



Contents

The Company	2
Strategic Report of the Directors	3
Directors' Report	7
Profit and Loss Account: Technical	9
Profit and Loss Account: Non-Technical	10
Statement of Comprehensive Income	11
Statement of Changes in Equity	12
Balance Sheet	13
Notes to the Financial Statements	15
Independent Auditor's Report to the Members of Travelers Insurance Company Limited	41

The Company

Directors

Sir John Carter	(Independent Non-Executive) (resigned 31 March 2022)
Anthony Coughlan	(Independent Non-Executive Chair)
Gary Dibb	(Independent Non-Executive)
Paul Eddy	(Non-Executive) (resigned 16 February 2022)
Mary Woods	(Non-Executive) (appointed 4 March 2022)
Mike Gent	(Executive)
Maria Olivo	(Non-Executive)
Kevin Smith	(Non-Executive) (resigned 31 March 2022)
Matthew Wilson	(Chief Executive Officer)

Company Secretary

John Abramson

Registered Office

One Creechurch Place, Creechurch Lane
London EC3A 5AF

Registered in England No. 1034343

Bankers

Citibank N.A.
Barclays Bank Plc

Auditor

Mazars LLP

Strategic Report of the Directors

The Directors of Travelers Insurance Company Limited (the “Company”) present their strategic report for the year ended 31 December 2021.

Principal activity

The principal activity of the Company is the transaction of commercial lines general insurance business.

Key Performance Indicators (KPIs)

The below table shows the most relevant KPIs the Directors use to manage the business. These KPIs are discussed further in the financial results section of the Strategic Report below.

	2021 £000	2020 £000
Gross premiums written	446,866	370,850
Profit/(loss) for the financial year	27,253	(15,121)
Loss ratio	59.6%	76.1%
Expense ratio	33.3%	34.8%
Combined ratio	92.9%	110.9%

The loss ratio represents the claims incurred as a percentage of earned premiums, both net of reinsurance.

The expense ratio represents the operating expenses as a percentage of earned premiums, both net of reinsurance.

The combined ratio is the loss ratio plus the expense ratio.

Financial results

Travelers Insurance Company Limited reported a profit of £27.3m in 2021 (2020 loss of £15.1m) and a combined ratio of 92.9% (2020 110.9%). The Company benefited from favourable prior year reserve development in 2021 of £22.6m (2020 £2.9m). Excluding favourable prior year reserve development, the combined ratio was 99.1% (2020 111.9%).

The stronger performance in 2021 was driven by the 16.5pt improvement to the loss ratio. This was a consequence of the absence of Covid-19 losses in 2021 and a higher level of favourable prior year reserve development, which provided a year on year benefit of 5.3pts to the loss and combined ratio. The 2020 result was impacted by claims arising from the Covid-19 pandemic. The direct exposure, arising principally from Business Interruption claims on the Property class of business, added 7.3pts to the 2020 loss ratio.

Gross premiums written increased by 20.5% to £446.9m (2020 £370.9m). We have seen growth in all three business units, our UK and Ireland Commercial Lines book, our Specialty business and our Professional Lines book, driven in part by double digit rate increases. In particular our Professional Lines business has grown by 33% during the year. This growth, and a continued

focus on expense management, has led to a reduction in the expense ratio by 1.5pts to 33.3% (2020 34.8%). Net earned premiums grew 20.4% to £359.0m.

The investment return deteriorated to £1.8m (2020 £8.2m), driven by a higher level of realised losses. We continue to invest in high quality corporate and government bonds with an average credit quality of AA (2020 AA). Investments under management totalled £1.3bn (2020 £1.2bn).

Trading environment

The trading environment was positive during 2021 with double digit rate increases being seen across all three of our business units. The major concern as we head into 2022 is the threat of inflation and the impact for loss costs.

We have continued to invest in our electronic trading platforms. We launched our Office product during 2021 and recently launched our Marine Cargo offering, both through the Acturis on-line portal.

Our focus during 2022 will be to continue to develop our specialist products and our customer service proposition to grow our book, whilst optimising the opportunity presented by current market conditions to deliver another year of strong underwriting profits.

Capital management

The Company’s financial strength remains strong with net assets improving during the year to £562.9m (2020 £514.9m). The increase was in large part driven by a capital injection by the shareholder of £39.0m. As of 11 April 2022 the Company’s financial strength ratings are A++ (superior) from AM Best and AA from Standard and Poor’s.

During 2021 the Company did not pay a dividend (2020 £nil).

Subsidiary

The Company historically traded in Europe through its branch in Ireland and by writing business on a freedom of services basis to support its UK and Ireland insureds’ exposures in the European Union (“EU”). In order to continue trading in the EU post the UK’s departure, the Company established a new wholly owned subsidiary, Travelers Insurance Designated Activity Company (“TIDAC”). This received its authorisation from the Central Bank of Ireland, the insurance regulatory authority, on the 28 January 2019 and began trading on 1 April 2019.

TIDAC cedes 80% of its business to the Company by way of a whole account quota share reinsurance agreement.

Strategic Report of the Directors *continued*

Principal Risks and Uncertainties

The Board sets the risk appetite and reviews it on a formal basis annually as part of the business planning process. It reviews it on an ongoing basis as part of its regular business review processes. The Company has a Board Risk and Remuneration Committee and an Executive Risk Committee which meet regularly to review and update risks and issues arising from the risk register and to monitor performance against risk appetite using a series of key risk indicators. The principal risks and uncertainties facing the Company are as set out below.

Insurance Risk

Insurance risk relates to underwriting, claims management and the risk that arises from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities.

The Company manages insurance risk by setting an appetite annually through the business planning process, which sets down targets for underwriting volumes, pricing sufficiency and retentions by class of business. Management monitors performance against the business plan throughout the year. The Company uses catastrophe modelling software to model the maximum probable loss from catastrophe exposed business. Reserve adequacy is monitored through a quarterly internal actuarial review. The Underwriting Committee oversees underwriting risk and the Finance Committee oversees reserving risk.

One aspect of insurance risk is the risk of changing climate conditions. This is discussed further in the Directors' Report.

Credit Risk

The primary source for credit risk arises from the risk of default by one or more of the Company's reinsurers or investment counterparties. The Company operates a rigorous policy for the selection of reinsurers and managing the quantum of exposure ceded to an individual reinsurer. Exposures to individual counterparties are monitored against agreed limits and the overall investment portfolio has an average credit quality of AA. The Finance Committee oversees this risk type.

Market Risk

The primary source of market risk is the risk of adverse movements in net assets due to movements in interest rates, currency rates and the market value of securities. Market risk exposures are monitored through the Finance Committee.

One aspect of market risk is the risk of changing climate conditions. This is discussed further in the Directors' Report.

Operational Risk

The primary source of operational risk is the failure of people, processes or systems. These risks are managed through well documented policies and procedures, sound internal control processes and business continuity management procedures. Operational risks are monitored by the Executive Risk Committee.

The pandemic has forced a change in the way we operate. The vast majority of staff have worked remotely for the majority of the year. The business continuity plans and procedures we have in place have worked well and there was no material impact on the way we carried out business or on our internal processes and controls.

Regulatory Risk

Regulatory risk comprises the failure to comply with relevant regulations and laws. During the year the Company was in compliance with the capital requirements imposed by its regulator, the Prudential Regulation Authority. There were no changes in the Company's approach to capital risk management during the current or prior year. The Company is continuing to be in compliance with its regulatory capital requirements under the Solvency II regime. Regulatory risk exposures are monitored by the Executive Risk Committee.

Conduct Risk

Conduct risk is the risk that the Company (or its agents) fails to pay due regard to the interests of its customers or fails to treat them fairly at all times. Conduct risk exposures are monitored through the Executive Risk Committee.

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet operational cash flow requirements. Liquidity risk is monitored through the Finance Committee.

Strategic Report of the Directors *continued*

Energy and consumption

For the year ended 31 December 2021 the Company used the following quantity of emissions of carbon dioxide equivalent and consumed the following amount of energy in the United Kingdom:

	2021	
	Carbon dioxide emissions (Tonnes)	Energy Consumed (KWHs)
Combustion of gas	–	–
Consumption of fuel	10.02	40,757
Purchase of electricity	109.07	512,389
Total	119.09	553,146

	2020	
	Carbon dioxide emissions (Tonnes)	Energy Consumed (KWHs)
Combustion of gas	19.52	106,174
Consumption of fuel	12.70	51,076
Purchase of electricity	168.85	724,252
Total	201.07	881,502

The Company is reporting no energy efficiency actions this year. During the year, energy efficiency has benefitted hugely from the closure of the offices and the lack of business travel.

The carbon dioxide emissions and energy consumption from the activities of the Company were calculated based on the Greenhouse Gas (“GHG”) Protocol. The conversion factors used are those from the UK government for 2021.

The 2021 and 2020 intensity ratios, calculated based on gross premiums written, are 2.67 tonnes CO₂e (2020 5.4 tonnes) for every £10m of gross premiums written.

Section 172 statement

The Directors, individually and collectively, have considered the requirements of Section 172 of the Companies Act to perform their duties in good faith and in a way most likely to promote the success of the Company for the benefit of its shareholder, having regard to the stakeholders and matters set out in S172 (a) (a-f) of Companies Act 2006. The paragraphs below set out how the Directors fulfil their duties under the Section 172 requirements.

