ASSURANT®

Registered number 01865673

London General Insurance Company Limited
Annual report and financial statements
for the year ended 31 December 2019

ASSURANT®

London General Insurance Company Limited

Annual report and financial statements 2019

Table of contents

ASSURANT®

Company information

Registered Number:	01865673
Directors:	M Carter C Formby Hernandez C Kersley R Morales-Gomez S Purdy C Sarfo-Agyare
Company Secretary:	N Paddock
Registered office:	TWENTY Kingston Road Kingston Road Staines-upon-Thames Surrey TW18 4LG United Kingdom
Independent auditors:	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors 7 More London Riverside London SE1 2RT

Strategic report

The directors present their Strategic report for London General Insurance Company Limited ("the Company") for the year ended 31 December 2019.

Principal activities

The Company's ultimate parent is Assurant, Inc. (herein also referred as "Assurant"), which is a global provider of risk management products and services. The principal activities of the Company is underwriting of general insurance business of Assurant in the UK and Europe ("Assurant Europe group" or "AEG"). AEG is a leading provider of automotive protection and mobile device solutions, with a focus on helping connected customers keep their lives running smoothly. Serving 46 million European customers, AEG protects customers in the UK, France, Spain, Germany, the Netherlands, Romania, Hungary, Ireland and Italy and primarily operates with distribution partners by meeting their customer needs.

AEG is part of the International business unit of Assurant, Inc. ("AIZ"). AIZ is a leading global provider of housing lifestyle and preneed solutions that support, protect and connect major consumer purchases. Anticipating the evolving needs of consumers, Assurant partners with the world's leading brands to develop innovative products and services and to deliver an enhanced customer experience. As a group headed globally by a Fortune 500 company, Assurant partners with clients who are leaders in their industries to provide consumers with a range of protection products and services, and is among the market leaders in mobile device solutions; extended service contracts; vehicle protection services; pre-funded funeral insurance; renters insurance and lender placed homeowners insurance.

Overseas branches

The Company operates branches in Austria, Belgium, France, Germany, Republic of Ireland, Italy, Luxemburg, Netherlands, Poland, Portugal, Spain and Switzerland.

Review of the Business

Strategy

The Company, as part of AEG, aims to create solutions that increase customer loyalty and value, pursue organic and acquisitive growth, build credibility and reputation in the industry, leverage industry best practice to maximise cost-leadership and pursue a compliance-led culture as a competitive advantage.

The Company plans to deliver growth in earnings and profit by continuing to grow its insurance client relationships by executing a strategy of developing capability in product areas. The Company has ensured that suitable safeguards to control the risks associated with this strategy are implemented to prevent any increase to the Company's risk profile.

Brexit

The Company, as part of the AEG is committed to providing clients and policyholders in Europe with its full suite of innovative risk management solutions including insurance and non-insurance related products. Currently, AEG have market presence within UK and across mainland Europe and has contract with customers within these local markets. Assurant's global expertise is delivered in a culturally sensitive way; aligned to the consumer's need within their local market.

Following the referendum result in 2016, AEG is committed to establish new European non-life and life insurers outside of the UK. The new insurers will be used to underwrite new policies and renew existing policies for both existing EU and new EU clients of AEG's UK insurers. The move from the existing insurers will be managed in order to minimise the operational risk and disruption to customers, clients and AEG related undertakings' employees.

Strategic report (continued)

Review of the Business (continued)

The volume of business underwritten by the Company will reduce over the plan period as the existing portfolio of EU policies in force renews in the new insurers, terminates, lapses or expires. Assurant group has also commenced approvals for a Part VII transfer to move any existing non-UK business out of its UK insurers and into the new insurers. This is expected to complete in 2020 and will affect any remaining policies that are yet to reach renewal, as at the transfer's effective date. Following completion of the above, LGI's insurance business will be focussed solely on UK business.

Results and dividends
Profit on ordinary activities after tax for the year was £5,264,000 (2018: loss of £422,000). Dividends of £20,300,000 were paid during the year (2018: £20,000,000). The Directors do not recommend the proposal of any further dividend in respect of the year ended 31 December 2019.

