

Wausau Insurance Company (U.K.) Limited

Annual Report and Financial Statements
31 December 2018

Registered Number: 1230968



Registered Office and Advisers

Directors

N J Davenport
J C Reeves

Company Secretary

A A Ocray

Registered Office

20 Fenchurch Street
London
EC3M 3AW

Company Number

1230968

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London E14 5EY

Annual Report and Financial Statements for the year ended 31 December 2018

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Strategic Report

Principal activity and review of the business

Wausau Insurance Company (U.K) Limited (the "Company") formerly underwrote marine, aviation, transport and non-marine business through the Willis Faber Underwriting Management Ltd ("WFUM") Pool. The Company ceased underwriting this business in 1991 and completed the run off of nearly all of those liabilities. The Company retains some potential residual liability in respect of employers' liability cover provided prior to 1991. The Company has no plans to resume underwriting.

The results of the Company, as set out on page 13, show a loss for the year of \$210k (2017: profit of \$50k). The underwriting account showed a loss for the year of \$140k (2017: loss of \$100k). Net Assets at the end of the year were \$6,124k (2017: \$6,334k).

Principal risk and uncertainties

Exchange Rate Risk

Administrative expense payments are transacted in Sterling and US Dollars and therefore the Company is exposed to fluctuations in the relevant exchange rates. In order to minimise this foreign exchange risk, cash assets are held in both currencies. In 2018, the Company decided to change its presentational currency from Sterling to US Dollars so as to align this to its functional currency of US Dollars. Further results are set out in note 1.3 to the financial statements.

Regulatory Risk

The Company is regulated in the United Kingdom by the PRA and the FCA. The Company makes the appropriate disclosures and files the necessary returns to the regulators.

The investment policy of the Company precludes the use of financial derivatives or quasi-derivatives and no such investments have been made in the financial year. The Directors regularly monitor credit risk, interest rate risk and currency risk in respect of debtors and other assets.

Approved by the Board of Directors and signed on behalf of the Board by:



N.J Davenport
Director

18 April 2019

Registered Number : 1230968

Directors' Report

The Directors have pleasure in submitting their report, together with the financial statements of the Company, for the year ended 31 December 2018.

Directors' interests

Directors who held office between 1 January 2018 and the date of signing the financial statements were:

N.J Davenport	
J C Reeves	(Appointed on 5 December 2018)
J A R Dunn	(Resigned on 5 December 2018)
J M Cassidy	(Resigned on 4 May 2018)

According to the Register of Directors' Interests, no Director has any beneficial interest in the issued share capital of the Company.

On 2 October 2018, Rebecca White resigned from the position of Company Secretary. She was replaced by Angela Ocrach on the same date.

Donations

During the year, the Company made charitable donations of Nil (2017: Nil) and made no political donations (2017: Nil).

Employees

The Company employed no staff during the year 2018 (2017: none).

Going concern

The financial statements have been prepared on a going concern basis. In assessing whether the going concern basis is appropriate, the Directors have considered the information contained in the financial statements, the Own Risk and Solvency Assessment ("ORSA") and the Company's current solvency calculations. The Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Results and Dividends

The Company has not paid a dividend during 2018 (2017: none).

Qualifying indemnity provision

There was no qualifying indemnity provision in place for any of the Directors, in respect of the Company, during the year.

Disclosure of information to the Auditors

So far as each person who was a Director of the Company at the date of approving this report is aware, there is no relevant audit information, being information needed by the Auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow Directors of the Company and the Company's Auditor, each Director has taken all the steps that he/she is obliged to take as a Director, in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' Report

Auditors

Ernst & Young LLP are deemed to be re-appointed in accordance with an elective resolution made under Section 485 of the Companies Act 2006. Consequently, the Company has dispensed with the requirement to hold an Annual General Meeting and re-appoint the auditors. Ernst & Young LLP have expressed their willingness to continue in office and so have been invited to do so.

Approved by the Board of Directors and signed on behalf of the Board by:



N.J Davenport

Director
18 April 2019

Company Number: 1230968

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, 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, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence, for taking reasonable steps; for the prevention and detection of fraud and other irregularities.

