregate deductible, in respect of the compulsory insurance classes of Motor or Employer's Liability. In these cases, the insolvency of the insured would result in a credit exposure for the Company. This type of exposure is managed by requiring the insured to provide collateral, typically in the form of a Letter of Credit. Proactive credit control procedures are in place to limit outstanding balances owed by reinsurers, brokers and policyholders.

The Finance Committee monitors credit risk and the Company's adherence to its appetite for credit risk.

1.1.1 Risk Sensitivity

The key risk sensitivities for credit risk are to the failure of an individual counterparty, or to a market wide event, such as an economic recession or large insured Catastrophe loss, that impairs the financial security of a number of counterparties at the same time.

1.1.2 Sensitivity Analysis

Failure of the largest corporate bond counterparty and reinsurer counterparty at the same time as at 31 December 2020 would cost the Company an amount representing approximately 13.5% (2019: 9%) of their net assets on a UK GAAP basis.

C.4 Liquidity Risk

C.4.1 Material Risk Exposures

The Company has no material liquidity exposures. The Company has no external debt, is well capitalised, and has a highly liquid investment portfolios whose duration is set to match the duration of its insurance liabilities. The Company is the subsidiary of a financially strong parent company, The Travelers Companies, Inc.

There were no changes to the material liquidity risk exposures during the period, nor to the measures used to assess those material risk exposures.

C.4.2 Material Risk Concentrations

The Company has no material liquidity risk concentrations.

C.4.3 Material Risk Mitigation

The Company has a highly liquid investment portfolio and a strong capital position. Cash-flow forecasts are prepared on a weekly basis and a buffer of liquidity retained to manage unexpected cash requirements. The Finance Committee oversees the management of liquidity risk.

C.4.4 Risk Sensitivity

The Company has no particular sensitivities to liquidity risk.

C.4.5 Expected Profit in future Premiums

The expected profit in future premiums reported in form S.23.01 for the Company is £10.7m (2019: £7.6m).

C.5 Operational Risk

C.5.1 Material Risk Exposures

Operational Risk is 7.7% of the Company’s final SCR (2019: 7.9%).

The Company has an Operational Risk Policy which is reviewed and approved annually by the ERC and the Board. The operational risk profile includes risks from processes, people, systems and external events. Six categories have been identified by the Board as being the most material operational risk areas and defined in the risk register:

- **Compliance, Legal and Third Parties:** Unintentional or negligent failure of professional, regulatory or legal obligations, including contractual disputes raised by, or against, business partners
- **Conduct:** Failure to pay due regard to the interests of customers and treat them fairly.
- **Data Management and Reporting:** Flaws relating to capture, maintenance/storage, transmission or reporting of information
- **Employee and Employment Practices:** Acts inconsistent with HR, employment, or health and safety legislation/policy.
- **Financial Crime:** Unlawful acts attempted for financial gain
- **IT Infrastructure, Security and Change:** Risk from systems or transformation initiatives, or disruption of business.

Operational risks are reviewed quarterly and linked to the ORSA through performance of the Risk and Control Self-Assessment (**RCSA**) process facilitated by the Risk Management Function. Qualitative risk concentration and sensitivity tests linked to the operational risk profile were analysed in the ORSA, some of which were:

- Data and Infrastructure Security;
- Business Continuity / Disaster Recovery; and
- Financial Crime.

These tests are facilitated by the Risk Management Function linked to emerging risks and provide early warning to the Board and senior management of extreme but plausible events that could impact the business. This enables the Company to formulate plans to manage the business in the event of such extreme shock.

Other key operational risks with the corresponding mitigating actions are summarised in the table below:

Process Risks	Mitigating Activities / Tools
Business Operation and Process Failures	<ul style="list-style-type: none"> • Documented controls and procedures • Statistical reporting • Business Continuity arrangements
Governance Failures	<ul style="list-style-type: none"> • Documented controls and procedures • Corporate Governance Structure
Health & Safety Procedural Failures	<ul style="list-style-type: none"> • Documented controls and procedures • Review and enhancement of risk control activities • Periodic review of projects and activities

Process Risks	Mitigating Activities / Tools
Change Management Failures	<ul style="list-style-type: none"> • Compliance with Travelers Group Change Management Processes and Procedures
People Risks	Mitigating Activities / Tools
Fraud	<ul style="list-style-type: none"> • Documented controls and procedures • Anti-fraud administration procedures • Authorisation limits and segregation of duties • Employee screening
Human Resources	<ul style="list-style-type: none"> • Documented controls and procedures • HR Policies and monitoring • Training programme for Management and Staff
Finance and Accounting Errors	<ul style="list-style-type: none"> • Documented controls and procedures • Accounting Policy • Authority Limits • Oversight by Internal Audit
Compliance and Legal	<ul style="list-style-type: none"> • Documented controls and procedures • Compliance Plan • Risk Committee oversight and reporting • Approval limits • Contracts approval procedure
Systems Risks	Mitigating Activities / Tools
Technology	<ul style="list-style-type: none"> • Documented controls and procedures • Fall-back suppliers/Service Providers for persistent failed delivery • Disaster Review/Recovery Processes
Systems and information Security	<ul style="list-style-type: none"> • Information Security policies and monitoring • Business Continuity Plan
External Risks	Mitigating Activities / Tools
External Party-induced BCP Failure	<ul style="list-style-type: none"> • Systems Security Checks • Rigorous Business Continuity/Disaster Recovery Plan

External Risks	Mitigating Activities / Tools
	<ul style="list-style-type: none"> Office Premises Security Checks
Failure of Outsourcing Arrangements	<ul style="list-style-type: none"> Service-level agreements Outsourcing approval and monitoring procedures
Loss of key distribution relationships	<ul style="list-style-type: none"> Proactive management of Third-party relationship issues Proactive sourcing of alternative distribution relationships
Changes in Regulatory Framework	<ul style="list-style-type: none"> Legal and Compliance monitoring procedures Regular review of regulatory environment

In addition, regular risk monitoring and reporting using the risk register provides management and the Board with ongoing assurance that established operational controls to manage these operational risks are functioning properly. Recommendations and actions arising from this review are documented in the risk register and tracked to facilitate a discussion about the plan, its risks, and potential management actions to enhance the Company's resilience and deliver the plan's objectives.

Through the General Counsel's attendance at the Executive Risk Committee there is challenge over whether regulatory elements are considered appropriately within these risks. Similarly, notable regulatory developments and breaches are disseminated through Compliance reporting linked to the Risk Management Framework.

The onset of the pandemic meant that all the Company's staff have been working from home for most of 2020. The transition to working remotely was made effectively. Robust IT systems and enhanced levels of communication from management have ensured that there have been no failures of processes or controls as a result of this.

There were no changes to the material operational risk exposures during the period, nor to the measures used to assess those material risk exposures.

C.5.2 Material Risk Concentrations.

The Company has no particular operational risk concentrations

C.5.3 Material Risk Mitigation

See table above

C.5.4 Sensitivity Analysis

The Company does not perform any sensitivity analysis in respect of operational risk.

C.5.5 Other Material Risks

None

C.6 Any other information

There are no other significant risk concentrations for the Company.

C.7 Stress and Scenario Testing

Stress and scenario testing are facilitated at least annually by the Risk Management Function and contemplates risks to which the business may become exposed to in the future. Stress and scenario testing involves projection of the plan, under extreme but plausible risk conditions, to identify potential management actions and inform the business strategy. Investigation of different scenarios identifies how perceived risks are likely to impact the strategy and supports proactive risk management.