Consequences of any decision in the long term

The Company has a business plan with a five-year horizon setting out the financial and capital implications of strategic and other business decisions. The Board considers this plan annually. This plan ensures that over the plan horizon the regulatory capital coverage is above the minimum regulatory capital target and this is an important factor in the Board approving this plan.

The Board has established an Enterprise Risk Management framework through which major risks to which the Company is exposed are identified and to ensure the means are in place for the Company to monitor and manage these risks. Further information is set out in note 4 to the financial statements. Further, the Board considers and approves annually an ORSA, one purpose of which is to assess, in a continuous and prospective way, the overall solvency needs related to the specific risk profile of the Company.

Interests of the Company employees

The Company does not have any direct employees and relies on the group service company, Travelers Management Limited, for the provision of staff. Travelers recognises that the Company’s success is dependent on having engaged and committed employees. A number of actions have been taken in recent years to enhance employee engagement, including a greater focus on enabling flexible working arrangements and initiatives to encourage a more inclusive and diverse employee base.

Interests of the Company’s customers, suppliers and others

The Company’s customers are its policyholders. As the Company develops new products and services, it engages with its customers and their brokers to inform the design of those products and services. On a regular basis, the Company solicits feedback from brokers on its products and services. This feedback is used to prioritise enhancements to customer interactions.

The Company does not have a dependency on any particular supplier outside of its group. Where it outsources activities the Company seeks to build long term relationships with its outsourced service providers.

Operating as an insurance company requires the necessary regulatory permissions. An important stakeholder relationship is that between the Company and its regulators, the Prudential Regulatory Authority (“PRA”) and the Financial Conduct Authority (“FCA”). The Directors and the Company’s senior management are committed to working with regulators in an open and transparent way.

Strategic Report of the Directors *continued*

Section 172 statement *continued*

Impact of the Company's operations on the community and the environment

As an insurance company, we take our role seriously in supporting policyholders and claimants at difficult times following events that present physical, financial, mental and other hardships. The Directors are committed to the role that the Company plays in the community, and the economy more broadly, and actively promote a claims philosophy and standards of conduct that reflect customers' needs. Claims workflow, operational and conduct metrics are reported to the Board on a quarterly basis.

Given the scale and nature of our operations the Company does not have a significant direct impact on the environment. However, the Directors acknowledge that everyone has a role to play in protecting the environment. This topic has been given more time on the Board's agendas and will do so going forward. The Company has a "Green group" that promotes environmentally friendly activities to the Company and its staff.

Maintaining a reputation for high standards of business conduct

The PRA's Senior Managers and Certification Regime ("SM&CR") places upon the Board and Senior Managers personal accountability and responsibility for decisions made and also applies conduct rules to promote the success of the Company whilst ensuring customers are treated fairly. The importance of these rules has been reinforced by internal training provided to the Directors and senior management, as well as to all staff. The Directors, senior management and all staff are also required to undergo annual training on the Travelers Code of Business Conduct and Ethics, and to certify compliance with this requirement. The Directors consider the Company's compliance with the requirements of the Code of Business Conduct and Ethics, as well as the conduct rules under the SM&CR, supports the maintenance of a reputation for high standards of business conduct.

Need to act fairly between shareholders

The Company has had one shareholder throughout the period, The Travelers Companies, Inc. The risk of acting unfairly between shareholders does not, therefore, arise.

Final remarks

2021 was a challenging year, again dominated by the Covid-19 pandemic. I am pleased, and proud, that through the hard work and dedication of our employees, we were able to rise to this challenge and deliver a strong set of results.

We entered 2022 in a positive mindset and look forward to the return of some form of normality. Being part of The Travelers Companies, Inc. and with the continued strong rating environment means that the Company is well positioned to take advantages of market opportunities as these arise.

I would like to take this opportunity to extend my thanks to our employees, brokers, suppliers and customers for their ongoing support.

On behalf of the Board

Matthew Wilson

Chief Executive Officer

Travelers Insurance Company Limited

11 April 2022

Directors' Report

The Directors present their annual report together with the financial statements for the 12 months ended 31st December 2021.

Principal activity

The principal activity of the Company is contained within the Strategic Report.

Business Review

An analysis of the performance and future developments of the Company is contained within the Strategic Report and the results for the financial year are set out on pages 9 and 10.

Directors and directors' interests

All the directors set out on page 2 served throughout the year and up to the approval of these accounts with the exception of Paul Eddy who resigned on 16 February 2022, Kevin Smith and Sir John Carter who resigned on 31 March 2022 and Mary Woods who was appointed on 4 March 2022.

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Audit Committee

The Board has an established Audit Committee (the "Committee"). The Committee meets at least three times a year. The Committee comprises the independent non-executive directors. Mr. Coughlan was Chair of the Audit Committee during the year. The Committee's terms of reference require it to take an independent view of the Company's external financial reporting, accounting policies and practices. It considers the appointment and fees, both audit and non-audit, of the external auditors. The Committee also reviews the annual plans of both the external and internal auditors and reviews reports received from both in respect of their findings. The Chief Financial Officer, Head of Internal Audit and the Company Secretary attend the Committee meetings. At least once a year the Committee meets, both on its own and with the external auditors, without executive management being present.

Going Concern

The Directors have assessed the suitability of using the Going Concern assumption in preparing these accounts. In making this assessment they have looked forward for a period of twelve months from the date that these accounts are signed. Due to the nature of the business, and the investment and planning periods involved, there are no dates after this period that are material to the assessment of going concern. The Company does not have any external debt nor is it dependent on any banking facilities. The Directors have prepared these accounts on the going concern basis. In doing so the Directors considered the latest three year business plan, the likely trading

environment and the financial strength of the parent company, The Travelers Companies, Inc. The Directors concluded that it remained appropriate to continue to prepare the Company's financial statements using the Going Concern assumption.

Indemnity insurance

The Directors benefited from qualifying third party indemnity provisions in place during the financial year and as at the date of this report.

Supplier payment policies

All third party supplier invoices are settled on the Company's behalf by Travelers Management Limited, an affiliate of the Company. The average payment terms are disclosed in that Company's accounts. The Company also has a management agreement with Travelers Management Limited, who employs the Company's personnel. The employment policies are disclosed in that Company's accounts.

Investment risk management

The primary source of market risk is the risk of adverse movements in net assets due to movements in interest rates, currency rates and the market value of securities. Market risk exposures are monitored through the Finance Committee.

Key risks facing the business

A discussion of the key risks facing the business and how they are mitigated is set out on page 4 of the Strategic Report of the Directors and in note 4 to the financial statements on pages 21 to 26.

Climate reporting

The Company follows The Travelers Companies, Inc. in its approach to climate-related risks and opportunities. The approach is multi-faceted and allows the Company to mitigate exposure to climate-related risks and provide products and services that both help customers mitigate those risks and support the transition to a low carbon economy. In the latter regard, the Company provides insurance coverage to the Renewable Energy sector.

As part of its regular risk management activities, the Company's Board of Directors and its Risk and Remuneration Committee consider changing climate conditions, including changes in frequency and severity of catastrophe losses and uncertainty surrounding weather volatility and climate-related risk, and the impact on investment valuations that may occur as part of the transition to a low carbon economy.

The Company's underwriting risk appetite is dependent on the ability to understand the property and casualty risks that it underwrites. Understanding the climate-related impacts on insured perils is part of this fundamental risk evaluation process. Core to this strategy is the incorporation of climate variability into underwriting and pricing decisions. We are also committed to supporting our clients with meaningful risk management and insurance capacity to help them transition to a low carbon future.

Directors' Report *continued*

Climate reporting *continued*

Market Risk is managed by employing a thoughtful and responsible investment philosophy that focuses on appropriate risk-adjusted returns. The investment strategy, approved by our Board of Directors, reflects a long-term approach to sustainable value creation and requires that Travelers consider environmental, social and governance (ESG) factors in the investment process to the extent relevant.

As part of the Company's annual Own Risk and Solvency Assessment ('ORSA') process, two stress scenarios relating to changing climate conditions were considered and applied to our current balance sheet. Keeping the significant uncertainties associated with climate stress testing in mind, these scenarios took into consideration the insurance and market risks noted above, and in both scenarios the potential impacts on the Company's modelled capital position were modest.

The Company's energy consumption as well as greenhouse gas emissions for the purposes of Streamlined Energy and Carbon Reporting has been disclosed in the strategic report of the directors.

Political contributions

Political contributions were £nil during 2021 (2020 £nil).

Dividends

During 2021 the Company did not pay a dividend (2020 £nil).

Auditors

Pursuant to the Company's audit tender process in 2020, Mazars were appointed as auditor of the Company for the financial year ending 31 December 2021. Pursuant to section 487 of the Companies Act 2006, Mazars will be deemed to have been reappointed and will therefore continue in office in 2022.

Subsequent events

The geopolitical conflict in Ukraine has arisen subsequent to the end of the year. The Company does not have material exposures to Russia and Ukraine and, as such, does not expect this conflict to have a material impact on its results.

Subsequent to the end of the year the Company suffered a gross loss of £35m on a marine cargo policy which was ceded to a reinsurer outside of the UK as part of the International Network of Insurers. This loss is wholly recoverable from the reinsurer and there will be no net loss to the Company.