Financial performance
The Board of Directors (the Board) monitors the financial performance of the Company by reference to the following Key performance indicators (KPIs):

	2019	2018
	£'000	£'000
		(Restated)
Gross written premiums	**82,355**	100,328
Net written premiums	**52,964**	65,092
Net earned premiums	**77,435**	100,273
Net incurred claims	**26,657**	33,261
Net commissions incurred	**45,187**	59,038
Operating expenses	**3,229**	7,413
Net operating expenses	**48,416**	66,451
Retention	**2,362**	561
Loss ratio	**34%**	33%
Commission ratio	**58%**	59%
Expense ratio	**4%**	7%
Combined operating ratio	**96%**	99%

Comparative amounts have been restated for an error that affected previous years. For more information refer to note 1a of the financial statements.

Retention is defined as earned premiums less the sum of claims incurred, commissions incurred and movement in other technical provisions, net of reinsurance. Loss ratio is defined as the ratio of net incurred claims to net earned premiums. Commission ratio is defined as the ratio of net commissions incurred to net earned premiums. Expense ratio is defined as the ratio of other operating expenses to net earned premiums. Combined operating ratio is the sum of loss ratio, commission ratio and expense ratio.

In 2019, the Company's gross written premiums reduced by 18% to £82,355,000 from £100,328,000 in 2018. £13,448,000 of this reduction can be attributed to vehicle protection and extended warranty lines of business, following Assurant's strategy to expand its business for other lines of business. Further, £4,396,000 of reduction was due to the run off of the creditor business.

Strategic report (continued)

Review of the Business (continued)

The Company's net earned premiums reduced by 23% to £77,435,000 from £100,273,000 in 2018. This was due to the reduction in written premiums as above, in addition to the impact of moving from single premium to regular premium products. The combined ratio has improved compared with the prior year at 96%, as the Company has been able to reduce expenses as the volume of business has reduced. This, together with reductions in claims costs and commissions, has resulted in a 321% increase in retention to £2,362,000 from £561,000 in 2018.

Principal risks and uncertainties

The Company participates in AEG's risk management systems. AEG has developed a framework for identifying risks that the Company is exposed to and their financial impact to the Company. The process is risk based and is used to manage the Company's capital requirements and to ensure that the Company has the financial strength and capital adequacy to meet the requirements of policyholders and the regulators.

The principal risk facing the Company remains Brexit:

- The Company utilises EU passporting regulations in order to underwrite insurance policies in other EU countries outside of the UK. As a result of Brexit, AEG is in the process of establishing new EU insurers to underwrite this business in the future materially reducing the size of the Company's insurance portfolio.
- The Company has initiated the process to transfer the remaining EU portfolio to the new EU insurers (a "Part VII" transfer) which is expected to be completed in 2020.

Other key risks facing the Company arise from deterioration of claims experience; maintaining adequate resources; failure to comply with local regulatory and legal requirements; and exposure to changes in the value of investments. Further details are given in note 21 to the financial statements.

COVID-19

The Company is part of the Assurant, Inc. group. As a global organisation, Assurant has been actively monitoring the developments of the rapidly evolving situation resulting from COVID-19. Throughout this period of uncertainty, Assurant has acted swiftly and deliberately to safeguard employees, customers and business operations in line with Assurant values.

Assurant believes that it must continue to do its part to stem the spread of the virus, while also minimising any disruptions to its operations. To that end, as the virus moved from east to west across the world, Assurant implemented a regional, then global ban on business travel and established work-from-home protocols for employees that are able to do so. For those employees that need to work in global facilities, Assurant continues to enforce safety and hygiene protocols, such as social distancing, per the guidelines of the Center for Disease Control and the World Health Organisation, to safeguard its employees.

Communication throughout this time of uncertainty has been paramount. In addition to communicating with its employees, Assurant has been in direct and regular contact with clients, who also are experiencing the challenges of COVID-19, to ensure Assurant does the utmost to support them and their end-consumers.

Beyond the needs of its employees and customers, Assurant also has been active in maintaining its support within local communities by delivering on its charitable contributions and commitments.

The Company will continue to evaluate additional actions as the situation evolves.

It remains too early to quantify the impact of COVID-19 on the Company's future performance, which will depend on a number of factors including the extent and duration of the period of disruption and the impact on the UK and European economy. At this point the Company remains focused on supporting its fellow group undertakings' employees and its customers through these challenges whilst maintaining its operational and financial resilience.