Stress and scenario testing identifies how, with the business model under stress, policyholder security is assured and encourages continuous improvement, to evolve financial and operational resilience, in view of emerging risks. Analysis of external and internal events to develop/inform scenarios for analysis are identified by the Risk and Control Owners, SLT, ERC, Board and Risk Management Function amongst others.

Stress testing is used to evaluate the potential forward-looking effects of a set of specified changes in risk factors, corresponding to an exceptional but plausible targeted event. It is used to test business capability against challenging industry or macroeconomic events, or during periods of expansion/growth when innovation leads to new products for which limited, or no historical experience is available.

Scenario testing is typically used to assess (forward-looking) the simultaneous impact of a set of events. Stress and scenario analysis maintains a close relationship with the capital model. Well-functioning scenario analysis requires a robust model and methodology to perform the analysis, at the same time, the results of Stress and Scenario testing can inform refinements to the model and/or stress and scenario methodology.

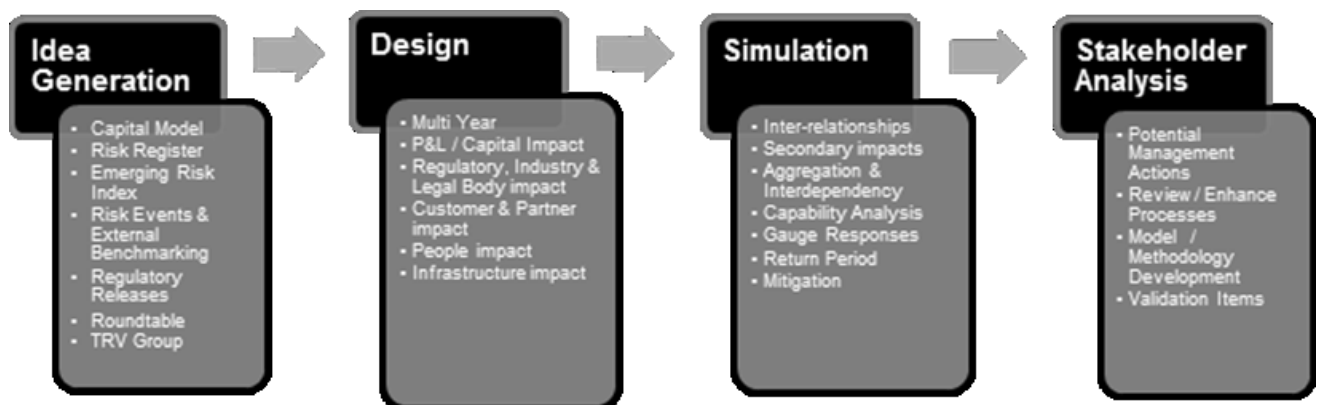


Figure A: Overview of the Stress and Scenario Methodology

Specific objectives relating to stress and scenario testing are to:

- explore the potential causes of total business model failure i.e. reverse stress testing;
- further understand the types of scenario and the extent of stress required to result in a breach of capital requirements;
- awareness of the impact on capital requirements and the position against risk tolerance and/or appetite under various stressed conditions;
- understand the impact on the ability to meet key targets under various stressed conditions; and
- analyse ORSA outputs, particularly in relation to the capital and solvency position under stressed conditions.

The Risk Management function facilitates Stress and Scenario testing and challenges potential management actions in response to these tests so that they are realistic, credible, consistent with regulatory expectations, and achievable; and consider triggers for potential activity.

Overview of the Methodology

Stress and scenario testing is made up of four main components:

- I. Scenarios where Risk Appetite is exceeded;
- II. Scenarios where capital limits (risk tolerance) is exceeded;
- III. Reverse Scenarios that cause business failure (reverse stress tests); and
- IV. Stressing of capital modelling parameters.

Appetite and Capital Scenario Analysis

The Risk Strategy defines the Risk Appetite and reflects the level and nature of risks that the Board considers acceptable for it to seek, accept or transfer in pursuit of strategic objectives. The Risk Appetite sets specific thresholds that are in the Company's tolerance level and this is monitored on an ongoing basis. The list of stress and scenario tests are reviewed frequently to identify new scenarios or stresses required and how to recalculate historic scenarios.

This work is led by the Capital Modelling function. The existing list of stress and scenario tests are reviewed frequently to identify new scenarios or stresses required and how to recalculate historic scenarios. This considers any new information that may have come to light through internal or external sources as presented in Figure A above.

The factors that drive the biggest losses are selected and scenarios are developed that target key controls, or that could cause material loss (for example, underwriting risks are most damaging when reinsurance protection is invalidated through operational risks or due to a large number of sideways risks leading to net retentions).

Once scenarios have been generated to consider each top risk category, the ERM functions, and specialist owners, identify which risks could have a common cause or are likely to occur simultaneously in order to develop an aggregate view.

Generally, stress and scenario tests are accumulated until the overall capital figure or the local appetite is exceeded. The combination of events required to exceed this capital figure is seen as a good test of suitability of the capital amount and modelling.

Quantitative Assessment

- Review the average drivers of capital loss that would take TICL below its Economic Capital Requirement (**ECR**); or cause a one notch downgrade on standalone basis or erode all capital.
- Rank the largest drivers of capital erosion and report on the correlation between these to sense check whether events could occur that accumulate these losses.
- Attach a likelihood to some of the scenario tests.

Qualitative Assessment

Continually progress thinking on risks to capital, considering emerging risks and inherent risk scenarios, for example: Tests on Group/Operational risks; Pension fund liabilities/assets where appropriate; and Invalidation of reinsurance assets.

D Valuation for Solvency Purposes

D.1 Assets

The Company's assets on a Solvency II and UK GAAP basis as at 31 December 2020 and 31 December 2019 were as set out below:

31 December 2020	Solvency II basis	UK GAAP basis	Difference
	£'m	£'m	£'m
Deferred Tax Asset	28.9	23.9	5.0
Other Financial Investments	1,186.3	1,176.6	9.7
Investment in subsidiary	57.8	58.8	(1.0)
Reinsurance recoverables	105.1	134.0	(28.9)
Insurance and intermediaries receivables	5.4	56.3	(50.9)
Reinsurance receivables	0.8	2.1	(1.3)
Receivables (trade, not insurance)	1.3	28.0	(26.7)
Cash and cash equivalents	70.6	70.6	-
Accrued interest	-	9.7	(9.7)
Deferred acquisition costs	-	22.9	(22.9)
Total Assets	1,456.2	1,582.9	(126.7)

31 December 2019	Solvency II basis	UK GAAP basis	Difference
	£'m	£'m	£'m
Deferred Tax Asset	23.3	21.3	2.0
Other Financial Investments	1,083.8	1,073.2	10.6
Investment in subsidiary	54.7	58.8	(4.1)
Reinsurance recoverables	98.2	118.4	(20.2)
Insurance and intermediaries receivables	8.5	75.4	(66.9)
Reinsurance receivables	2.8	4.6	(1.8)
Receivables (trade, not insurance)	4.7	4.7	-
Cash and cash equivalents	31.3	31.3	-
Accrued interest	-	10.7	(10.7)
Deferred acquisition costs	-	19.2	(19.2)
Total Assets	1,307.3	1,417.6	(110.3)

The starting point for the valuation of assets and liabilities is UK GAAP. There are no material differences between UK GAAP and IFRS for the assets and liabilities held by the Company.