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

Independent Auditor's Report to The Members of Wausau Insurance Company (U.K.) Limited

Opinion

We have audited the financial statements of Wausau Insurance Company (U.K.) Limited for the year ended 31 December 2018 which comprise Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 11, 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 Financial Reporting Standard 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss 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 below. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none">• Existence of cash at bank and in hand balance
Materiality	<ul style="list-style-type: none">• Overall materiality of \$123k which represents 2% of Equity.

Independent Auditor's Report to The Members of Wausau Insurance Company (U.K.) Limited

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) that we identified. These matters included 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Existence of cash at bank and in hand balance (2018: \$6,126k, 2017: \$6,179k)</p> <p>The primary asset of the Company is the cash at bank and in hand.</p> <p>The asset is held to meet the applicable capital requirements and any material misstatement in the cash at bank and in hand could result in non-compliance with capital requirements, as well as misstatements to the financial statements.</p>	<p>We obtained an understanding of the current status of the Company and volume of transactions occurring during the period. Based on our understanding we performed the following procedures:</p> <ul style="list-style-type: none"> • Enquired of management regarding any new bank accounts or cash balances held during the period; • Obtained bank confirmations to confirm the accounts held and the cash balance as at 31 December 2018; • Observed the cash balance as at year-end on the Company's online banking system to confirm the cash held by the Company; and • Examined bank reconciliations as at 31 December 2018 and corroborated any reconciling items by comparison to supporting information; • Performed cash cut-off procedures to confirm any material cash transactions around the year-ending 31 December 2018 are recorded in the correct period; • Reviewed movements in the balance from 31 December 2017 to 31 December 2018, to corroborate cash flows against our understanding of the business and developments during the period. 	<p>Based on the results of the procedures performed we are satisfied that the cash at bank and in hand balance is fairly stated and appropriately disclosed in the financial statements.</p>

Independent Auditor's Report to The Members of Wausau Insurance Company (U.K.) Limited

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Changes from the prior year

There are no changes to audit scope from prior year.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be \$123k (2017: £94k), which is 2% (2017: 2%) of equity. We believe that equity provides us with a more appropriate measure as the company is operating as a run-off and the users of the financial statements focus on the solvency and capital adequacy of the company.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely \$93k (2017: £70k). We have set performance materiality at this percentage due to no audit differences or control issues identified in prior year and the engagement is classified as 'low' risk within the continuance procedures.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We have reported to the directors all uncorrected audit differences in excess of \$6k (2017: £5k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Independent Auditor's Report to The Members of Wausau Insurance Company (U.K.) Limited

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 this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the 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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements to be audited 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 6, 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 Wausau Insurance Company (U.K.) Limited

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA'), under the terms of the Financial Services and Markets Act 2000 (the Act).
- We understood how Wausau Insurance Company (U.K.) Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and Executive Committee; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the company's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA.
- The Company operates in the insurance industry which is a highly regulated environment. The Company's principal activities are that of a run-off insurance undertaking since the Company ceased underwriting in 1991, and the Company has no plans to resume underwriting. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent Auditor's Report to The Members of Wausau Insurance Company (U.K.) Limited

Other matters we are required to address

- We have been the appointed auditors of the company since at least 31 December 1986.

The period of total uninterrupted engagement including previous renewals and reappointments is more than 30 years, covering the years up to 31 December 2018

- 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 the audit.
- The audit opinion is consistent with the additional report to the audit committee

Use of our 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.

Ernst & Young LLP

Angus Millar (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
18 April 2019

Statement of Comprehensive Income

for the year ended 31 December 2018

Technical Account - General Business

	Notes	2018 \$000	2017 Restated \$000
Net operating expenses	4	(140)	(100)
Total charges		(140)	(100)
Balance on the technical account for general business		(140)	(100)

All of the above is attributable to continuing operations.

Non-technical Account - General Business

	Notes	2018 \$000	2017 Restated \$000
Balance on the technical account for general business		(140)	(100)
Investment income	6	41	25
Foreign exchange (loss)/gain		(111)	125
		(210)	50
(Loss)/profit on ordinary activities before tax		(210)	50
Tax on (loss)/profit on ordinary activities	7	-	-
Total comprehensive (loss)/profit for the financial year		(210)	50

There are no components of other comprehensive income to be reported in the periods presented.