Strategic report (continued)

Principal risks and uncertainties (continued)

The Company continues to serve its customers together with its business partners. Although the UK and EU economy has seen wider adverse effects of COVID-19, the insurance industry has been affected to varying degrees. Business volumes may reduce as a direct result of declining economic activity. Vehicle warranty business may reduce significantly as distribution channels may see significant reduction in sales and resale activity. The Company may face increased claims costs if it has no other alternative to settle retail goods claims in cash, and if the repair network for motor warranty claims is disrupted.

The COVID-19 crisis has seen increasing credit spreads which adversely affects the market valuation of the Company's corporate bond portfolio. The Company is working with its investment advisors, including reviewing the impact of various stresses on the portfolio, to determine the impacts and ensure they remain within the Company's risk buffers. Investment advisors have not identified any holdings as being at specific risk of default however they have identified a number of sectors, including for example transport/leisure, as being at risk of downgrade and this continues to be monitored.

Currency exchange rate fluctuations may adversely impact the foreign currency denominated net assets of the Company the majority of which are in the Euros.

As the Company distributes products through third parties it has a number of counterparties owing balances although these are usually settled quickly. Reinsurance exposure is primarily with other group companies and therefore the risk is deemed low.

The COVID-19 crisis has severely affected the UK and EU workforce. The Company faces an unprecedented challenge in terms of its ability to provide ongoing customer policy and claims administration services through AEG related undertakings. Work from home protocols have been established for the majority of staff. Contact has been made with third party providers to understand their situation and mitigation plans for the current events and ensure that they can continue to support the firm. A number of providers have implemented work from home mitigations, like most companies globally.

Future outlook

From 2020 the Company will cease to underwrite new policies and renew existing policies for both existing EU and new EU clients of the Company. The Company has also commenced approvals for a Part VII transfer to move any existing non-UK business out of its UK insurers and into the new insurers of AEG. This is expected to complete sometime in 2020 and will affect any remaining policies that are yet to reach renewal, as at the transfer's effective date. Following completion of the above, the Company's insurance business will be focussed solely on UK business.

The Company will maintain strong, existing income from its UK business and will continue to invest in its supply chain capability and enhanced technology platform, while continuing to focus on expansion in its vehicle protection and extended service contracts business.

Solvency and capital

The Company is a SCR firm and has assessed its solvency and capital positions using the valuation requirements set out in the Solvency II regulations. The Company uses the Standard Formula solvency capital requirement for the calculation of its regulatory capital required.

In order to ensure that the Company appropriately manages its solvency position the Board set target solvency ratios against which actual solvency is monitored on a quarterly basis. The Company complied with the capital resources requirements throughout the year.

The Company received no capital injections from its immediate parent undertaking, TWG Europe Limited, during the year (2018: £nil).

Strategic report (continued)

Section 172 statement

The individual directors are aware and mindful of their duty under s.172(1) of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the likely consequences of any decision in the long term, the interests of the Company's employees, the need to foster the Company's business relationships with supplier, customers and others, the impact of the Company's operations on the community and the environment, the desirability of the Company in maintaining a reputation for high standards of business conduct and the need to act fairly as between members of the Company (together, the "S.172(1) Matters").

Induction materials provided to directors on appointment include an explanation of directors' duties, including the S.172(1) Matters, and the Board is periodically reminded of the S.172(1) Matters, particularly when a strategic decision is due to be taken by the Board.

The Board recognises that difficult decisions must sometimes be taken which require each director to exercise independent judgment and apply reasonable care, skill and diligence in the decision-making process. In doing so, the Board recognises its responsibilities to the Company's different, but mainly interrelated, stakeholder groups.

The Board has determined the Company's key stakeholder groups to be: Customers, Business Partners (including clients, suppliers and others in a business relationship with the Company), People, Regulators, Shareholders and the Community (together, the "Stakeholder Groups"). Each Stakeholder Group plays an important role in the ability of the Company to execute its strategy and deliver on our unwavering purpose; to protect what matters most in accordance with Assurant's uncompromising values.

The Company has processes in place to capture and consider the views of its Stakeholder Groups and share their views at relevant levels within the business, including with the Board, to ensure that regard is given to these views in decision-making processes. Examples are provided below of typical methods of engagement with the Stakeholder Groups and how the Board stays apprised of their views to inform its decision-making.

Customers

The Company prides itself on anticipating the needs of the people it serves so it can deliver a differentiated customer experience. Various methods are utilised to understand customer needs and feedback including Net Promoter Scores, Customer Effort Scores, complaints information and feedback shared by customers directly with contact centre operatives.