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including Financial Reporting Standard 102 ("FRS 102"), The Financial Reporting Standard applicable in the UK and Republic of Ireland and Financial Reporting Standard 103 - "Insurance contracts" ("FRS 103").

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

On behalf of the Board

John Abramson

Company Secretary

One Creechurch Place, Creechurch Lane

London EC3A 5AF

11 April 2021

Profit and Loss Account: Technical Account - General Business

for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Gross premiums written	6	446,866	370,850
Outward reinsurance premiums		(58,282)	(47,816)
Net premiums written		388,584	323,034
Change in the gross provision for unearned premiums	22	(32,532)	(30,212)
Change in the provision for unearned premiums, reinsurers' share	22	2,964	5,266
Earned premiums, net of reinsurance		359,016	298,088
Allocated investment return transferred from the non-technical account		1,813	8,243
Claims paid:			
Gross amount		(117,744)	(132,970)
Reinsurers' share		5,005	9,981
Net claims paid		(112,739)	(122,989)
Change in the provision for claims:			
Gross amount	22	(88,319)	(115,653)
Reinsurers' share	22	(12,803)	11,899
Change in the net provision for claims		(101,122)	(103,754)
Claims incurred, net of reinsurance		(213,861)	(226,743)
Net operating expenses	9	(119,421)	(103,774)
Balance on the technical account		27,547	(24,186)

The notes on pages 15 to 40 form part of these financial statements.

Profit and Loss Account: Non-Technical Account

for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Balance on the general business technical account		27,547	(24,186)
Investment income	8	23,981	24,573
Investment expenses and charges	10	(22,168)	(16,330)
Net investment return		1,813	8,243
Allocated investment return transferred to the general business technical account		(1,813)	(8,243)
Other income/(expenses)	11	298	3,295
Profit/(loss) on ordinary activities before tax	5, 12	27,845	(20,891)
Tax (charge)/credit on profit/(loss) on ordinary activities	14	(592)	5,770
Profit/(loss) for the financial year		27,253	(15,121)

The profit/(loss) for the financial year arising from run-off operations is a profit of £4.4m (2020 loss of £3.7m). Further detail is provided in Note 5 to the accounts.

Statement of Comprehensive Income

for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Profit/(loss) for the financial year		27,253	(15,121)
Unrealised (losses)/gains on investments	16	(24,379)	19,407
Tax credit/(charge) on unrealised (losses)/gains on investments	14	6,140	(3,256)
Total comprehensive income		9,014	1,030

The notes on pages 15 to 40 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2021

	Note	Share capital £000	Share premium £000	Profit and loss account £000	Fair value reserve £000	Total equity £000
At 1 January 2020		267,055	699	268,512	(22,394)	513,872
Loss for the financial year		-	-	(15,121)	-	(15,121)
<i>Other gains recognised in Other Comprehensive Income</i>						
Unrealised gains on investments, net of tax		-	-	-	16,151	16,151
Balance at 31 December 2020		267,055	699	253,391	(6,243)	514,902
Profit for the financial year		-	-	27,253	-	27,253
<i>Other losses recognised in Other Comprehensive Income</i>						
Unrealised losses on investments, net of tax		-	-	-	(18,239)	(18,239)
Increase in share capital		39,000	-	-	-	39,000
Balance at 31 December 2021		306,055	699	280,644	(24,482)	562,916

The profit and loss account includes £16.6m (2020 £12.3m) of net realised losses, net of tax, which have been transferred from the fair value reserve, of this £16.4m losses (2020 £13.0m losses) relate to amounts brought forward from 31 December 2020.

Balance Sheet

as at 31 December 2021

	Note	2021 £000	2020 £000
ASSETS			
Investments			
Investments in group undertakings	15	84,272	58,819
Other financial investments	16	1,294,369	1,176,600
		1,378,641	1,235,419
Reinsurers' share of technical provisions			
Provision for unearned premiums	22	24,462	21,411
Claims outstanding	22	99,388	112,631
		123,850	134,042
Debtors			
Debtors arising out of insurance operations	17	97,204	83,500
Debtors arising out of reinsurance operations	18	2,685	2,090
Other debtors	19	6,914	1,236
		106,803	86,826
Other assets			
Deferred tax asset	20	29,435	23,887
Cash at bank		67,438	70,640
		96,873	94,527
Prepayments and accrued income			
Accrued interest		9,424	9,704
Deferred acquisition costs	22	26,187	22,852
		35,611	32,556
TOTAL ASSETS		1,741,778	1,583,370

The notes on pages 15 to 40 form part of these financial statements.

Balance Sheet

as at 31 December 2021

	Note	2021 £000	2020 £000
LIABILITIES			
Capital and reserves			
Called up share capital	21	306,055	267,055
Share premium account		699	699
Profit and loss account		280,644	253,391
Fair value reserve		(24,482)	(6,243)
Shareholders' funds attributable to equity interests		562,916	514,902
Technical provisions			
Provision for unearned premiums	22	233,508	201,954
Claims outstanding	22	901,846	820,137
		1,135,354	1,022,091
Creditors			
Creditors arising out of insurance operations	24	3,031	2,730
Creditors arising out of reinsurance operations		16,208	14,348
Other creditors including taxation and social security	25	19,719	24,608
		38,958	41,686
Accruals and deferred income	26	4,550	4,691
TOTAL LIABILITIES		1,741,778	1,583,370

These financial statements were approved by the Board of Directors on 11 April 2022 and were signed on its behalf by:

Mike Gent

Chief Financial Officer

11 April 2022

Travelers Insurance Company Limited

Registered in England No. 1034343

Notes to the Financial Statements

1 Basis of preparation

Travelers Insurance Company Limited (“the Company”) is a limited liability company incorporated in England. Its registered office is at One Creechurch Place, Creechurch Lane, London EC3A 5AF. The financial statements of the Company have been prepared in accordance with the provisions of section 396 of the Companies Act 2006, including applying the requirements set out in Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 relating to insurance companies. The Company’s financial statements have been prepared in compliance with Financial Reporting Standard 102 - “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and Financial Reporting Standard 103 - “Insurance contracts” (“FRS 103”).

The financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets that are measured at fair value.

The financial statements of the Company were approved for issue by the Board of Directors on 11 April 2022. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements have been presented in Sterling, rounded to the nearest thousand pounds.

The Company is exempt, by virtue of s401 of the Companies Act 2006, from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company’s ultimate parent undertaking, The Travelers Companies, Inc. (“TRV”), includes the Company in its consolidated financial statements. The consolidated financial statements of TRV are prepared in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”), as promulgated by the Financial Accounting Standards Board (FASB), subject to the accounting-related rules and interpretations of the Securities and Exchange Commission (“SEC”). The TRV consolidated financial statements are available to the public and may be obtained from this Company’s registered address.

The Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes; and
- Key management personnel compensation.

The Directors have assessed the suitability of using the Going Concern assumption in preparing these accounts. In making this assessment they have looked forward for a period of twelve months from the date that these accounts are signed. Due to the nature of the business, and the investment and planning periods involved, there are no dates after this period that are material to the assessment of going concern. The Company does not have any external debt nor is it dependent on any banking facilities. The Directors have prepared these accounts on the going concern basis. In doing so, the Directors considered the latest three year business plan, the likely trading environment and the financial strength of the parent company, The Travelers Companies, Inc. The Directors concluded that it remained appropriate to continue to prepare the Company’s financial statements using the Going Concern assumption.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes to the Financial Statements *continued*

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The most critical individual components of these financial statements that involve the highest degree of judgement, or most significant assumptions and estimations, are set out in note 3 below.

Basis of accounting for underwriting activities

All classes of business are accounted for on an annual basis.

Gross written premiums

Under the annual basis of accounting, premiums written, gross of commission payable to intermediaries, comprise the direct and inward reinsurance premiums on contracts entered into during a financial year, regardless of whether such amounts may relate in part to a later financial year, exclusive of taxes and duties levied on premiums.

Premiums written include estimates for pipeline premiums (premiums written but not reported to the business by the balance sheet date) and adjustments to premiums written in prior accounting periods.

Unearned premiums

Premiums written are recognised as earned according to the risk profile of the underlying policy. Unearned premiums represent the proportion of premiums written that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate. The reinsurers' share of unearned premiums is calculated with reference to the risk profile of the underlying reinsurance contract.

Acquisition costs

Acquisition costs comprise the commission expenses of acquiring both the direct insurance and inward reinsurance policies written during the financial year. Acquisition costs are charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premiums written which are unearned at the balance sheet date.

Classification of insurance contracts

An insurance contract is one under which the Company has accepted significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. These contracts remain in force until all rights and obligations are extinguished or expire.

Claims incurred

Claims incurred include all claims and claim settlement expense payments made in respect of the financial year, and the movement in the provision for outstanding claims and settlement expenses, including the claims incurred but not reported provision, during the year.

Claims outstanding

The provision for undiscounted outstanding claims represents the Company's estimate of the ultimate cost of settling claims that have occurred by the balance sheet date but not yet been finally settled, net of salvage and subrogation.

In addition to the inherent uncertainty of having to forecast the ultimate costs of those claims that have occurred but not yet been advised to the Company as at the balance sheet date, there is also the considerable uncertainty regarding the eventual final costs of the claims that have been reported by the balance sheet date but which remain unsettled. 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.

Notes to the Financial Statements *continued*

2 Significant accounting policies *continued*

Claims outstanding *continued*

A variety of different statistical techniques are used by the Company's in-house actuaries to determine the appropriate level of claims 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;
- 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 product, line of business and separately on a gross and ceded basis.