The Company's assets are recognised and valued using the following principles:

Deferred acquisition costs

Deferred acquisition costs comprise brokerage and commission incurred on contracts written during the financial year, but that fall to be earned in future financial years on a UK GAAP basis. Deferred acquisition costs are removed under Solvency II principles.

Deferred tax asset

The deferred tax asset relates to carry forward tax losses and is valued using an estimate of future profits by financial year and then applying the latest tax rate which has received Royal Assent and which might reasonably be expected to apply when the timing differences reverse. There are no unprovided deferred tax assets or liabilities.

The valuation method for deferred tax balances is the same under IFRS and Solvency II. The difference in the valuation between Solvency II and UK GAAP relates to the application of deferred tax to valuation differences that apply between net assets on a UK GAAP and a Solvency II basis.

The recoverability of the deferred tax asset depends on the availability of future profits. Projected profits over the planning cycle has been used as the basis for determining the recoverability of this asset, together with the indefinite tax loss carry forward available in the UK.

Other Financial Investments

The Company classify their financial investments as "available for sale" and carries those investments at fair value, with unrealised gains and losses being reported through Other Comprehensive Income on a UK GAAP FRS 102 basis. For assets where no active market exists, fair value is determined by referring to quoted prices in active markets for similar assets. All of the Company's investments fall into this category. The difference in the Solvency II valuation basis compared to UK GAAP is that on a Solvency II basis the value of investments includes accrued interest.

Investment in subsidiary

On a UK GAAP basis the investment in subsidiary is carried at cost. For Solvency II purposes it is carried at net asset value on a Solvency II basis.

Reinsurance recoverables

Reinsurance recoverables on a Solvency II basis relate to all expected future cash inflows and outflows from reinsurers in respect of contracts bound as at the balance sheet date. These cash-flows are discounted to have them valued on an economic basis. The major difference between the UK GAAP and Solvency II basis valuation is that on a Solvency II basis the reinsurance recoverables are stated net of cash outflows in respect of premiums or reinstatement premiums. On a UK GAAP basis these cash outflows are presented separately as liabilities. In addition, the UK GAAP reserves are not discounted, and UK GAAP includes an unearned premium reserve for that period of a reinsurance contract's term that is unexpired as at the balance sheet date. Solvency II does not recognise the concept of unearned premium, but instead recognises expected reinsurance cash inflows and outflows up until the expiry of the underlying reinsurance contract. These cash-flows are discounted.

Insurance and intermediaries receivables

On a Solvency II basis, only insurance premiums that are outstanding past their credit terms are shown as a separate asset on the balance sheet. All other insurance premiums receivable are reported as a component of technical provisions. This explains the difference in valuation to the UK GAAP basis. Insurance premium receivables are stated net of an impairment provision and are recorded at book value as a reasonable proxy for economic value, as all amounts are expected to be received within six months.

Reinsurance receivables/Receivables (trade, not insurance)

On a Solvency II basis, only reinsurance receivables that are outstanding past their credit terms are shown as a separate asset on the balance sheet. All other reinsurance receivables are reported as a component of technical provisions. Reinsurance receivables are stated net of an impairment provision and are recorded at book value as a reasonable proxy for economic value, as all amounts are expected to be received within six months.

There is no difference in the valuation of receivables (trade, not insurance) on a UK GAAP and Solvency II basis. Receivables (trade, not insurance) are recorded at book value as a reasonable proxy for economic value, as all amounts are expected to be received within six months.

Cash and cash equivalents

All cash balances are held in accounts which are not subject to any time restriction and can be withdrawn without penalties. Cash is held at book value as a proxy for market value and a consistent valuation basis is used for Solvency II and UK GAAP reporting.

Accrued Interest

Accrued interest is valued at book value for both Solvency II and UK GAAP purposes. As all amounts accrued fall due for payment within six months, this is deemed a reasonable proxy for market value. For Solvency II purposes accrued interest is classified as part of Investments.

D.2 Technical Provisions

Gross technical provisions for the Company as at 31 December 2020 and 2019 were as set out below:

	2020	2019
	£ 'm	£ 'm
Best estimate	895.5	756.4
Risk margin	50.3	46.5
Total gross technical provisions	945.8	802.9

The most material class is General Liability which comprises 68% (2019: 68%) of the total gross best estimate as follows:

General Liability	2020	2019
	£'m	£'m
Gross best estimate	610.8	515.8
Risk margin	34.2	32.2
Total gross technical provisions	645.0	548.0
Reinsurance best estimate	(46.3)	(43.9)
Total net technical provisions	598.7	504.1

The gross technical provisions best estimate represents the best estimate of the ultimate cost of settling claims that will arise from all contracts written as at the balance sheet date, including those that are bound but not yet incepted.

In addition to the inherent uncertainty of having to forecast the ultimate costs of those claims that have occurred but not yet been advised as at the balance sheet date and the eventual final costs of the claims that have been reported by the balance sheet date but which remain unsettled, there is considerable uncertainty of forecasting those claims that will arise on exposures written that extend beyond the balance sheet date. As a consequence of these uncertainties, the Company has to apply sophisticated estimation techniques to determine the appropriate level of claims provisions. In overview, claims provisions are determined based upon prior claims experience, knowledge of market conditions and trends, and the terms and conditions of the underlying policies of insurance.

- A variety of different statistical techniques are used by their-house actuaries to determine the appropriate level of provision to carry. These methods include the following:
- chain ladder development of paid and incurred claims, where claims to date for each accident year are extrapolated based upon the historical development patterns of earlier years;
- estimates based upon the projection of claims' numbers and average costs;
- expected loss ratios; and
- Bornhuetter Ferguson method, which combines use of expected loss ratios, for the more recent and underdeveloped accident years, and the chain ladder projection of incurred claims data for earlier years.

All projections are carried out separately for each country, product, line of business and accident year. Gross and ceded data is projected separately. Large claims are identified and reserved for separately. Where possible, the Company adopts multiple techniques to estimate the required level of provision. This assists in giving a greater understanding of the trends inherent in the data being projected and setting the range of possible outcomes. The most appropriate estimation technique is then selected taking into account the characteristics of the business class under consideration. These cash-flows are then discounted using the relevant EIOPA yield curves. The data is then aggregated to Solvency II class of business for reporting purposes.

Establishing an appropriate level of claims provision is inherently uncertain. The degree of uncertainty will vary by product and line of business according to the characteristics of the insured risk. The level of uncertainty is also influenced by a number of factors such as claims cost inflation, judicial trends and legislative changes. As a consequence of this uncertainty the eventual cost of settling outstanding claims can vary substantially from the initial estimates. It is not unlikely that the ultimate cost is greater, or lower, than the initial reserves by 5%.

The risk margin is an addition to the best estimate liabilities. The risk margin is an estimate of the cost of providing the capital necessary to support the run-off to expiry of the underlying insurance liabilities. The

Company uses the full calculation as the basis for calculating the risk margin. This involves taking the Standard Formula SCR and projecting it:

- for 30 years into the future;
- restricted to the policies legally obliged on the balance sheet date;
- assuming market risk is nil;
- using the gross and ceded, premium, claims and expense cashflows from the technical provisions, and
- making various expert judgments used in respect of the risk prevailing at each future projection point.

This is then discounted and multiplied by the prescribed cost of capital rate of 6%. There has been no change to the basis of computing the risk margin relative to that used in the prior year.