The notes on pages 16 to 22 form part of these accounts.

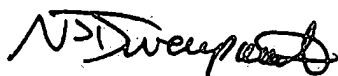
Statement of Financial Position

For the year ended 31 December 2018

	Notes	2018 \$000	2017 Restated \$000
Assets			
Investments			
Other financial investments	8	333	351
Other assets			
Cash at bank and in hand		6,126	6,179
Total assets		6,459	6,530
Liabilities			
Capital & Reserves			
Called up share capital	9	-	-
Profit & loss account		6,124	6,334
Shareholder's funds		6,124	6,334
Creditors			
Intercompany creditors		313	46
Accruals and deferred income		22	150
Total liabilities		6,459	6,530

The notes on pages 16 to 22 form part of these accounts.

The financial statements were approved by the Board of Directors on 18 April 2019 and were signed on its behalf by:



N Davenport
Director

Statement of Changes in Equity

For the year ended 31 December 2018

	Called up Share Capital \$000	Retained Earnings \$000	Other Comprehensive Income \$000	Total \$000
Balance at 1 January 2017 (as originally stated)	-	5,124	1,160	6,284
Adjustment in respect of change in presentation currency	-	1,160	(1,160)	-
Balance at 1 January 2017 (as restated)	-	6,284	-	6,284
Comprehensive gain for the financial year	-	50	-	50
Balance at 31 December 2017 (restated)	-	6,334	-	6,334
Comprehensive loss for the financial year	-	(210)	-	(210)
Balance at 31 December 2018	-	6,124	-	6,124

The notes on pages 16 to 22 form part of these accounts.

Notes to the Financial Statements

For the year ended 31 December 2018

1. Accounting Policies

1.1. Statement of compliance

Wausau Insurance Company (U.K) Limited is a limited liability company incorporated in England, registered office details are on page 1. The financial statements cover those of the individual entity and are prepared as at, and for the year ended, 31 December 2018.

The financial statements have been prepared in compliance with FRS 102 and FRS 103, being the applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (The Regulations) relating to insurance companies.

The financial statements are prepared under the historical cost convention except for financial investments which are measured at fair value.

1.2. Basis of preparation

The financial statements for the year ended 31 December 2018 were approved for issue by the Board of Directors 18 April 2019.

The financial statements are prepared in US Dollars, which is the presentational and functional currency. Figures are rounded to the nearest \$'000.

As permitted by FRS 103, the Company continues to apply the existing accounting policies that were applied prior to this standard, for its insurance contracts.

The Company has taken advantage of the reduced disclosure requirements for qualifying entities, where possible, under FRS 102, as it is a 100% owned subsidiary of Liberty International European Holdings S.L., notably:

- The Company has taken the exemption to prepare a cashflow statement.
- The Company has taken the exemption to disclose related party transactions with other group companies.

1.3. Prior period restatement

Following a review of the Company's financial statements, a decision was taken to change the presentational currency from Sterling to US Dollars, in order to align the presentational currency with the functional currency of the Company. No changes have been made to the Company's functional currency and so this remains US Dollars. The effect has been disclosed in note 2.

This has been treated as a voluntary change in accounting policy under FRS 102 and the comparative periods have been restated accordingly.

1.4. Significant accounting policies

1.4.(1) Fair value of financial assets

The Company has applied the fair value hierarchy as described under FRS 102.11.27, to determine the fair value of financial instruments. All financial assets held by the Company are classified as Level 2.

Notes to the Financial Statements

For the year ended 31 December 2018

1.4.(2) Cash at Bank and in Hand

Cash and cash equivalents in the balance sheet comprise of cash at banks and in hand and short-term deposits with an original maturity date of three months or less in GBP and USD. Cash at bank and in hand is valued at amortised cost.

1.4.(3) Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

1.4.(4) Investment Return

Investment income and expenses are accounted for on an accruals basis.

Realised investment gains and losses are calculated as the difference between net sales proceeds and historical cost. Net realised gains are included within investment income, whilst net realised investment losses are included within investment management expenses.