Large claims are identified and reserved for separately.

Where possible, the Company adopts multiple techniques to estimate the required level of claims 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.

In arriving at the level of claims provisions, a margin is carried over and above the actuarial best estimate so that no adverse run off deviation is envisaged.

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.

Reinsurance ceded

Premiums payable in respect of reinsurance ceded are recognised in the period in which the underlying reinsurance contract incepts. Premiums are expensed over the period of the underlying reinsurance contract. A reinsurance asset is recognised to reflect the amount estimated to be recoverable under the reinsurance contracts in respect of the gross provision for losses reported under insurance contract liabilities. The amount recoverable is reduced where there is an event after the initial recognition that provides objective evidence that the Company may not receive all amounts due under the reinsurance contract. If there is such objective evidence, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises the impairment loss in the profit and loss account.

Unexpired risks

At each reporting date a liability adequacy test is performed, and if required, a provision is made for unexpired risks where the claims and administrative expenses likely to arise after the end of the financial year in respect of contracts concluded before that date are expected to exceed the unearned premiums provision in relation to such policies, after deduction of any acquisition costs deferred. Provision for unexpired risks is calculated after taking into account relevant investment income. Unexpired risk surpluses and deficits are aggregated where the business classes are managed together.

Investment in group undertaking

The investment in group undertaking is measured at cost less accumulated impairment.

Notes to the Financial Statements *continued*

2 Significant accounting policies *continued*

Financial assets and liabilities

In applying FRS 102, the Company has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the UK), the disclosure requirements of Sections 11 and 12 and the presentation requirements of paragraphs 11.38A and 12.25B.

Classification

The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the statement of profit and loss or statement of comprehensive income. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

Debt and other fixed-income securities are designated as available-for-sale and initially recognised at fair value plus any directly attributable transaction costs. After initial measurement these assets are subsequently measured at fair value.

Interest earned whilst holding available-for-sale financial assets is reported as interest income and presented in the profit and loss account. Fair value changes, including foreign exchange gains or losses on fair value changes, are recognised in the statement of comprehensive income and accumulated in the fair value reserve.

If an available-for-sale investment is sold or impaired, the cumulative gain or loss accumulated in the fair value reserve is reclassified to profit or loss. Impairment losses on available-for-sale financial assets are recognised by reclassifying the loss accumulated in the fair value reserve to profit or loss. The cumulative loss that is reclassified from the statement of comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment, and the current fair value, less any impairment loss recognised previously in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss, otherwise it is reversed through the statement of comprehensive income.

Deposits with credit institutions, debtors and accrued interest are classified as loans and receivables.

There are currently no deposits with credit institutions.

Recognition

Financial assets are recognised when the Company becomes a party to the contractual provisions of the asset. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

Identification and measurement of impairment

The Company conducts a periodic review to identify invested assets that are impaired. Some of the factors considered in identifying other than temporary impairments include:

- whether the Company intends to sell the investment or whether it is more likely than not that the Company will be required to sell the investment prior to an anticipated recovery in value;
- the likelihood of recovery in full of the principal and interest (i.e., whether there is a credit loss);
- the financial condition, near-term and long-term prospects for the issuer including the relevant industry conditions and trends, and rating agency actions and offering prices.

At each reporting date, the Company assesses whether there is objective evidence that financial assets that are not invested assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after initial recognition of an asset, and that the loss event has an impact of the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Company of any significant financial difficulty of the issuer, or significant changes in the environment in which the issuer operates.

All impairment losses are recognised in full in the profit and loss account.

Notes to the Financial Statements *continued*

2 Significant accounting policies *continued*

Financial assets and liabilities *continued*

Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Debtors and creditors arising out of direct and reinsurance operations

Debtors and creditors arising out of direct and reinsurance operations are initially recognised at transaction price and are subsequently carried at the recoverable amount. The carrying value is reviewed for impairment whenever events or circumstances indicate that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss account. Debtors arising out of direct insurance and reinsurance operations are stated net of specific provisions against doubtful debts which are made on the basis of reviews conducted by management.

Other debtors and creditors

Any other debtors and creditors are recognised initially at transaction price and subsequently carried at the recoverable amount. The carrying value of other debtors is reviewed for impairment whenever events or circumstances indicate that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss account. All other debtors and creditors are due within one year, unless otherwise stated.

Investment return

Interest income is recognised on an accruals basis in the profit and loss account. Realised gains or losses represent the difference between net sales proceeds and purchase price.

Investment income, realised gains and losses and investment expenses and charges are allocated to the general business technical account in full.

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses during the year comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period. Movements in unrealised investment gains and losses are reported in the statement of comprehensive income.

Functional currencies

The functional currency of the Company is Sterling.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation of monetary balance sheet items at the year end exchange rates are recognised in the non-technical account. All assets and liabilities relating to insurance contracts (including unearned premiums and deferred acquisition costs) are monetary items and are therefore retranslated at the year end exchange rates.

Deferred tax

Deferred tax is recognised in respect of all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or that future taxable profits will be available against which the temporary differences can be utilised.

Provisions and contingent liabilities

A provision is recognised on the Balance sheet when the Company has a future liability due to a past event and a reliable estimate of the obligation can be made.

A contingent liability is either a future liability due to a past event, where a reliable estimate of the obligation cannot be reasonably made or a possible future liability, dependant on whether some uncertain future events occur. Contingent liabilities are disclosed in the annual accounts unless the probability of an outflow of resources is remote.

Notes to the Financial Statements *continued*

3 Use of critical judgements, assumptions and estimates

The preparation of the annual accounts requires the use of certain critical accounting estimates. It also requires the Directors to exercise its judgement in the process of applying the Company's accounting policies. The Directors consider the areas where estimates are significant to the Company's result and financial position are the valuation of insurance liabilities and the valuation of the deferred tax asset.

The most critical estimate included within the Company's balance sheet is that in respect of losses incurred but not reported. The total gross estimate within the Company's balance sheet as at 31 December 2021 was £573.8m (2020 £534.4m). Estimates for losses incurred but not reported are continually being re-evaluated based on the Company's claims experience, developments in the broader industry and expectations of changes in future years, detailed information on reserving techniques can be seen in note 2. There is though an inherent uncertainty in estimating claims provisions at the end of the reporting period for the eventual outcome of outstanding notified claims and in estimating the number and value of claims still to be notified. Sensitivity to the loss ratio can be seen in note 4. In particular, the estimate of provisions for the ultimate cost of asbestos exposures is subject to significant uncertainties due to the slow emergence and longer settlement period for these claims. There is thus a risk that material adverse changes to claims estimates in future years may have a critical impact on the Company's reported performance and financial position.

Significant assumptions are required in valuing the Company's 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.

The recoverability of the deferred tax asset depends on the availability of future profits. Projected profits of the Company over the five year business 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.

The deferred tax asset in respect of tax losses carried forward was £22.3m at 31 December 2021 (2020 £23.3m).

4 Risk and capital management

This section identifies the key risks faced by the Company and the steps taken to manage those risks. The Company's appetite for accepting and managing the varying classes of risk it faces is defined by the Company's Board of Directors. The Board of Directors has established a comprehensive risk management framework that includes a full range of risk policies and risk procedures which include risk identification, risk measurement, risk mitigation, risk reporting and stress and scenario tests to ensure that the risk exposures faced by the Company are appropriately managed.

The principal sources of financial risk faced by the Company can be classified in the following categories:

- Insurance;
- Credit;
- Market;
- Liquidity;
- Capital management.

Notes to the Financial Statements *continued*

4 Risk and capital management *continued*

Insurance risk

Management of insurance risk

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 quarterly 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 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 a quarterly 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 so no adverse run-off deviation is envisaged.

Notes to the Financial Statements *continued***4 Risk and capital management** *continued***Insurance risk** *continued**Concentration of insurance risk*

The following table provides an analysis of the geographical breakdown of the Company's premiums written by class of business based on the location of the underlying risk:

	2021			
	United Kingdom	Ireland	Other	Total
	£000	£000	£000	£000
Credit and Suretyship	2,683	1,204	866	4,753
Fire and other damage to property	148,500	12,152	6,882	167,534
Marine and aviation	16,663	1,315	3,490	21,468
Motor	12,749	5,926	30	18,705
Third party liability	207,419	14,302	10,450	232,171
Miscellaneous	2,127	108	–	2,235
Total	390,141	35,007	21,718	446,866

	2020			
	United Kingdom	Ireland	Other	Total
	£000	£000	£000	£000
Credit and Suretyship	3,115	-	1,468	4,583
Fire and other damage to property	121,966	10,075	5,701	137,742
Marine and aviation	13,324	-	3,767	17,091
Motor	13,233	6,617	93	19,943
Third party liability	167,112	12,428	11,313	190,853
Miscellaneous	547	-	91	638
Total	319,297	29,120	22,433	370,850

Loss ratio sensitivity

The following tables show the impact on the Company's post tax result and financial position were the net loss ratio to increase by 1%. This is on the basis that an increase in gross claims incurred would have a similar impact on the reinsurance recovery and the claims handling costs:

	2021	2020
	£000	£000
Gross		
Total decrease in result after tax and net assets	3,356	2,759

	2021	2020
	£000	£000
Net		
Total decrease in result after tax and net assets	2,908	2,415

Profit and loss sensitivity to expenses

The following table shows the impact were net operating expenses to increase by 5%:

	2021	2020
	£000	£000
Gross		
Total decrease in result after tax and net assets	5,133	4,405

	2021	2020
	£000	£000
Net		
Total decrease in result after tax and net assets	4,837	4,203

Notes to the Financial Statements *continued*

4 Risk and capital management *continued*

Credit risk

Credit risk is the risk of financial loss due to counterparties failing to meet some or all of their obligations. The Company's key areas of exposure to credit risk include:

- counterparty exposures with respect to cash deposits and investments;
- reinsurers' share of technical provisions;
- amounts due from brokers and policyholders.