To allow for business that is contractually bound but not incepted at the balance sheet date the Company uses assumptions as to binding date, together with data from the latest business plan. For reinsurance we assume a future management action will be to purchase reinsurance cover, similar to the protection offered by current reinsurance treaties, to provide ongoing protection for any unexpired gross exposures. An additional expense provision is calculated to cover the cost of administering the policies and settling the claims in respect of unearned premiums and bound but not incepted policies. For Events Not in Data we use an assumption-based approach which has been benchmarked against the market. There has been no change to the basis of calculating technical provisions in 2020 relative to the prior year. This calculation approach is applied to all Solvency II classes.

On a Solvency II basis the Company's gross technical provisions as at 31 December 2020 were £945.8m (2019: £802.9m). On a UK GAAP basis gross technical provisions were £1,022.1m (2019: £872.2m). A reconciliation of the UK GAAP reserves to the Solvency II reserves for the Company on a gross and net basis, itemising the key items in reconciliation, for both 2020 and 2019 is set out below:

As at 31 December 2020	Gross	RI	Net
	£'m	£'m	£'m
UK GAAP reserves	1022.1	134.0	888.1
Removal of margin	(23.1)	0.0	23.1
Removal of UPR reserve	(202.0)	(21.4)	(180.6)
Future Premium	(96.7)	(25.2)	(71.5)
Discounting	(0.9)	(0.9)	0.0
Claims on unearned/un-incepted business	117.3	13.3	104.0
Commissions on un-incepted business	10.4	1.8	8.6
Risk Margin	50.3	0.0	50.3
Additional expenses	37.8	0.0	37.8
Reinsurance debtors	0.0	1.3	(1.3)
Reinsurance bad debt	0.1	(1.6)	1.6
Events not in data	30.5	3.8	26.7
Solvency II Technical Provisions	945.8	105.1	840.7

As at 31 December 2019	Gross	RI	Net
	£'m	£'m	£'m
UK GAAP reserves	872.2	118.4	753.8
Removal of margin	(20.4)	-	(20.4)
Removal of UPR reserve	(171.3)	(16.5)	(154.8)
Future Premium	(83.2)	(16.8)	(66.4)
Discounting	(16.2)	(3.5)	(12.7)
Claims on unearned/un-incepted business	107.3	14.5	92.8
Commissions on un-incepted business	1.8	-	1.8
Risk Margin	46.5	-	46.5
Additional expenses	36.3	-	36.3
Reinsurance bad debt	-	(1.3)	1.3
Events not in data	29.9	3.4	26.5
Solvency II Technical Provisions	802.9	98.2	704.7

On a Solvency II basis reserves are carried on a best estimate basis, so any reserve margin held under UK GAAP is released. Solvency II does not recognise the concept of earned premium and earned reserves. Instead reserves are established based on all contracts written at the balance sheet date, including those where the Company is contractually bound but the contract has not yet incepted. In this way, the unearned premium reserve held on a UK GAAP basis is released and replaced by future cash outflows in respect of claims for all contracts to which the Company are contractually bound at the balance sheet date. Solvency II technical provisions also include the premium cash inflows in respect of these contracts.

On a Solvency II basis it is necessary to carry a reserve for Events Not in Data (**ENIDS**). In addition, the Company provide for the additional expenses that will be incurred in servicing all contracts to which the Company are contractually bound at the balance sheet date to their expiry. Then to put the provisions held onto an economic basis, a risk margin is added to reflect the margin a willing buyer on an arms-length basis would require assuming these liabilities, and the reserves are discounted to reflect the time value of money.

The Company has not applied the matching adjustment referred to in Article 77b of Directive 2009/138/EC, nor has it used the volatility adjustment referred to in Article 77d of Directive 2009/138/EC, nor the transitional risk-free interest rate term structure referred to in Article 308c of Directive 2009/138/EC, nor the transitional deduction referred to in Article 308d of Directive 2009/138/EC.

Reinsurance recoverables were £105.1m (2019: £98.2m). Reinsurance recoverables relate to current and expected claims recoveries from reinsurers in respect of all contracts written, including those bound but not incepted, at the balance sheet date, offset by payments due to reinsurers re premiums and reinstatement premiums.

There have been no material changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting period.

D.3 Other Liabilities

The Company's other liabilities as at 31 December 2020 and 31 December 2019 on a Solvency II and UK GAAP basis were as follows:

31 December 2020	Solvency II basis	UK GAAP Basis	Difference
	£'m	£'m	£'m
Insurance and intermediaries payables	-	12.7	(12.7)
Reinsurance payables	-	14.3	(14.3)
Payables, (trade not insurance)	17.7	17.0	0.7
Any other liabilities, not elsewhere shown	-	1.9	(1.9)
Total Other Liabilities	17.7	46.0	(28.3)

31 December 2019	Solvency II basis	UK GAAP Basis	Difference
	£'m	£'m	£'m
Insurance and intermediaries payables	-	12.2	12.2
Reinsurance payables	0.3	12.0	(11.7)
Payables, (trade not insurance)	5.2	5.2	-
Any other liabilities, not elsewhere shown	-	2.1	(2.1)
Total Other Liabilities	5.5	31.5	(26.0)

The amounts disclosed by the Company Any Other Liabilities, Not Elsewhere Shown, can be further broken down as follows:

31 December 2020	Solvency II basis	UK GAAP basis	Difference
	£'m	£'m	£'m
Insurance premium tax	-	-	-
Reinsurers' share of deferred acquisition costs	-	1.9	(1.9)
Accruals	-	-	-
Total	-	1.9	(1.9)
31 December 2019	Solvency II basis	UK GAAP basis	Difference
	£'m	£'m	£'m
Insurance premium tax	-	-	-
Reinsurers' share of deferred acquisition costs	-	2.1	(2.1)
Accruals	-	-	-
Total	-	2.1	(2.1)

The Company's other liabilities are recognised and valued using the following principles:

Insurance and Intermediaries payables

On a Solvency II basis amounts payable to intermediaries that are not overdue are classified within technical provisions.

Reinsurance payables

On a Solvency II basis cash outflows to reinsurers are a component of reinsurance technical provisions. The only element reported as a liability on the balance sheet is the amount outstanding past credit terms, if any.

Payables (trade, not insurance)

Payables comprise amounts payable to other group entities and corporation tax payable. There is no difference in the valuation of payables (trade, not insurance) on a UK GAAP and Solvency II basis. They are recorded at book value as a reasonable proxy for economic value, as all amounts are expected to be paid within six months.

Insurance premium tax

The differences in valuation between UK GAAP and Solvency II is attributable to the amounts being included within technical provisions on a Solvency II basis.

Reinsurers' share of deferred acquisition costs

The reinsurer's share of deferred acquisition costs under UK GAAP relates to that element of commissions receivable from reinsurers that falls to be earned after the balance sheet date. Deferred acquisition costs as a principle does not exist under Solvency II.

Accruals

The difference in valuation between UK GAAP and Solvency II is attributable to the fees payable to the Motor Insurance Bureau, the FSCS and ELTO, which are reclassified as Technical Provisions for Solvency II purposes.

D.4 Alternative methods for valuation

None

D.5 Any Other Information

The Company has prepared the Solvency and Financial Condition Report on the going concern basis. The Company's Directors have confirmed that they are satisfied that the Company has adequate resources to continue in operation and meet its liabilities as they fall due for a period of at least 12 months from the date that the Solvency and Financial Condition Report is approved. In arriving at this conclusion, the Directors have undertaken an assessment to determine the impact of COVID-19 on the Company and its future viability, taking into account the likely impact on the Company's insured loss exposures, investments and solvency capital position under moderate and severe scenarios, and the associated sensitivities where relevant. The analysis performed, including the monitoring of the solvency and capital position post year

end, and taking into consideration that the Company is a subsidiary of a financially strong parent company, demonstrates that the Company remains solvent and retains sufficient headroom above regulatory capital requirements under moderate and severe scenarios.