Views gathered from customers are reported, discussed and utilised at all levels of the governance framework, from the Customer Experience Forum, where Management reviews product performance, key customer metrics and root cause analysis of complaints and claims are reported to the Board where the Customer Services Director informs the Board directly as to customer matters on at least a quarterly basis, ensuring the Board takes customer interests into account in its decision-making.

In 2019, the Company implemented a number of enhancements to the customer experience as a direct result of customer feedback, including an improved online claims journey, allowing customers to log claims online, and introduction of further customer choice as to claim fulfilment channels.

Business Partners

The Board recognises the need to foster the Company's business relationships with suppliers, clients and others and ensures that the Company has processes in place to engage and consult with its business partners on a regular basis to develop and maintain lasting and meaningful relationships.

Strategic report (continued)

Section 172 Statement (continued)

The Company conducts regular strategic reviews with key clients to understand their strategic agenda, key strategic initiatives and identify opportunities for collaboration. Agreed opportunities are documented in a joint annual plan with key initiatives, milestones and dependencies. Progress against the plan is reported and discussed at appropriate levels of the governance framework, including key strategic updates to the Board by the President, Europe (Chief Executive).

Regular market and customer insight events are held with clients to identify key trends that may impact the business over the medium term. Ongoing research is undertaken with our clients' customers via a variety of methodologies to understand the evolving need of customers. This is supplemented with proprietary market research to develop and refine the Company's product strategy with a detailed roadmap for delivery.

The Company proactively engages and consults with its suppliers as required to understand their views and needs. The Company is mindful of its payment policies, practices and performance with respect to its suppliers and takes steps to ensure that agreed payment terms are adhered to so as not to adversely affect supplier cash flows and ability to trade. Prior to making internal process improvements, consideration is given to the potential impact of proposed changes upon suppliers and other business partners.

People

The Company utilises the services of employees of its related undertakings within AEG and, as such, benefits from the tools employed by such undertakings to seek and utilise the views of people including via informal feedback, Employee Voice forums, periodic Employee Opinion Surveys and formal reporting through the governance framework.

The Company's HR Director serves on the Board as an executive director and keeps the Board directly informed as to People and Culture matters via a standing agenda item at quarterly Board meetings.

In 2019, employees participated in an Employee Opinion Survey, the results of which were shared with the Board to inform the Board's decisions as to enhancements to be made by the business with respect to people.

Regulators

The Company proactively participates in periodic meetings and interactions with its regulators as appropriate to fully understand regulatory views and feedback, including full and active participation in industry thematic reviews and application of any resulting learnings to drive business improvements.

The Company operates a horizon-scanning process to ensure that upcoming regulatory change, consultations, guidance and "hot topics" are known and understood by the business, enabling any resulting internal actions to be taken.

Regulatory matters are reported, discussed and actioned at all levels within the Company's governance framework. The Chief Compliance Officer reports regulatory matters directly to a Board-level committee on at least a quarterly basis and Board-level deep dives and briefings into regulatory topics are held as and when required. This ensures that directors are kept informed of regulatory views and matters to enable the Board to make decisions which are aligned with regulatory objectives and views and the Company's Senior Managers and Certification Regime Framework.

Strategic report (continued)

Section 172 Statement (continued)

In 2019, the Board took Brexit-related decisions which had potential to affect all of the Company's Stakeholder Groups. Although all of the S172(1) Matters were taken into account in the Board's decision-making processes, regulatory considerations were key given the Company's loss of regulatory permissions to operate in Europe post-Brexit. The Company heavily engaged with regulators in the UK and Europe to stay informed as to each regulator's views and responses to Brexit, including as to any transitional arrangements. Information such as this was shared regularly with the Board to ensure the directors had all relevant information available when deciding on the Company's Brexit strategy.

Shareholders

AIZ, the Company's ultimate parent company, has ongoing engagement with its stockholders on the enterprise's corporate governance practices, executive compensation program and environmental and social topics. A senior employee of AIZ serves on the Board as a group non-executive director with a specific mandate to keep the Board informed as to shareholder (AIZ) views and provide alignment with AIZ. This is facilitated via a standing agenda item at quarterly Board meetings.

Community

Assurant's core values - Common Sense, Common Decency, Uncommon Thinking, Uncommon Results - guide the Company's actions and inspire its commitment to be a responsible corporate citizen. As part of Assurant's Social Responsibility Framework, the Company actively engages in strengthening its local community, while operating its business with a meaningful environmental commitment.