The Finance Committee oversees the management of credit risk. The Committee is responsible for ensuring that the Board approved credit risk appetite is not exceeded. Limits are placed on exposures to individual bank and investment counterparties, and groups of counterparties, based on the likelihood of default having regard to the credit rating of the underlying counterparty.

The Company's strategy is to purchase reinsurance only from reinsurers who meet the Company's security standards. Reinsurance counterparties are subject to a rigorous internal assessment process by reviewing credit ratings provided by rating agencies and other publicly available financial information. Due to the nature of the reinsurance market, and the restricted range of reinsurers with acceptable credit ratings, the Company is exposed to credit and concentration risk with individual reinsurers and groups of reinsurers.

The Company's exposure to brokers and policyholders is monitored as part of its regular credit control processes. The payment histories of brokers and policyholders are monitored on a monthly basis.

An analysis of the Company's exposure to counterparty credit risk based on Standard and Poor's or equivalent ratings, is set out below:

	2021					Total £000
	AAA £000	AA £000	A £000	BBB £000	Not rated £000	
Other financial investments	421,441	494,881	376,347	1,700	-	1,294,369
Reinsurance claims outstanding	-	31,807	66,769	129	683	99,388
Reinsurance debtors	-	468	2,125	-	92	2,685
Insurance debtors	-	-	-	-	97,204	97,204
Other debtors	-	-	-	-	6,914	6,914
Cash at bank	-	33,436	34,002	-	-	67,438
Total by rating	421,441	560,592	479,243	1,829	104,893	1,567,998
Percentage by rating	26.9%	35.8%	30.6%	0.1%	6.7%	100.0%

	2020					Total £000
	AAA £000	AA £000	A £000	BBB £000	Not rated £000	
Other financial investments	464,597	454,934	257,069	-	-	1,176,600
Reinsurance claims outstanding	-	77,668	33,446	-	1,517	112,631
Reinsurance debtors	-	1,505	585	-	-	2,090
Insurance debtors	-	-	-	-	83,500	83,500
Other debtors	-	-	-	-	1,236	1,236
Cash at bank	-	-	70,640	-	-	70,640
Total by rating	464,597	534,107	361,740	-	86,253	1,446,697
Percentage by rating	32.1%	36.9%	25.0%	0.0%	6.0%	100.0%

Notes to the Financial Statements *continued***4 Risk and capital management** *continued***Credit risk** *continued*

The largest counterparty exposure within the AAA rating was the European Investment Bank as at 31 December 2021 and 2020. Within the AA rating, the largest counterparty exposure was the UK government as at 31 December 2021 and 2020. With the exception of AAA and AA government debt securities, the largest credit exposure does not exceed 5% of the Company's total financial assets.

Within the AA rating, the largest reinsurance counterparty at 31 December 2021 and 2020 was Travelers Indemnity Company, an affiliate group company.

As at 31 December 2021 and 2020, the Company held no material financial assets that were past due or impaired beyond their reported fair values. For the current and prior periods, the Company did not experience any defaults on investments.

As at 31 December 2021, the Company had pledged as collateral to support the capital requirements of fellow subsidiary operations £20.0m (2020 £83.0m) of government securities.

As at 31 December 2021, the Company had pledged as collateral to support its obligations under the 80% quota share reinsurance with its subsidiary, Travelers Insurance Designated Activity Company, £228.1m of fixed income securities and cash (2020 £166.5m). See note 28 for further details.

An analysis of the carrying amounts of past due or impaired financial assets is presented in the table below:

	2021					
	Within terms	0 - 1 month	2 - 3 months	Over 3 Months	Impairments	Total
	£000	£000	£000	£000	£000	£000
Other financial investments	1,294,369	-	-	-	-	1,294,369
Reinsurance claims outstanding	99,388	-	-	-	-	99,388
Reinsurance debtors	1,657	180	259	589	-	2,685
Insurance debtors	85,278	3,388	3,890	4,764	(116)	97,204
Other debtors	6,914	-	-	-	-	6,914
Cash at bank	67,438	-	-	-	-	67,438
Total	1,555,044	3,568	4,149	5,353	(116)	1,567,998

	2020					
	Within terms	0 - 1 month	2 - 3 months	Over 3 Months	Impairments	Total
	£000	£000	£000	£000	£000	£000
Other financial investments	1,176,600	-	-	-	-	1,176,600
Reinsurance claims outstanding	112,631	-	-	-	-	112,631
Reinsurance debtors	2,013	9	30	38	-	2,090
Insurance debtors	74,425	3,410	2,792	3,010	(137)	83,500
Other debtors	1,236	-	-	-	-	1,236
Cash at bank	70,640	-	-	-	-	70,640
Total	1,437,545	3,419	2,822	3,048	(137)	1,446,697

The Company's maximum exposure to credit risk is represented by the carrying values of financial assets included in the balance sheet. The Company does not use credit derivatives or other products to mitigate the maximum exposure to credit risk.

Notes to the Financial Statements *continued*

4 Risk and capital management *continued*

Market risk

The Finance Committee oversees the management of market risk. The Company is exposed to the risk of potential losses from adverse movements in market prices, in particular those of interest rates and foreign currency exchange rates. These exposures are controlled by the setting of limits and by asset-liability matching, in terms of both duration and foreign currency composition, in line with the Company's risk appetite.

Interest rate risk

The Company's investment portfolio is comprised exclusively of high quality fixed income government and corporate bonds. The fair value of the investment portfolio is inversely correlated to movement in market interest rates. If market interest rates rise, the fair value of the Company's fixed income investments will fall. The investments typically have relatively short durations and the portfolio is managed to minimise interest rate risk. If market interest rates had risen by 100 basis points as at the balance sheet date, the P&L and shareholder's equity would have fallen by £38.5m (2020 £25.2m) after tax. If market interest rates had fallen by 100 basis points as at the balance sheet date, the P&L and shareholder's equity would have increased by £40.2m (2020 £26.4m) after tax.

Insurance contract liabilities are not directly sensitive to interest rates as they are undiscounted and non-interest bearing.

Currency risk

The Company operates principally in the UK. The Company has a currency exposure to the 80% reinsurance quota share agreement with its subsidiary TIDAC. The Company also has currency exposures to intercompany transactions with its parent company in the United States. Accordingly, its net assets are subject to foreign exchange movements between Sterling and the Euro and US dollar. The Company manages these exposures by monitoring them regularly and ensuring its Euro and US dollar asset exposures, other than that in respect of the cost of its investment in subsidiary, are matched by broadly equivalent Euro and US dollar liability exposures, with any surplus net assets held in Sterling.

The Company's shareholder's equity analysed by currency is:

	Pound sterling	Euro	US dollar	Other	Total
	£000	£000	£000	£000	£000
Net assets as at 31 December 2021	473,076	89,905	(57)	(8)	562,916
Net assets as at 31 December 2020	456,861	65,611	(7,571)	1	514,902

The impact of a 10% change in Sterling against Euro and US Dollar at the reporting date would have the following impact on shareholder's equity:

	Increase Sterling/Euro	Decrease Sterling/Euro	Increase Sterling/USD	Decrease Sterling/USD
	£000	£000	£000	£000
Increase/(decrease) in net assets 31 December 2021	(512)	626	5	(6)
Increase/(decrease) in net assets 31 December 2020	(617)	755	688	(841)

Liquidity risk

Liquidity risk is the risk that the Company may be unable to settle its obligations as they fall due as a result of insufficient assets being available in a form that can be readily convertible into cash.

The Finance Committee oversees the management of liquidity risk. The Company's investment portfolio comprises high quality government and corporate bonds that can be readily convertible into cash in a prompt fashion and with minimal expense. The Company has no external debt and has access to the financial support of its financially strong parent company. Cash flow forecasts are prepared and reviewed on a regular basis.

Notes to the Financial Statements *continued***4 Risk and capital management** *continued***Liquidity risk** *continued*

The following table summarises the maturity profile of the Company's insurance liabilities and creditors analysed based on the estimated remaining duration until settlement:

2021	Total	0 - 1 year	2 - 5 years	More than 5 years
	£000	£000	£000	£000
Technical provisions	1,135,354	397,416	590,659	147,279
Creditors	38,958	38,958	-	-
Total	1,174,312	436,374	590,659	147,279

2020	Total	0 - 1 year	2 - 5 years	More than 5 years
	£000	£000	£000	£000
Technical provisions	1,022,091	490,415	417,734	113,942
Creditors	41,686	41,686	-	-
Total	1,063,777	532,101	417,734	113,942

Capital management

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 Group's shareholders by allocating appropriate amounts of capital to its products commensurate with the risks taken;
- to comply with its regulatory capital requirements;
- to maintain a financial strength rating of A.M. Best A++ (superior).