E Capital Management

E.1 Own Funds

This SFCR is a solo entity SFCR for TICL.

The Company's primary objectives when managing its capital position are as follows:

- to protect its ability to continue as a going concern and thus to protect its policyholders;
- to enable an appropriate return to the shareholder by allocating appropriate amounts of capital to its products commensurate with the risks taken, and measuring the return on this capital;
- to comply with its regulatory capital requirements;
- to maintain financial strength ratings of AM Best A++ (superior) and S&P AA.

The Company's Capital Management Policy is owned by the Finance Committee and is approved by the Board on an annual basis. The Company's position relative to its regulatory capital requirements and internal targets are monitored on a quarterly basis by the Finance Committee and reported to the Board.

The Company uses a five-year business plan time horizon and ensures it has enough capital to meet all reasonably anticipated needs through this period. There have been no material changes to the Company's objectives and approach in this area during the year.

The Company's Own Funds are comprised principally of Tier 1 capital, which in turn is composed of share capital, share premium and a reconciliation reserve. There are no anticipated dividends over the foreseeable future. There is a small element of tier 3 capital that relates wholly to a deferred tax asset in respect of tax loss carry forwards.

The Company's Basic Own Funds by type and tier at 31 December 2020 and 31 December 2019 were:

31 December 2020	Tier 1	Tier 2	Tier 3	Total
	£'m	£'m	£'m	£'m
Share capital	267.0	-	-	267.0
Share premium	0.7	-	-	0.7
Deferred tax asset	-	-	28.9	28.9
Reconciliation reserve	112.6	-	-	112.6
Total Basic Own Funds	380.3	-	28.9	409.2

31 December 2019	Tier 1	Tier 2	Tier 3	Total
	£'m	£'m	£'m	£'m
Share capital	267.0	-	-	267.0
Share premium	0.7	-	-	0.7
Deferred tax asset	-	-	23.3	23.3
Reconciliation reserve	82.8	-	-	82.8
Total Basic Own Funds	350.5	-	23.3	373.8

There is no restriction in the amount of Own Funds in either tier that is eligible to meet the Company's SCR. All Tier 1 Own Funds are eligible to cover the Company's MCR.

A comparison of the excess of assets over liabilities as calculated for Solvency II purposes and equity as shown in the Company's UK GAAP financial statements as at 31 December 2020 and 2019 is set out below:

	31 December 2020	31 December 2019
	£'m	£'m
Equity on a UK GAAP basis	514.9	513.9
Equity on a Solvency II basis	492.6	498.9
Difference	22.3	15.0

In both years Shareholders' funds on a UK GAAP basis are higher than the excess of assets over liabilities on a Solvency II basis. This is because the benefit under Solvency II of releasing margin, discounting and recognising profit on unearned premiums is less than the incremental costs of the additional provisions carried under Solvency II for the risk margin, future expenses and events not in data.

A detailed reconciliation as at 31 December 2020 and 2019 is set out below for the Company:

	31 December 2020	31 December 2019
		£'m
Equity per UK GAAP	514.9	513.9
Reserve margin release	23.0	19.5
Discounting	0.0	12.8
Events not in data	(26.7)	(26.4)
Additional expenses	(20.8)	(19.7)
Risk Margin	(50.3)	(46.5)
Profit recognised on unearned premiums	50.1	48.7
RI bad debt	(1.6)	(1.3)
Holdings in related undertakings UK GAAP to SII adjustments	(1.0)	(4.1)
Deferred tax on UK GAAP to SII adjustments	5.0	2.0
Excess of assets over liabilities in Solvency II	492.6	498.9

No Own Funds item for the Company are subject to the transitional arrangements referred to in Articles 308b(9) and 308b(10) of the Directive. The Company has no Ancillary Own Funds.

As at 31 December 2020 the Company had pledged £83.4m (2019: £130.5m) of its Own Funds as collateral to Lloyd's. This is in support of the capital requirements of the TRV's wholly aligned Lloyd's syndicate, Syndicate 5000. This constitutes a ring- fenced fund and a restricted own funds item. An amount of £80.5 m (2019: £125.1m) has thus been deducted from Basic Own Funds which is the amount of assets pledged to support the Company's wholly aligned Lloyd's Syndicate, net of an SCR in respect of these assets of £2.9m (2019: £6.5m).

As at 31 December 2020 the Company has pledged £4.0m of assets in trust with the National Association of Insurance Commissioners in the US (**NAIC**), as a condition of authorisation to write insurance business on a surplus lines basis in the US. This constitutes a ring- fenced fund and a restricted own funds item. An

amount of £3.0m (2019: £ Nil) has thus been deducted from Basic Own Funds, which is the amount of assets placed into trust with the NAIC, net of an SCR in respect of these assets of £1.0m (2019: £ Nil).

The Company also has £166.5m (2019: £110.5m) of assets that are pledged as collateral to its subsidiary TIDAC in the context of the Whole Account Quota Share Reinsurance arrangement. These are reported as investments on the Company's balance sheet. No restriction is made to the Company's Own Funds for these assets as they are matched by a corresponding amount of insurance liabilities.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Company uses the Standard Formula to calculate its Solvency Capital Requirement (**SCR**) and Minimum Capital Requirement (**MCR**). The Company does not use any Undertaking Specific Parameters. The amount of the Company's MCR and SCR as at 31 December 2020 were £115.3m and £347.9m respectively. The SCR by risk module as at 31 December 2020 and 2019 was as set out below:

SCR Component	31 December 2020	31 December 2019
	£'m	£'m
Non-Life Underwriting	296.2	239.5
Life Underwriting	0.8	0.8
Market Risk	54.4	49.3
Counterparty Default Risk	8.4	7.8
Undiversified Basic SCR	359.8	297.4
Diversification credit	(41.1)	(36.9)
Basic SCR	318.7	260.5
Operational risk	26.9	22.7
Adjustment due to RFF aggregation	2.3	3.8
Solvency Capital Requirement	347.9	287.0

The Company has not been required to use any Undertaking Specific Parameters or to make any capital add-on by the supervisory authority. In calculating the SCR using the Standard Formula, the Company has used simplified calculations for the Non-Life Underwriting risk, Market risk and Counterparty Default Risk modules, and within Market risk for the Spread risk and Interest Rate risk sub-modules.

The MCR is calculated by reference to the net technical provisions by class as at 31 December 2020 and by the net written premiums by class written over the last twelve months. The result of the calculation is then subject to a floor and a cap of 25% and 45% of the SCR respectively. As at 31 December 2020 the MCR for the Company has been set at £115.3m (2019: £94.9m).

The SCR and MCR are subject to supervisory assessment by the PRA.

The increase in the SCR and the MCR during the year for the Company is largely driven by the increased premium volumes written and the increase in technical provisions year on year.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

As the Company does not write life insurance business it does not make use of the duration-based equity risk sub-module to calculate its SCR.

E.4 Differences between the Standard Formula and any Internal Models Used

Not Applicable

E.5 Non-Compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company has remained in compliance with its MCR and SCR throughout the year and through the period since the end of the financial year.