1.4.(5) Foreign currency

Functional and presentation currency

The company's functional and presentational currency is US Dollars. Figures are rounded to the nearest thousand.

Transactions and balances

At each period end, foreign currency monetary items are translated using the closing period rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are translated using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

Foreign exchange gains and losses that relate to 'borrowings and cash' and 'cash equivalents' are presented in the Profit and Loss Account within 'foreign exchange (loss)/gain'. All other foreign exchange gains and losses are also presented in the Profit and Loss Account within 'foreign exchange loss'.

1.4.(6) Critical accounting estimates and judgements

The determination of claims reserves is the only critical accounting estimate. The claims reserves are set on a best estimate basis using input by the Actuarial Function. The claims reserves at 31 December 2018 were nil (2017: nil)

1.4.(7) Insurance contract liabilities

The Company retains a residual exposure to future claims on past events which are measured on a best estimate basis.

Notes to the Financial Statements

For the year ended 31 December 2018

1.5 Judgements and key sources of uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The only judgement or estimation in the preparation of the financial statements is the insurance liability which is estimated to be nil. The Company has not written any new business since the 1990's and has not received any claim notification in a similar time period. The Company retains some potential residual liability in respect of employers' liability, however, the Company has reserved for this on a best estimate basis which leaves a gross and net liability of nil.

2. Change in presentation currency

The impact of the change to the Company's presentation is nil on net assets. Retained earnings has been adjusted by \$1,160k (£939k) for foreign currency translation differences previously reported as other comprehensive income. The Company's other comprehensive income under the Sterling presentation currency reflected a translation difference from functional currency to presentation currency. Upon changing the presentation currency to align to functional currency this translation difference does not arise under FRS 102.

3. Segmental analysis

	All Direct \$000	Reinsurance \$000	Total \$000
2018			
Gross premiums written and earned	-	-	-
Gross claimed and incurred	-	-	-
Gross operating expenses	140	-	140
Gross technical result	(140)	-	(140)
Reinsurance balance	-	-	-
Net technical result	(140)	-	(140)
Net technical provisions	-	-	-
	All Direct Restated \$000	Reinsurance Restated \$000	Total Restated \$000
2017			
Gross premiums written and earned	-	-	-
Gross claimed and incurred	-	-	-
Gross operating expenses	100	-	100
Gross technical result	(100)	-	(100)
Reinsurance balance	-	-	-
Net technical result	(100)	-	(100)
Net technical provisions	-	-	-

The operating expenses relate to the maintenance of the Company's regulated status and the fulfilment of its statutory responsibilities and as such, are not attributable to any class of business.

Notes to the Financial Statements

For the year ended 31 December 2018

4. Net operating expenses

Net operating expenses has been reported after charging:

	2018 \$000	2017 Restated \$000
Auditor's remuneration:		
Audit of the financial statements	19	18
Other fees:		
Other services pursuant to legislation	-	19
	19	37

5. Staffing costs and Directors Emoluments

The Company does not employ any staff. During the period covered by these accounts, the Directors of the Company were employed by other Liberty Mutual group companies which are subsidiaries of the Company's immediate parent of Liberty International European Holdings, S.L. The Directors do not receive emoluments for holding this Directorship.

6. Investment Income

	2018 \$000	2017 Restated \$000
Interest received	41	25

As the Company is in run-off and did not write any business in the year, an allocation of investment return to the non-technical account has not been made (2017:nil).

7. Taxation

	2018 \$000	2017 Restated \$000
a) Tax on loss on ordinary activities		
UK corporation tax on profit/ loss	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Tax charge on loss on ordinary activities	-	-

Notes to the Financial Statements

For the year ended 31 December 2018

b) Factors affecting total tax charge for the period

(Loss)/profit on ordinary activities before tax	(210)	50
Loss on ordinary activities before tax multiplied by the UK rate of corporation tax 19% in 2018 (2017: 19.25%)	40	(10)
Effect of:		
Losses surrendered via group relief for nil consideration	(40)	10
Total tax charge for the period	0	0

Factors affecting tax charges for the period

Tax losses for the year are surrendered for nil value and may be utilised by other Liberty Group entities. Losses of \$6,879k (2017: \$6,974k) are available to offset against taxable profits in future periods. There is no expiry date on the use of the offset against future taxable profits. No deferred tax asset is recognised in respect of these losses due to uncertainty around the quantum, source and timing of any future taxable profits.