The Company's capital comprises share capital, retained earnings and fair value reserves. For internal modelling purposes the Company treats its available capital as being its shareholder's equity, less capital pledged to support the capital needs of affiliates. As at 31 December 2021, available capital on this basis comprised £542.8m (2020 £431.5m).

The Company is subject to capital requirements imposed by both its regulator and rating agencies. The insurance company capital regime in the UK is on a Solvency II basis. Under this regime the Company's capital requirement is determined using the standard formula. As management sets the target economic capital for the Company, the regulatory and rating agency capital requirements are treated as minimum requirements. In setting its target economic capital and determining capital to allocate to different products the Company employs its internal capital model. At 31 December 2021, the Company's regulatory solvency capital requirement was £412.5m (2020 £347.9m).

During the year the Company was in full compliance with the capital requirements imposed by its prudential regulator, the Prudential Regulation Authority. There were no changes in the Company's approach to capital risk management during the current or prior year.

The Company's financial strength rating with A.M. Best is A++ (superior).

Notes to the Financial Statements *continued*

5 Continuing and run-off operations

The Company manages the business by separating out the operations in run-off. None of the run-off operations met the FRS 102 definition of discontinued operations in the year.

The run-off business in its former branch operations in Ireland, Netherlands, France and Germany was transferred to TIDAC via a business transfer scheme under Part VII of the Financial Services and Markets Act 2000 as of 1 October 2019. 80% has been reinsured back to the Company under a quota share reinsurance agreement, effective as of the same date.

On 28 February 2019, all of the business of Travelers Casualty and Surety Company of Europe Limited, an affiliated group company, was transferred to the Company via a business transfer scheme under Part VII of the Financial Services and Markets Act 2000. Included in that transfer was the Specialty run-off business that went into run-off in 2002. The Specialty business is 100% reinsured with the fellow group company, The Travelers Indemnity Company.

The breakdown of the general business technical account between run-off and continuing operations is as follows:

	2021		2020	
	Continuing operations £000	Run-off operations £000	Continuing operations £000	Run-off operations £000
Net premiums written	388,582	2	323,034	-
Net premiums earned	359,015	1	298,088	-
Allocated investment return	1,320	493	8,120	123
	360,335	494	306,208	123
Claims paid - gross amount	(114,956)	(2,788)	(131,323)	(1,647)
Claims paid - reinsurers' amount	3,580	1,425	9,955	26
Change in provisions for claims - gross amount	(104,474)	16,155	(116,447)	794
Change in provisions for claims - reinsurers' amount	1,254	(14,057)	11,922	(23)
Claims incurred, net of reinsurance	(214,596)	735	(225,893)	(850)
Net operating expenses	(119,234)	(187)	(103,598)	(176)
Balance on the technical account	26,505	1,042	(23,283)	(903)
Investment income	23,488	493	24,449	124
Investment expenses and charges	(22,168)	-	(16,329)	(1)
	1,320	493	8,120	123
Allocated investment return transferred to the general business technical account	(1,320)	(493)	(8,120)	(123)
Other (expenses)/income	(3,102)	3,400	6,109	(2,814)
Profit/(loss) on ordinary activities before tax	23,403	4,442	(17,174)	(3,717)

Notes to the Financial Statements *continued***6 Analysis of underwriting result****(a) Analysis of gross premiums and profit/(loss) before taxation**

	2021		
	Gross premiums written	Gross premiums earned	Profit/(Loss) before tax
	£000	£000	£000
By geographical segment			
United Kingdom	404,992	375,916	31,244
Republic of Ireland	41,874	38,418	(3,399)
Total	446,866	414,334	27,845

	2020		
	Gross premiums written	Gross premiums earned	(Loss)/Profit before tax
	£000	£000	£000
By geographical segment			
United Kingdom	337,109	307,909	(21,572)
Republic of Ireland	33,741	32,729	681
Total	370,850	340,638	(20,891)

The Directors consider that the Company is involved in only one type of business, that being general insurance business.

(b) Analysis of gross premiums written

	2021	2020
	£000	£000
Resulting from contracts concluded by the Company:		
Direct	301,114	256,217
Inwards reinsurance	145,752	114,633
Total	446,866	370,850

The inwards reinsurance predominantly relates to the whole account quota share agreement between the Company and TIDAC.

Notes to the Financial Statements *continued*

6 Analysis of underwriting result *continued*

(c) Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses and the reinsurance balance

	2021					
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Underwriting Profit/(loss)
	£000	£000	£000	£000	£000	£000
Credit and Suretyship	4,753	3,459	664	(1,231)	(2,463)	429
Fire and other damage to property	167,534	155,192	(57,804)	(54,200)	(33,811)	9,377
Marine and aviation	21,468	25,270	(13,633)	(8,587)	(676)	2,374
Motor	18,705	19,433	(7,817)	(7,257)	(1,543)	2,816
Third party liability	232,171	210,402	(127,403)	(55,018)	(17,025)	10,956
Miscellaneous	2,235	578	(70)	(454)	(272)	(218)
Total	446,866	414,334	(206,063)	(126,747)	(55,790)	25,734

	2020					
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Underwriting (loss)/Profit
	£000	£000	£000	£000	£000	£000
Credit and Suretyship	4,583	4,560	31	(1,474)	(2,611)	506
Fire and other damage to property	137,742	121,076	(84,047)	(45,433)	(8,982)	(17,386)
Marine and aviation	17,091	18,681	(10,278)	(5,729)	(2,972)	(298)
Motor	19,943	19,213	(18,016)	(7,215)	(1,366)	(7,384)
Third party liability	190,853	176,526	(136,184)	(48,957)	967	(7,648)
Miscellaneous	638	582	(129)	(388)	(284)	(219)
Total	370,850	340,638	(248,623)	(109,196)	(15,248)	(32,429)

Gross commission payable amounted to £62.0m (2020 £51.8m).

The 'reinsurance balance' represents the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions, including reinsurance commissions.

Notes to the Financial Statements *continued***7 Prior years' claims provisions**

Over/(under) provisions for claims held at the beginning of the financial year compared to payments made during and provisions held at the end of the financial year in respect of prior years' claims are as follows:

	2021	2020
	£000	£000
Fire and other damage to property	24,633	9,992
Marine and aviation	1,462	(54)
Motor	9,313	727
Third party liability	(12,795)	(7,828)
Miscellaneous	1	86
	22,614	2,923

8 Investment income

	2021	2020
	£000	£000
Income from investments	23,288	24,287
Gains on the realisation of investments	693	286
	23,981	24,573

9 Net operating expenses

	2021	2020
	£000	£000
Acquisition costs	61,963	51,768
Change in gross deferred acquisition costs	(3,505)	(3,562)
	58,458	48,206
Administrative expenses	68,289	60,567
Gross operating expenses	126,747	108,773
Reinsurance commissions and profit participation	(8,144)	(4,759)
Change in deferred reinsurance commission	818	(240)
	119,421	103,774

10 Investment expenses and charges

	2021	2020
	£000	£000
Investment management expenses	952	841
Losses on the realisation of investments	21,216	15,489
	22,168	16,330

Notes to the Financial Statements *continued***11 Other income/(expense)**

	2021	2020
	£000	£000
Foreign exchange (loss)/gain	(820)	663
Fee income	556	1,267
Other income	562	1,365
	298	3,295

12 Profit/(Loss) on ordinary activities before tax

	2021	2020
	£000	£000
<i>Profit on ordinary activities before tax is stated after crediting</i>		
Income from fixed income investments	23,288	24,287
<i>after charging</i>		
Auditor's remuneration:		
Audit of these financial statements	217	221
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit-related assurance services	129	131

13 Remuneration of directors

	2021	2020
	£000	£000
Directors' fees	95	91
Directors' emoluments	590	592
Company contributions to money purchase schemes	8	10
Gains on share options exercised	13	28

The salary and bonus of the highest paid director for the year was £467,241 (2020 £429,416) and the pension contribution to a money purchase scheme was £2,750 (2020 £5,000). Share options were exercised in 2021 (were exercised in 2020).

	Number of directors	
	2021	2020
Retirement benefits are accruing to the following number of directors:		
Money purchase schemes	2	2
Defined benefit schemes	-	-
The number of directors who exercised share options was	1	1
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	-	-

All UK executive and non-executive Directors remuneration were paid for by the group service company, Travelers Management Limited.

Notes to the Financial Statements *continued***14 Taxation****Analysis of total tax charge/(credit) for the year****(a) Tax included in the non-technical account**

	2021	2020
	£000	£000
United Kingdom Corporation Tax		
Adjustment in respect of prior periods	-	113
Total current tax charge	-	113
Deferred tax		
Deferred tax charge/(credit)	5,195	(3,864)
Changes in tax rate	(4,603)	(2,019)
Tax charge/(credit) on profit/(loss) on ordinary activities	592	(5,770)

(b) Tax included in Other Comprehensive Income

	2021	2020
	£000	£000
Deferred tax:		
(Credit)/charge on unrealised (losses)/gains on investments	(6,140)	3,256
Tax (credit)/charge on Other Comprehensive Income	(6,140)	3,256

(c) Factors affecting the total tax charge/(credit) for the year

The tax charge/(credit) for the year is lower than (2020 higher than) the standard rate of corporation tax in the UK:

	2021	2020
	£000	£000
Profit/(Loss) on ordinary activities before tax	27,845	(20,891)
Tax using the corporation tax rate of 19.0% (2020 19.0%)	5,291	(3,969)
Effect of tax rate change	(4,603)	(2,019)
Prior year adjustments - current tax	-	113
Prior year adjustments - deferred tax	(5)	345
Non-taxable income	(91)	(240)
Total tax charge/(credit)	592	(5,770)

As at 31 December 2021 the Company had tax losses carried forward of £93.0m. (2020 £122.5m).