The Company's position relative to its capital requirements as at 31 December 2020 and 31 December 2019 was as set out below:

31 December 2020	MCR	SCR
	£'m	£'m
Capital Requirement	115.3	347.9
Eligible Own Funds	380.3	409.2
Surplus	265.0	61.3
Coverage	328.1%	117.6%

31 December 2019	MCR	SCR
	£'m	£'m
Capital Requirement	94.9	287.0
Eligible Own Funds	350.6	373.8
Surplus	255.7	86.8
Coverage	369.4%	130.2%

E.6 Any other information

None

Approval by the Board of Directors of the SFCR and Quantitative Reporting Templates

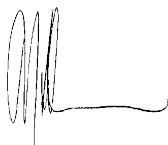
Travelers Insurance Company Limited

Financial Year ending 31 December 2020

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA rules and the Solvency II Regulations.

We are satisfied that:

- a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and
- b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in the future.



Matthew Wilson
Director and Chief Executive Officer

8 April 2021



Report of the external independent auditor to the Directors of Travelers Insurance Company Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the Relevant Elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by Company as at 31 December 2020:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of Company as at 31 December 2020, (**the Narrative Disclosures subject to audit**); and
- Company templates S02.01.02, S12.01.02, S17.01.02, S22.01.21, S23.01.01, S25.01.21, S28.01.01 (**the Templates subject to audit**).

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**Relevant Elements of the Solvency and Financial Condition Report**'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

- the 'Business and performance', 'System of governance' and 'Risk profile' sections of the Solvency and Financial Condition Report;
- company templates S05.01.02, S05.02.01, S19.01.21;
- information calculated in accordance with the previous regime used in the calculation of the transitional measure on technical provisions, and as a consequence all information relating to the transitional measures on technical provisions as set out in the Appendix to this report; and
- the written acknowledgement by the Directors of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('the Responsibility Statement').

To the extent the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the Relevant Elements of the Solvency and Financial Condition Report of Company as at 31 December 2020 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Solvency and Financial Condition Report in the UK, including the FRC 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.

Emphasis of Matter – special purpose basis of accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Going concern

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

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- adverse claims outstanding development, including potential impacts caused by impacts of the COVID-19 pandemic;
- a deterioration in claims experience, including potential impacts caused by market wide catastrophe event(s) or impacts of the COVID-19 pandemic; and
- a deterioration in the valuation of the Company's investments arising from a significant change in the economic environment.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Company's current and projected cash and facilities.

Our procedures also included:

- assessing whether downside scenarios applied mutually consistent and severe assumptions in aggregate, using our assessment of the possible range of each key assumption and our knowledge of inter-dependencies; and
- we compared past forecasts to actual results to assess the directors' track record of forecasting accurately.



Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- enquiring of directors, the audit committee, internal audit legal, risk and compliance and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading Board, audit committee and other relevant committee meeting minutes; and
- using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as valuation of technical provisions.

We also identified a fraud risk related to inappropriate valuation of technical provisions in response to possible pressures to meet regulatory and capital requirements.

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

We also performed procedures including:

- evaluated the business purpose of significant unusual transactions; and
- assessing significant accounting estimate for bias.



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

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

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

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

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

The Company is subject to laws and regulations that directly affect the Solvency and Financial Condition Report including regulatory capital and liquidity legislation and we assessed the extent of compliance with the PRA Rules and Solvency II regulations as part of our procedures on the Solvency and Financial Condition Report.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance could have a material effect on amounts or disclosures in the Solvency and Financial Condition Report, other than those in respect of financial reporting legislation, recognising the regulated nature of the Company and its legal form, auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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



Other Information

The Directors are responsible for the Other Information.

Our opinion on the Relevant Elements of the Solvency and Financial Condition Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Relevant Elements of the Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Relevant Elements of the Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Relevant Elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the Relevant Elements of the Solvency and Financial Condition Report are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Our objectives are to obtain reasonable assurance about whether the Relevant Elements of the Solvency and Financial Condition Report 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 it 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 decision making or the judgement of the users taken on the basis of the Relevant Elements of the Solvency and Financial Condition Report.

A fuller description of our responsibilities is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.



Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Company's statutory financial statements. 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.

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

This report of the external auditor is made solely to the company's directors, as its governing body, in accordance with the requirement in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and the terms of our engagement. We acknowledge that the directors are required to submit the report to the PRA, to enable the PRA to verify that an auditor's report has been commissioned by the company's directors and issued in accordance with the requirement set out in Rule 4.1 (2) of the External Audit Part of the PRA Rulebook for Solvency II firms and to facilitate the discharge by the PRA of its regulatory functions in respect of the company, conferred on the PRA by or under the Financial Services and Markets Act 2000.

Our audit has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report issued pursuant to Rule 4.1 (2) 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 through its governing body, for our audit, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Umar Jamil', written in a cursive style.

Umar Jamil

for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

8 April 2021



Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

Solo standard formula

The Relevant Elements of the Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.12.01.02
 - Rows R0110 to R0130 – Amount of transitional measure on technical provisions
- The following elements of template S.17.01.02
 - Rows R0290 to R0310 – Amount of transitional measure on technical provisions
- The following elements of template S.22.01.21
 - Column C0030 – Impact of transitional measure on technical provisions
- Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Appendix A: Quantitative Reporting Templates

General information

Undertaking name	Travelers Insurance Company Limited
Undertaking identification code	5493008G0BNFHVUJ0Q27
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2020
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses by country
- S.05.02.01 - Premiums, claims and expenses by country
- S.12.01.02 - Life and Health SLT Technical Provisions
- S.17.01.02 - Non-Life Technical Provisions
- S.19.01.21 - Non-Life insurance claims
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
		C0010
Assets		
R0030	Intangible assets	
R0040	Deferred tax assets	28,878
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	1,244,109
R0080	<i>Property (other than for own use)</i>	0
R0090	<i>Holdings in related undertakings, including participations</i>	57,803
R0100	<i>Equities</i>	0
R0110	<i>Equities - listed</i>	
R0120	<i>Equities - unlisted</i>	
R0130	<i>Bonds</i>	1,186,306
R0140	<i>Government Bonds</i>	467,330
R0150	<i>Corporate Bonds</i>	718,976
R0160	<i>Structured notes</i>	0
R0170	<i>Collateralised securities</i>	0
R0180	<i>Collective Investments Undertakings</i>	0
R0190	<i>Derivatives</i>	
R0200	<i>Deposits other than cash equivalents</i>	0
R0210	<i>Other investments</i>	0
R0220	Assets held for index-linked and unit-linked contracts	
R0230	Loans and mortgages	0
R0240	<i>Loans on policies</i>	0
R0250	<i>Loans and mortgages to individuals</i>	
R0260	<i>Other loans and mortgages</i>	
R0270	Reinsurance recoverables from:	105,116
R0280	<i>Non-life and health similar to non-life</i>	105,116
R0290	<i>Non-life excluding health</i>	105,116
R0300	<i>Health similar to non-life</i>	0
R0310	<i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0320	<i>Health similar to life</i>	0
R0330	<i>Life excluding health and index-linked and unit-linked</i>	0
R0340	<i>Life index-linked and unit-linked</i>	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	5,389
R0370	Reinsurance receivables	797
R0380	Receivables (trade, not insurance)	1,272
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	70,640
R0420	Any other assets, not elsewhere shown	
R0500	Total assets	1,456,201