There will be a further reduction in the UK tax rate from 19% to 17% from 1 April 2020 as enacted by the Finance Act 2016.

8. Other Financial Investments

Current market value

	2018 \$000	2017 Restated \$000
Deposits with credit institutions	333	351

All deposits with credit institutions are held as Level 2 under the Fair Value Hierarchy in accordance with UK GAAP. The fair value of the deposits is a close approximation to the historical cost.

9. Share capital

Whilst these accounts are presented in US Dollars, the Company's share capital is denominated in Sterling and US Dollars as set out in the table below:

	2018	2017 Restated
Authorised – 14,685,973 Ordinary Shares of £1 each	£14,685,972	£14,685,972
Authorised – 10,314,028 Ordinary Shares of \$1.5053 each	\$15,525,706	\$15,525,706
Allotted called up and fully paid- 1 Ordinary Share of \$1.5053	\$1	\$1

Notes to the Financial Statements

For the year ended 31 December 2018

10. Risk Management

The Company has a relatively benign risk profile, given the small scale and simplicity of the business, also taking into account all insurance risks have been ceded 100% to a third party.

Capital management

Capital and solvency is measured under the rules prescribed by the PRA under the Solvency II regime. The company adheres to its MCR and SCR capital measures calculated under the Standard Formula as set out in the Solvency II Directive. The Company considers its capital to be its net assets. The Company manages its capital through management of assets to ensure that funds are available to meet the Minimum Capital Requirement, by assessing risk on an ongoing basis, and recalculating its capital position on a regular basis.

The capital requirements continue to be met in 2018 under Solvency II.

Underwriting Risk

The underwriting risk to the Company is negligible as it has not written new business in 2018 and this has been the case since the 1990's when the Company ceased underwriting business and subsequently completed run-off of nearly all its liabilities.

The Company has not experienced any material known claims in over 20 years. The company maintains adequate own funds to discharge any responsibilities as they fall due.

The Company retains no material sensitivity to insurance risk.

Market Risk

The Company's exposure to market risk is largely driven by its exposure to foreign exchange risk. The Company's monetary assets are held in Sterling as well as US Dollars.

A movement in the 2018 year end US Dollar: Sterling rate of \$0.10 has an impact of reducing net assets in the balance sheet by \$142k (from \$6,123k to \$5,982k).

The sensitivity of the Company to interest rate risk is immaterial to the Statement of Financial Position.

Credit Risk

The Company's exposure to Credit Risk is entirely composed of Counterparty risk, in relation to cash at bank or in hand (\$6,126k) and deposits with credit institutions (\$333k) in accounts held with two banks (HSBC & Lloyds Bank). These amounts are not past-due or impaired. The counterparties, HSBC and Lloyds Bank, are rated AA- and BBB+ respectively (S&P). This is monitored on an ongoing basis.

Liquidity Risk

The Company carries minimal exposure to liquidity risk as all assets are either cash or cash equivalents.

Operational Risk

The Company's operational risk exposure is purely driven by the services provided by the outsourced service providers.

Other Material Risks

There are no other material risks to consider.

Notes to the Financial Statements

For the year ended 31 December 2018

Risk Exposure

It is the responsibility of the risk function to monitor the risk profile of the business, and identify and escalate new risks to the business. Where a new or escalating risk is deemed to be material to the business, the risk function holder will escalate this to the Board for further consultation.

The risk function holder will provide an update to the Board on risk on an annual basis, and has the ability to call an adhoc Board meeting to address material risks to the business, where they deemed appropriate.

The risk management and actuarial functions will also monitor the risk profile of the Company during the ORSA process, reporting on any new or changing risks.

Risk Concentration

The Company does not consider there to be any material risk concentrations.

11. Ultimate Parent undertaking

The Company is a wholly owned subsidiary of Liberty International European Holdings, S.L. incorporated in the USA. Copies of its group accounts, which include the Company, are available from the ultimate parent, Liberty Mutual Holding Company Inc, 175 Berkeley Street, Boston, MA 02117, United States of America.