In the UK's 2021 Budget, the UK Government announced the UK corporation tax will increase to 25% on 1 April 2023. Royal Assent was received on 10 June 2021. This has increased the Company's deferred tax asset in the year.

Notes to the Financial Statements *continued*

15 Investments in Group Undertakings

The following table gives information on the Company's investment in TIDAC as at 31 December 2021:

	2021	2020
	£000	£000
Cost	84,272	58,819
Net assets	80,948	58,207
Class of shares held	Ordinary	Ordinary

The registered address of TIDAC is 3rd Floor, Block 8, Harcourt Centre, Charlotte Way, Dublin 2, Ireland.

During the year the Company injected £25.5m of new capital in return for the issuance of new shares.

There is no accumulated impairment recognised in the Investment in Group Undertaking.

16 Investments

(a) Fair value

	Fair Value 2021	Fair Value 2020	Cost 2021	Cost 2020
	£000	£000	£000	£000
Debt and other fixed income securities	1,294,369	1,176,600	1,324,130	1,181,979
Included in debt and other fixed income securities:				
UK fixed income securities	241,353	254,589	249,189	260,644
Overseas fixed income securities	1,053,016	922,011	1,074,941	921,335
	1,294,369	1,176,600	1,324,130	1,181,979

(b) Movement in the year

	2021	2020
	£000	£000
Investments brought forward	1,176,600	1,073,174
Purchases	484,786	381,522
Fair value adjustments	(24,379)	19,407
Disposals/maturities	(336,987)	(302,632)
Currency translation movements	(5,651)	5,129
Investments carried forward	1,294,369	1,176,600

Notes to the Financial Statements *continued*

16 Investments *continued*

(c) Fair value measurement of investments

The Company's estimates of fair value for investments are based on the framework established in the fair value accounting guidance. The framework is based on the inputs used in valuation, gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions. The level in the fair value hierarchy within which the fair value measurement is reported is based on the lowest level input that is significant to the measurement of its entirety. The three levels of the hierarchy are as follows:

- Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly;
- Level 3 - Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability and therefore, prices are determined using a valuation technique.

The Company utilised a pricing service to estimate the fair value of its investments at both 31 December 2021 and 31 December 2020.

The fair value of a financial instrument is the estimated amount at which the instrument could be exchanged in an orderly transaction between knowledgeable, unrelated, willing parties i.e. not in a forced transaction. The estimated fair value of a financial instrument may differ from the amount that could be realised if the security was sold in an immediate sale, e.g. a forced transaction. Additionally, the valuation of investments is more subjective when markets are less liquid due to the lack of market based inputs, which may increase the potential that the estimated fair value of an investment is not reflective of the price at which an actual transaction would occur.

For investments that have quoted market prices in active markets, the Company uses the unadjusted quoted market prices as fair value and includes these prices in the amounts disclosed in Level 1 of the hierarchy. The Company receives the quoted market prices from third party, nationally recognised pricing services. When quoted market prices are unavailable, the Company utilises these pricing services to determine an estimate of fair value based on recent transactions for identical assets. The fair value estimates provided from these pricing services are included in the amount disclosed in Level 2 of the hierarchy. If quoted market prices and an estimate from a pricing service are unavailable, the Company produces an estimate of fair value based on internally developed valuation techniques, which, depending on the level of observable market inputs, will render the fair value estimate as Level 2 or Level 3. The Company bases all of its estimates of fair value for assets on the bid price as it represents what a third party market participant would be willing to pay in an arm's length transaction.

The following table present the level within the fair value hierarchy at which the Company's investments are categorised.

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets as at 31 December 2021	-	1,294,369	-	1,294,369
Financial assets as at 31 December 2020	-	1,176,600	-	1,176,600

Notes to the Financial Statements *continued*

17 Debtors arising out of insurance operations

	2021	2020
	£000	£000
Amounts owed by intermediaries	97,204	83,254
Amounts owed by policyholders	-	246
	97,204	83,500

There is no significant concentration of credit risk with respect to debtors arising out of insurance operations. The carrying amounts disclosed are reasonable approximations of the fair values at the reporting date.

18 Debtors arising out of reinsurance operations

	2021	2020
	£000	£000
Amounts owed by reinsurers	2,685	2,090

19 Other debtors

	2021	2020
	£000	£000
Amounts owed by group undertakings	5,801	696
UK tax recoverable	860	-
Foreign tax recoverable	-	298
Other debtors	253	242
	6,914	1,236

20 Deferred tax asset

The amounts provided for deferred taxation are set out below:

	2021				
	Tax losses carried forward	Equalisation reserve	Unrealised losses on investments	Timing differences	Total net deferred tax asset
	£000	£000	£000	£000	£000
Deferred tax asset/(liability) brought forward	23,293	(427)	1,021	-	23,887
Current year profit and loss	(5,200)	-	-	-	(5,200)
Prior year profit and loss	(422)	427	-	-	5
Other comprehensive income	-	-	4,632	-	4,632
Impact of changes in tax rate	4,603	-	1,508	-	6,111
	22,274	-	7,161	-	29,435

Notes to the Financial Statements *continued***20 Deferred tax asset** *continued*

	2020				
	Tax losses carried forward	Equalisation reserve	Unrealised losses on investments	Timing differences	Total net deferred tax asset
	£000	£000	£000	£000	£000
Deferred tax asset/(liability) brought forward	17,905	(755)	4,277	(175)	21,252
Current year profit and loss	3,794	416	-	-	4,210
Prior year profit and loss	(346)	-	-	-	(346)
Other comprehensive income	(167)	-	(3,689)	175	(3,681)
Impact of changes in tax rate	2,107	(88)	433	-	2,452
	23,293	(427)	1,021	-	23,887

The tax losses carried forward have no time limit. There were no amounts that were unprovided for in the year (2020 £nil). The net reversal of deferred tax expected to occur next year is £3.8m (2020 £1.0m), relating to the utilisation of tax losses carried forward of £20.2m (2020 £5.0m).

21 Called up share capital

	2021	2020
	£000	£000
Allotted, called up and fully paid		
306,055,368 (2020 267,055,368) ordinary shares of £1 each	306,055	267,055

During the year the Company received a capital injection of £39.0m in return for the issuance of 39,000,000 new ordinary £1 shares.

22 Technical provisions and deferred acquisition costs**(a) Unearned premium provision**

	2021			2020		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	£000	£000	£000	£000	£000	£000
Balance as at 1 January	201,954	21,411	180,543	171,298	16,502	154,796
Change in unearned premiums	32,532	2,964	29,568	30,212	5,266	24,946
Effect of movements in exchange rates	(978)	87	(1,065)	444	(357)	801
Balance as at 31 December	233,508	24,462	209,046	201,954	21,411	180,543

(b) Claims outstanding

Balance as at 1 January	820,137	112,631	707,506	700,945	101,863	599,082
Change in claims outstanding	88,319	(12,803)	101,122	115,653	11,899	103,754
Effect of movements in exchange rates	(6,610)	(440)	(6,170)	3,539	(1,131)	4,670
Balance as at 31 December	901,846	99,388	802,458	820,137	112,631	707,506
Claims notified	306,674	35,347	271,327	264,404	28,246	236,158
Claims incurred but not reported	573,750	63,811	509,939	534,430	84,252	450,178
Unallocated loss adjustment expenses	21,422	230	21,192	21,303	133	21,170
Balance as at 31 December	901,846	99,388	802,458	820,137	112,631	707,506

Notes to the Financial Statements *continued***22 Technical provisions and deferred acquisition costs** *continued***(c) Deferred acquisition costs**

	2021	2020
	£000	£000
Gross		
At the start of the year	(22,852)	(19,216)
Movement in provision	(3,505)	(3,562)
Currency translation differences	170	(74)
At the end of the year	(26,187)	(22,852)
Reinsurance amount		
At the start of the year	1,886	2,058
Movement in provision	818	(240)
Currency translation differences	43	68
At the end of the year	2,747	1,886

Notes to the Financial Statements *continued***24 Creditors arising out of direct insurance operations**

	2021	2020
	£000	£000
Amounts owed to intermediaries	1,648	2,730
Amounts owed to policyholders	1,383	-
	3,031	2,730

25 Other creditors including taxation and social security

	2021	2020
	£000	£000
Insurance premium taxes	9,327	7,800
Amounts owed to group undertakings	10,392	16,808
	19,719	24,608

26 Accruals and deferred income

	2021	2020
	£000	£000
Reinsurers' share of deferred acquisition costs	2,747	1,886
Accrued expenses	1,803	2,805
	4,550	4,691

27 Related party transactions

As the Company is a wholly owned subsidiary of The Travelers Companies, Inc., it has taken advantage of the exemptions in FRS 102.33.1A not to disclose transactions or balances with other group entities which qualify as related parties.