S.02.01.02
Balance sheet

Solvency II value	
C0010	
R0510	942,086
R0520	942,086
R0530	0
R0540	892,029
R0550	50,057
R0560	0
R0570	0
R0580	0
R0590	0
R0600	3,765
R0610	0
R0620	0
R0630	0
R0640	0
R0650	3,764
R0660	0
R0670	3,486
R0680	278
R0690	0
R0700	0
R0710	0
R0720	0
R0740	0
R0750	
R0760	
R0770	
R0780	
R0790	
R0800	
R0810	
R0820	
R0830	
R0840	17,749
R0850	0
R0860	
R0870	0
R0880	
R0900	963,599
R1000	492,602

Liabilities

R0510	Technical provisions - non-life
R0520	<i>Technical provisions - non-life (excluding health)</i>
R0530	<i>TP calculated as a whole</i>
R0540	<i>Best Estimate</i>
R0550	<i>Risk margin</i>
R0560	<i>Technical provisions - health (similar to non-life)</i>
R0570	<i>TP calculated as a whole</i>
R0580	<i>Best Estimate</i>
R0590	<i>Risk margin</i>
R0600	Technical provisions - life (excluding index-linked and unit-linked)
R0610	<i>Technical provisions - health (similar to life)</i>
R0620	<i>TP calculated as a whole</i>
R0630	<i>Best Estimate</i>
R0640	<i>Risk margin</i>
R0650	<i>Technical provisions - life (excluding health and index-linked and unit-linked)</i>
R0660	<i>TP calculated as a whole</i>
R0670	<i>Best Estimate</i>
R0680	<i>Risk margin</i>
R0690	Technical provisions - index-linked and unit-linked
R0700	<i>TP calculated as a whole</i>
R0710	<i>Best Estimate</i>
R0720	<i>Risk margin</i>
R0740	Contingent liabilities
R0750	Provisions other than technical provisions
R0760	Pension benefit obligations
R0770	Deposits from reinsurers
R0780	Deferred tax liabilities
R0790	Derivatives
R0800	Debts owed to credit institutions
R0810	Financial liabilities other than debts owed to credit institutions
R0820	Insurance & intermediaries payables
R0830	Reinsurance payables
R0840	Payables (trade, not insurance)
R0850	Subordinated liabilities
R0860	<i>Subordinated liabilities not in BOF</i>
R0870	<i>Subordinated liabilities in BOF</i>
R0880	Any other liabilities, not elsewhere shown
R0900	Total liabilities
R1000	Excess of assets over liabilities

S.05.01.02

Premiums, claims and expenses by line of business

Life

Line of Business for: life insurance obligations						Life reinsurance obligations		Total
Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written								
R1410	Gross							0
R1420	Reinsurers' share							0
R1500	Net				0		0	0
Premiums earned								
R1510	Gross							0
R1520	Reinsurers' share							0
R1600	Net				0		0	0
Claims incurred								
R1610	Gross							0
R1620	Reinsurers' share							0
R1700	Net				0		0	0
Changes in other technical provisions								
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net				0		0	0
R1900	Expenses incurred				0		0	0
R2500	Other expenses							
R2600	Total expenses							0

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
			C0220	C0230	C0240	C0250	C0260	C0270
R1400								
	Premiums written							
R1410	Gross							0
R1420	Reinsurers' share							0
R1500	Net	0						0
	Premiums earned							
R1510	Gross							0
R1520	Reinsurers' share							0
R1600	Net	0						0
	Claims incurred							
R1610	Gross							0
R1620	Reinsurers' share							0
R1700	Net	0						0
	Changes in other technical provisions							
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net	0						0
R1900	Expenses incurred							0
R2500	Other expenses							
R2600	Total expenses							0

S.12.01.02
Life and Health SLT Technical Provisions

	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)	
	Insurance with profit participation	Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees	Contracts without options and guarantees				Contracts with options or guarantees	Contracts without options and guarantees	Contracts with options or guarantees				
	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010 Technical provisions calculated as a whole									0	0						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole									0	0						
R0020									0	0						
Technical provisions calculated as a sum of BE and RM																
Best estimate																
R0030 Gross Best Estimate								3,486	0	3,486						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default									0	0						
R0080									0	0						
R0090 Best estimate minus recoverables from reinsurance/SPV and Finite Re								3,486	0	3,486						
R0100 Risk margin								278	0	278						
Amount of the transitional on Technical Provisions																
R0110 Technical Provisions calculated as a whole										0						
R0120 Best estimate										0						
R0130 Risk margin										0						
R0200 Technical provisions - total								3,765	0	3,765						

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance											Accepted non-proportional reinsurance				Total Non-Life obligation	
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance		Non-proportional property reinsurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	Technical provisions calculated as a whole				0	0	0	0	0	0			0			0	0	0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium provisions																		
R0060	Gross				2,355	1,346	2,214	28,480	33,533	265			-243			448	1,157	69,555
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				-803	-352	-1,403	2,873	-1,168	-110			-196			-67	1,942	716
R0150	Net Best Estimate of Premium Provisions				3,158	1,698	3,617	25,607	34,701	375			-47			515	-785	68,839
Claims provisions																		
R0160	Gross				66,004	12,164	8,772	132,495	577,249	6,462			3,701			2,033	13,594	822,474
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default				864	347	677	39,027	47,445	6,346			2,290			219	7,185	104,400
R0250	Net Best Estimate of Claims Provisions				65,140	11,817	8,095	93,468	529,804	116			1,411			1,814	6,409	718,074
R0260	Total best estimate - gross				68,359	13,510	10,986	160,975	610,782	6,727			3,458			2,481	14,751	892,029
R0270	Total best estimate - net				68,298	13,515	11,712	119,075	564,505	491			1,364			2,329	5,624	786,913
R0280	Risk margin				4,684	931	756	8,671	34,235	37			108			186	449	50,057
Amount of the transitional on Technical Provisions																		
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	Technical provisions - total				73,043	14,441	11,742	169,646	645,017	6,764			3,566			2,667	15,200	942,086
R0330	Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total				61	-5	-726	41,900	46,277	6,236			2,094			152	9,127	105,116
R0340	Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total				72,982	14,446	12,468	127,746	598,740	528			1,472			2,515	6,073	836,970

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 Accident year / underwriting year

Gross Claims Paid (non-cumulative)														
(absolute amount)														
Year	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180	
	Development year										In Current year	Sum of years (cumulative)		
	0	1	2	3	4	5	6	7	8	9			10 & +	
R0100	Prior											4,841	4,841	4,841
R0160	2011	28,470	28,822	27,437	23,951	31,579	12,986	3,519	4,737	2,978	-6,580	-6,580	157,900	
R0170	2012	20,761	27,680	22,245	17,122	13,331	8,309	1,267	11,846	907		907	123,468	
R0180	2013	17,006	32,135	26,193	19,314	20,009	14,410	7,447	2,260			2,260	138,774	
R0190	2014	24,329	87,371	16,994	8,310	15,927	6,516	6,097				6,097	165,546	
R0200	2015	41,510	36,617	18,341	11,729	11,489	13,832					13,832	133,519	
R0210	2016	40,125	30,470	12,283	11,339	10,978						10,978	105,195	
R0220	2017	17,609	60,264	16,207	9,014							9,014	103,093	
R0230	2018	27,710	25,658	20,644								20,644	74,012	
R0240	2019	33,639	37,454									37,454	71,093	
R0250	2020	26,733										26,733	26,733	
R0260												Total	126,180	1,104,173