For example, the Company participates in local business community groups to better understand what matters to those in its community and how the Company can utilise its expertise and support to add value.

In 2019, social responsibility and sustainability matters were discussed at Board meetings which were informed by both internal briefings and emerging regulatory views, particularly relating to climate change considerations.

E-SIGNED by Claude Sarfo-Agyare
on 2020-05-11 13:14:52 GMT

By Order of the Board

C Sarfo-Agyare,
Chief Financial Officer
11 May 2020

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

As permitted by section 414C (11) of the Companies Act 2006, certain information is not included in the Directors' report as this is shown in the Strategic report. This information is:

- Principal activities of the Company
- Information about overseas branches
- Business review and outlook
- Results and dividends
- Principal risks and uncertainties
- Statement on engagement with suppliers, customers and others in a business relationship with the Company (included as part of section 172 statement in the Strategic report)

Directors

The directors set out below have held office during the whole of the year from 1 January 2019 to the date of this report unless otherwise stated.

M Carter	
C Formby Hernandez	(Appointed 4 November 2019)
C Kersley	
R Morales-Gomez	
S Purdy	(Appointed 1 November 2019)
C Sarfo-Agyare	
G Bartlett	(Resigned 31 December 2019)
A Morris	(Resigned 4 November 2019)

Directors' qualifying third party and pension indemnity provisions

There are no qualifying indemnity provisions for the benefit of any of existing or previous directors of the Company.

Political contributions

During the year no donations were made by the Company for charitable or political purposes (2018: £nil).

Financial instruments

The Company's risk management policies in respect of financial instruments are given in note 21 to the financial statements.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Directors' report (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance contracts", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 and FRS 103, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

The Company manages its capital resources including its cash and investment portfolio in order to maintain adequate solvency.

In preparing these financial statements on a going concern basis the directors have prepared forecasts, taking into account the impact of reasonably possible fluctuations arising from future events in general and impact of Brexit and COVID-19 in particular.

As a result of the assessments made, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future and accordingly that the going concern basis of preparation is considered to be appropriate.

Post balance sheet events

The Company has no post balance sheet events requiring adjustment to financial statements. For information on Brexit and COVID-19 refer to the Strategic report.

Directors' report (continued)

Independent auditors

The Company has elected, in accordance with Section 487 of the Companies Act 2006, to dispense with the obligation to appoint auditors annually. PricewaterhouseCoopers LLP has indicated their willingness to remain in office.

E-SIGNED by Claude Sarfo-Agyare
on 2020-05-11 13:16:41 GMT

By Order of the Board

C Sarfo-Agyare,
Chief Financial Officer
11 May 2020

Independent auditors' report to the member of London General Insurance Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, London General Insurance Company Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the profit and loss account, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit, Risk and Compliance Committee (ARCC).

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

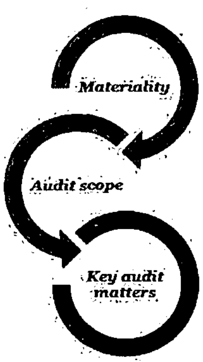
We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview



- Overall materiality: £824,000 (2018: £980,000), based on 1% of gross written premiums.

- We conducted all of our work using one team in Staines where information is available for all the overseas branch operations. We performed audit procedures over all material account balances and financial information of the Company

- Impact of COVID-19 subsequent event on the going concern of the company
- Valuation of provisions for claims incurred but not reported

ASSURANT®

Independent auditors' report to the member of London General Insurance Company Limited (continued)

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud
Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Financial Conduct Authority and Prudential Regulation Authority's regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, Prudential Regulation Authority's regulations, Financial Conduct Authority's regulations and UK and overseas tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to reported financial performance, management bias in accounting estimates and use of inappropriate claims data within insurance contract liability calculations. Audit procedures performed by the engagement team included:

- review of the financial statement disclosures to underlying supporting documentation;
- review of correspondence with the Prudential Regulation Authority and Financial Conduct Authority and tax authorities;
- review of correspondence with legal advisors;
- enquiries of management;
- Challenging assumptions, judgements and data used by management in their significant accounting estimates, in particular in relation to insurance contract liabilities;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- review of internal audit reports in so far as they related to the financial statements.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