Other than directors' remuneration, which is disclosed in note 13, there are no other related party transactions that require disclosure.

Notes to the Financial Statements *continued*

28 Commitments and contingent liabilities

In the normal course of business, letters of credit to the value of \$75.0k (2020 \$75.0k) have been issued to fiscal authorities against insurance tax liabilities. These are secured against bank deposits.

On establishment of TIDAC, a collateral arrangement was put in place between the Company and TIDAC to support the reinsurance agreement. The arrangement requires that the premium paid to the Company by TIDAC be held within an escrow account for a period of at least 2 years before it can be released. Claims paid relating to this reinsurance arrangement can be funded from the collateral account. The funds held within the collateral account at the year end were £228.1m (2020 £166.5m). These funds are reported within other financial investments.

The Company has also guaranteed the lease commitments of an affiliated company relating to one of its main operating premises in the United Kingdom. The commitment is £685.7k for 2022 and £607.7k per annum thereafter, expiring in 2027.

Acting as a third party depositor under a trust deed executed in 2013, the Company has deposited £20.0m (2020 £83.0m) in fixed income securities with Lloyd's as security for the underwriting activities of its affiliate companies, Aprilgrange Limited and F&G UK Underwriters Limited. The fees attaching to this security earned by the Company were £0.6m (2020 £1.3m).

The Company has secured licences to write business on a surplus lines basis in the United States of America. As a condition of the grant of these licences the Company has deposited £4.0m (2020 £4.0m) into a trust fund.

Letters of credit to the value of \$1.4m (2020 \$1.4m) have been issued to the Society & Council of Lloyd's against insurance liabilities.

Travelers has a pension scheme in the UK providing benefits based on final pensionable pay. This scheme was closed with effect from 1 April 2003. Travelers Management Limited bears responsibility for meeting any funding requirements of this scheme. In the event that Travelers Management Limited was not able to fulfil its obligations this responsibility would fall to the Company. The updated valuation for FRS 102 purposes as at 31 December 2021 identified a surplus of £2.9m (2020 deficit of £4.4m).

29 Immediate and ultimate parent company

The immediate and ultimate parent undertaking of the Company is The Travelers Companies, Inc., a company registered in the United States. Copies of The Travelers Companies, Inc. accounts can be obtained from the Company's registered office, One Creechurch Lane, London EC3A 5AF, or the Company's website: www.travelers.co.uk.

30 Affiliate company guarantee

All obligations and liabilities of the Company arising from the Company's past or future underwriting activities are guaranteed unconditionally by St. Paul Fire & Marine Insurance Company, one of the principal insurance subsidiaries of The Travelers Companies, Inc.. The guarantee is terminable by the guarantor on twelve months' notice, but termination would, by the terms of the guarantee, be of no effect in respect of business underwritten prior to the date of termination.

31 Subsequent events

The geopolitical conflict in Ukraine has arisen subsequent to the end of the year. The Company does not have material exposures to Russia and Ukraine and, as such, does not expect this conflict to have a material impact on its results.

Subsequent to the end of the year the Company suffered a gross loss of £35m on a marine cargo policy which was ceded to a reinsurer outside of the UK as part of the International Network of Insurers. This loss is wholly recoverable from the reinsurer and there will be no net loss to the Company.

Independent auditor's report to the members of Travelers Insurance Company Limited

Opinion

We have audited the financial statements of Travelers Insurance Company Limited (the 'company') for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

- Obtaining an understanding of the process relating to the directors' going concern assessment, the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the company's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their future performance forecasts, as described in note 1, by reviewing supporting evidence in relation to these key assumptions;
- Conducting a retrospective review of the historical forecasts prepared by the directors;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

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

Key audit matters

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

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

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

Independent auditor's report to the members of Travelers Insurance Company Limited *continued*

Key audit matters *continued*

Key Audit Matter	How our scope addressed this matter
<p>Valuation of gross claims outstanding, specifically incurred but not reported (IBNR) reserves</p> <p>Gross claims IBNR - £573.8 million (2020 - £534.4 million)</p> <p>Refer to Note 2 “Significant accounting policies – Claims outstanding”, Note 3 “Use of critical judgements, assumptions and estimates”, and Note 22 “Technical Provisions and Deferred Acquisition Costs”</p> <p>The valuation of provisions for outstanding claims, specifically for incurred but not reported claims (IBNR), is highly judgmental and complex, and involves a number of assumptions that have high estimation uncertainty (such as expected loss ratios, estimates of frequency and severity of claims by territory and line of business) and therefore can have a material impact on valuation.</p> <p>Due to the above reasons, there is risk of error or fraud due to manipulation by any individual.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> – Met with senior management involved in the reserving process to understand the reserving methodology and the governance over the reserving process; – Evaluated the design and implementation of actuarial reserving controls, and where considered effective, tested the operational effectiveness of those controls; – With the support from our IT specialists, tested IT general controls, assessed the flow of data and tested the completeness and accuracy of key system-generated reports used in the reserving process; – Performed data integrity testing and confirm that the data used in the reserving models is consistent with the audit work performed over premiums and claims paid; – Tested a sample of the underlying source data, including claims paid and reported but not settled (RBNS) claims, by agreeing to supporting documentation. <p>With the involvement of our actuarial specialists, we have:</p> <ul style="list-style-type: none"> – For classes of business that are considered to have areas of highest estimation uncertainty and most significant, performed independent projections at the interim period on those classes of business and compared the results with the reserves recorded by the company; – For classes with high estimation uncertainty but are of less significance, challenged actuarial methodologies and assumptions used in the valuation of IBNR, including performing diagnostic tests (e.g., paid loss ratio, incurred loss ratio, redundancy, average cost per claim analyses, etc); – Assessed impact of climate change risks, inflation and any further remaining impact of Covid-19 to the company’s reserving estimates; – For the remaining classes of business, we analysed movements in ultimate losses and actual vs. expected analysis; – Conducted roll-forward procedures on the independently projected classes to Q4 2021 by analysing actual experiences; – Evaluated the appropriateness of the margin to be applied to the actuarial best estimate by considering the allowance for uncertainties inherent in the data and assumptions used in the estimate; and – Assessed the disclosure in the financial statements. <p>Our observations</p> <p>Based on these procedures, we found that the valuation of gross claims outstanding, specifically IBNR reserves are reasonable.</p>

Independent auditor's report to the members of Travelers Insurance Company Limited *continued*

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating

the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£4,470,000 (2020: £2,100,000)
How we determined it	1% of Total Gross Written Premiums (2020: 0.6% of Total Gross Written Premiums)
Rationale for benchmark applied	In determining our materiality, we considered financial metrics which we believed to be relevant, and concluded that gross written premiums was the most relevant benchmark. Gross written premiums is a key measure used by the shareholders in assessing the performance of the company and provides a consistent and stable basis on which to determine materiality.
Performance materiality	<p>Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.</p> <p>We set performance materiality at £2,235,000 which represents 50% of overall materiality.</p> <p>The primary factors we considered in determining the level of performance materiality include the fact that this is an initial audit engagement; our understanding of the company's control environment; the level and nature of errors detected in previous audits by the predecessor auditor and our expectation of the number of errors in the current year audit.</p>
Reporting threshold	We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £223,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

The company utilises certain operational shared service centers managed centrally by its ultimate parent company in the US. This includes shared services such as investment management and the performance of certain financial control activities to support the production of the company's financial

information including IT functionality and controls. Specified audit procedures were performed by a US-based shared-service organisation auditor over these shared service centers in accordance with our instructions.

We determined the level of involvement we needed as the company's auditor in the audit work of the shared-service organisation auditors to be able to conclude whether sufficient and appropriate audit evidence was obtained to provide a basis for our opinion on the financial statements as a whole. We maintained regular and timely communication with the shared-service organisation auditors, including discussions, phone calls and written instructions, and reviewed their work, where appropriate.

Independent auditor's report to the members of Travelers Insurance Company Limited *continued*

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report to the members of Travelers Insurance Company Limited *continued*

Auditor's responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and the insurance sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to UK, and we considered the extent to which non-compliance might have a material effect on the Financial Statement non-compliance with the Prudential Regulation Authority's ("PRA") and Financial Conduct Authority's ("FCA") regulations.

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

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

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

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

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;
- Incorporating an element of unpredictability in our testing, in particular, on our testing of premiums where we sought to identify policies with inception dates after 31 Dec 2021 to ensure proper cut-off in the recognition of premiums;
- Critically assessing accounting estimates impacting amounts included in the financial statements for evidence of management bias; and
- Considering significant transactions outside of the normal course of business. Our approach included reviewing Board minutes, review of correspondences of regulators (where applicable), and substantively testing the transaction and related disclosure where considered material.

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

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

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

Independent auditor's report to the members of Travelers Insurance Company Limited *continued*

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 12 July 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ended 31 December 2021.

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

Our audit opinion is consistent with our additional report to the audit committee.

Use of the audit report

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

Andrew Heffron
(Senior Statutory Auditor)
For and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor

Tower Bridge House
St. Katharine's Way
London
E1W 1DD

11 April 2022



Travelers Insurance Company Limited
61 - 63 London Road
Redhill, Surrey RH1 1NA

[travelers.co.uk](https://www.travelers.co.uk)

Travelers Insurance Company Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Registered office:
One Creechurch Place,
Creechurch Lane, London EC3A 5AF
Registered in England No. 1034343.