Gross Undiscounted Best Estimate Claims Provisions													
(absolute amount)													
Year	C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360	
	Development year										10 & +	Year end (discounted data)	
	0	1	2	3	4	5	6	7	8	9			
R0100	Prior											142,(41)	141,146
R0160	2011	0	0	0	0	40,766	46,526	31,854	16,725	15,572		15,609	
R0170	2012	0	0	0	49,071	38,561	28,351	21,232	19,130			19,114	
R0180	2013	0	0	83,599	52,729	32,792	19,187	18,767				18,753	
R0190	2014	0	101,139	76,235	53,674	31,885	32,760					32,778	
R0200	2015	0	150,794	97,884	64,334	49,965	31,278					31,278	
R0210	2016	87,985	91,506	77,621	58,158	47,422						47,474	
R0220	2017	126,352	96,924	69,402	56,472							56,534	
R0230	2018	147,005	121,216	95,240								95,182	
R0240	2019	160,826	137,503									137,537	
R0250	2020	226,969										227,069	
R0260												Total	822,474

S.23.01.01

Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35

R0010	Ordinary share capital (gross of own shares)
R0030	Share premium account related to ordinary share capital
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings
R0050	Subordinated mutual member accounts
R0070	Surplus funds
R0090	Preference shares
R0110	Share premium account related to preference shares
R0130	Reconciliation reserve
R0140	Subordinated liabilities
R0160	An amount equal to the value of net deferred tax assets
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above

R0220 Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds

R0230 Deductions for participations in financial and credit institutions

R0290 Total basic own funds after deductions

Ancillary own funds

R0300	Unpaid and uncalled ordinary share capital callable on demand
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand
R0320	Unpaid and uncalled preference shares callable on demand
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC
R0390	Other ancillary own funds
R0400	Total ancillary own funds

Available and eligible own funds

R0500	Total available own funds to meet the SCR
R0510	Total available own funds to meet the MCR
R0540	Total eligible own funds to meet the SCR
R0550	Total eligible own funds to meet the MCR

R0580 SCR

R0600 MCR

R0620 Ratio of Eligible own funds to SCR

R0640 Ratio of Eligible own funds to MCR

Reconciliation reserve

R0700	Excess of assets over liabilities
R0710	Own shares (held directly and indirectly)
R0720	Foreseeable dividends, distributions and charges
R0730	Other basic own fund items
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
R0760	Reconciliation reserve

Expected profits

R0770	Expected profits included in future premiums (EPIFP) - Life business
R0780	Expected profits included in future premiums (EPIFP) - Non- life business
R0790	Total Expected profits included in future premiums (EPIFP)

Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
C0010	C0020	C0030	C0040	C0050
267,055	267,055		0	
699	699		0	
0	0		0	
0		0	0	0
0	0			
0		0	0	0
0		0	0	0
112,530	112,530			
0		0	0	0
28,878				28,878
0	0	0	0	0
0				
0	0	0	0	
409,162	380,284	0	0	28,878
0				
0				
0				
0				
0				
0				
0				
0				
0			0	0
409,162	380,284	0	0	28,878
380,284	380,284	0	0	
409,162	380,284	0	0	28,878
380,284	380,284	0	0	
347,907				
115,312				
117.61%				
329.79%				
C0060				
492,602				
0				
296,632				
83,439				
112,530				
10,747				
10,747				

5.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

	Gross solvency capital requirement	USP	Simplifications
	C0110	C0090	C0120
R0010 Market risk	54,779		
R0020 Counterparty default risk	8,429		
R0030 Life underwriting risk	800		
R0040 Health underwriting risk	0		
R0050 Non-life underwriting risk	298,405		
R0060 Diversification	-41,379		
R0070 Intangible asset risk	0		
R0100 Basic Solvency Capital Requirement	321,034		
Calculation of Solvency Capital Requirement			
R0130 Operational risk	26,873		
R0140 Loss-absorbing capacity of technical provisions	0		
R0150 Loss-absorbing capacity of deferred taxes			
R0160 Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0		
R0200 Solvency Capital Requirement excluding capital add-on	347,907		
R0210 Capital add-ons already set	0		
R0220 Solvency capital requirement	347,907		
Other information on SCR			
R0400 Capital requirement for duration-based equity risk sub-module	0		
R0410 Total amount of Notional Solvency Capital Requirements for remaining part	343,922		
R0420 Total amount of Notional Solvency Capital Requirements for ring fenced funds	3,985		
R0430 Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0		
R0440 Diversification effects due to RFF nSCR aggregation for article 304	0		
Approach to tax rate			
R0590 Approach based on average tax rate	0		
Calculation of loss absorbing capacity of deferred taxes			
LAC DT			
C0130			
R0640 LAC DT			
R0650 LAC DT justified by reversion of deferred tax liabilities	0		
R0660 LAC DT justified by reference to probable future taxable economic profit	0		
R0670 LAC DT justified by carry back, current year	0		
R0680 LAC DT justified by carry back, future years	0		
R0690 Maximum LAC DT	0		

USP Key

For life underwriting risk:

- 1 - Increase in the amount of annuity benefits
- 9 - None

For health underwriting risk:

- 1 - Increase in the amount of annuity benefits
- 2 - Standard deviation for NSLT health premium risk
- 3 - Standard deviation for NSLT health gross premium risk
- 4 - Adjustment factor for non-proportional reinsurance
- 5 - Standard deviation for NSLT health reserve risk
- 9 - None

For non-life underwriting risk:

- 4 - Adjustment factor for non-proportional reinsurance
- 6 - Standard deviation for non-life premium risk
- 7 - Standard deviation for non-life gross premium risk
- 8 - Standard deviation for non-life reserve risk
- 9 - None

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

R0010 MCR_{NL} Result

C0010

115,238

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
---------------------------------------------------------------------	-------------------------------------------------------------

C0020

C0030

	C0020	C0030
R0020 Medical expense insurance and proportional reinsurance	0	
R0030 Income protection insurance and proportional reinsurance	0	
R0040 Workers' compensation insurance and proportional reinsurance	0	
R0050 Motor vehicle liability insurance and proportional reinsurance	68,298	12,970
R0060 Other motor insurance and proportional reinsurance	13,515	10,301
R0070 Marine, aviation and transport insurance and proportional reinsurance	11,712	11,537
R0080 Fire and other damage to property insurance and proportional reinsurance	119,075	97,086
R0090 General liability insurance and proportional reinsurance	564,505	185,770
R0100 Credit and suretyship insurance and proportional reinsurance	491	0
R0110 Legal expenses insurance and proportional reinsurance	0	
R0120 Assistance and proportional reinsurance	0	
R0130 Miscellaneous financial loss insurance and proportional reinsurance	1,364	592
R0140 Non-proportional health reinsurance	0	0
R0150 Non-proportional casualty reinsurance	0	0
R0160 Non-proportional marine, aviation and transport reinsurance	2,329	1,852
R0170 Non-proportional property reinsurance	5,624	2,926

Linear formula component for life insurance and reinsurance obligations

R0200 MCR_L Result

C0040

73

Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
---------------------------------------------------------------------	------------------------------------------------

C0050

C0060

	C0050	C0060
R0210 Obligations with profit participation - guaranteed benefits		
R0220 Obligations with profit participation - future discretionary benefits		
R0230 Index-linked and unit-linked insurance obligations		
R0240 Other life (re)insurance and health (re)insurance obligations	3,486	
R0250 Total capital at risk for all life (re)insurance obligations		

Overall MCR calculation

R0300 Linear MCR

C0070

115,312

R0310 SCR

347,907

R0320 MCR cap

156,558

R0330 MCR floor

86,977

R0340 Combined MCR

115,312

R0350 Absolute floor of the MCR

3,338

R0400 Minimum Capital Requirement

115,312