ASSURANT®

Independent auditors' report to the member of London General Insurance Company Limited (continued)

Key audit matter	*How our audit addressed the key audit matter*
Impact of COVID-19 subsequent event on the going concern of the company As disclosed in Note 24, subsequent to the balance sheet date and up to the point of reporting there has been a global pandemic of a new strain of Coronavirus (COVID-19) which has caused significant economic disruption. This outbreak and subsequent spread of the virus does not provide additional evidence about the situation that existed at 31 December 2019, and the Management consider it is therefore a non-adjusting event. Management have ensured that the measurement of assets and liabilities reflects only the conditions that existed at the reporting date. However, events after the reporting date can provide additional information about the uncertainties that existed at the reporting date. Subsequent to the year-end management have performed procedures to assess the financial and operational impacts of COVID-19 which include: • Assessing the operational resilience of the • company to continue its operations; • Operation of a risk management framework to ensure a sufficient capital surplus is maintained to meet liabilities, even under stress scenarios and having robust plans for certain management actions if the company falls outside its approved risk appetite; • Frequent monitoring of the company's solvency coverage ratio; and • Actively managing the company's capital and liquidity position. Management have placed a particular focus on the level of capital surplus that has been maintained post year end and the risks associated with liquidity and the credit quality of assets and through this have concluded that the company is able to meet its liabilities and continues to be a going concern. This assessment requires significant management judgement and the consideration of a range of factors that may impact the company.	We assessed management's approach to the impact of COVID-19 on the company and the financial statements by performing the following procedures: • Evaluated management's stress and scenario testing and challenged management's key assumptions and estimates used in estimating the potential range of impacts of COVID-19 on the company. This included considering the consistency of the judgements and estimates with other available information and our understanding of the business; • Evaluated management's assessment of the risks facing the company including liquidity risk, asset credit risk and operational matters; • Evaluated the actual trading results for the post year end period to the most recently available, unaudited management accounts and investment reports; • Considered the impact of COVID-19 on the level of claims received post year end and expected impact on future claims and the potential impact on the claims incurred but not reported provisions. • Assessed the mitigating actions management have put in place to respond to the pandemic and further plans they have if required due to further deterioration of the wider UK and Global economy; • Attended the Audit and Risk Committee meeting which considered COVID-19 in advance of reporting; and • Assessed the disclosures made by management in the financial statements and checked consistency of the disclosures with our knowledge of the company based on our audit and procedures above. Based on the work performed and the evidence obtained, we consider the disclosure of the potential impact of COVID-19 in the financial statements to be appropriate.

Independent auditors' report to the member of London General Insurance Company Limited (continued)

Key audit matter	*How our audit addressed the key audit matter*
Valuation of provision for claims incurred but not reported The Company holds a provision for claims incurred but not reported of £13,782,000 (2018: £17,018,000) within the overall claims outstanding balance of £32,318,000 (2018: £35,946,000). These provisions are recognised to account for the expected costs associated with unpaid claims which have not been reported at the balance sheet date, where there is evidence to suggest that claims have been incurred as of the balance sheet date. We focussed our testing on claims incurred but not reported because the directors apply judgement in determining appropriate estimation techniques using statistical analysis of historical claims experience, and there may be changes in these assumptions year on year. The calculation of claims incurred but not reported are impacted by a number of assumptions which we focussed on, including, but not limited to: - Claims volumes; - Average cost of claims settlement; and - The length of the claims development period. The above are subject to estimation uncertainty and as a result there is an increased risk that valuation may be materially over or under stated. There is also a risk that data extracted from claims management systems to perform calculations is not complete or accurate. The Company operates a number of different claims management systems and data could be subject to manual manipulation or error post extraction.	We tested claims incurred but not reported valuation models and independently corroborated key inputs and assumptions, and checked the mathematical accuracy of the calculations by performing the following: • We performed detailed testing of the key inputs into the model, including agreeing claims and premium data used to support actuarial calculations back to source transactions, and performed testing to ensure that the claims data used by management in provisions calculations is complete. • We reviewed the historical accuracy of previous incurred but not reported provisions calculations relative to actual customer behaviour to assess the ability of the director's to set reasonable assumptions in the context of the Company's different books of business. • We engaged actuarial specialists to review the methodology for incurred but not reported provisions and the basis for setting assumptions in respect of 'incurred but not reported' provisions. This involved obtaining and challenging technical papers that set out the relevant factors taken into account by the directors' when making judgements relating to insurance reserves. Our specialists assessed the incurred claims experience in order to consider whether past data is representative of assumptions used within the valuation models. Actuaries were also responsible for identifying the data extraction processes in place that are undertaken prior to management's performance of reserving calculations. • Where there was a 'short tailed' element in the claims development period, we performed testing over the after date outrun of claims, and compared the actual loss experience of year end claims to the recorded provision at the balance sheet date. • We considered whether the incurred but not reported provisions were appropriate in the context of the Company's book of business and changes in the mix of business written over time. Based on the evidence we obtained, we determined that the assumptions and methods used within the calculations of the provision for claims incurred but not reported were reasonable, and that the underlying data used to calculate insurance provisions is complete and accurate. We concluded that the provision for claims incurred but not reported are reasonable and calculated in accordance with applicable accounting standards.

Independent auditors' report to the member of London General Insurance Company Limited (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

Materiality

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 in aggregate 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	£824,000 (2018: £980,000).
How we determined it	1% of gross written premiums.
Rationale for benchmark applied	In determining materiality, we considered financial metrics which we believed to be of most relevance to the users of the financial statements and concluded that gross written premiums is considered to be the most appropriate benchmark to use. We considered gross written premiums to be the most appropriate financial metric to represent the performance of the business in the year and expansion across different parts of Europe.

We agreed with ARCC that we would report to them misstatements identified during our audit above £41,000 (2018: £49,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the member of London General Insurance Company Limited (continued)

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on pages 9 and 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the member of London General Insurance Company Limited (continued)

Use of this report
This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of ARCC, we were appointed by the directors on 30 November 2018 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2018 and 31 December 2019.

Gary Shaw (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 May 2020

Profit and loss account

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000 (Restated)
Technical account - general business			
Gross premiums written	3	82,355	100,328
Outward reinsurance premiums		(29,391)	(35,236)
Written premiums, net of reinsurance		52,964	65,092
Change in the gross provision for unearned premiums	14	30,492	43,859
Change in the provision for unearned premiums, reinsurers' share	14	(6,021)	(8,678)
Change in unearned premiums, net of reinsurance		24,471	35,181
Earned premiums, net of reinsurance		77,435	100,273
Allocated investment return transferred from the non-technical account		484	365
Total technical income		77,919	100,638
Claims paid - gross amount	14	(37,846)	(45,104)
- reinsurers' share	14	9,722	11,707
Net claims paid		(28,124)	(33,397)
Change in the provision for claims - gross amount	14	1,987	3,095
- reinsurers' share	14	(520)	(2,959)
Net change in the provision for claims		1,467	136
Claims incurred, net of reinsurance		(26,657)	(33,261)
Net operating expenses	6	(48,416)	(66,451)
Total technical charges		(75,073)	(99,712)
Balance on the technical account for general business		2,846	926
Non - technical account			
Investment income	5	3,345	4,295
Investment expenses and losses on realisation of investments	5	(2,272)	(3,471)
Unrealised gains on investments	5	2,972	-
Unrealised losses on investments	5	-	(1,045)
Allocated investment return transferred to the general business technical account		(484)	(365)
Other (expenses)/income		(300)	352
Profit on ordinary activities before tax	7	6,107	692
Tax on profit on ordinary activities	9	(843)	(1,114)
Profit/(loss) for the financial year		5,264	(422)

Statement of comprehensive income

For the year ended 31 December 2019

	2019 £'000	2018 £'000 (Restated)
Profit/(loss) for the year	5,264	(422)
Currency translation differences on foreign branches	(609)	587
Total comprehensive income for the year	4,655	165

All profit and loss account transactions relate to continuing operations.

Comparative amounts have been restated for an error that affected previous years. For more information refer to note 1a.

The notes on pages 23 to 55 form an integral part of these financial statements.

ASSURANT®

Balance sheet

As at 31 December 2019

	Note	2019 £'000	2018 £'000 (Restated)
Assets			
Intangible assets	10	2	11
Investments			
Other financial investments	11	175,969	206,557
Reinsurers' share of technical provisions			
Provision for unearned premiums	14	41,832	49,271
Claims outstanding	14	6,865	7,725
		48,697	56,996
Debtors - amounts falling due within one year			
Debtors arising out of direct insurance operations - policy holders		469	472
- intermediaries		20,902	22,935
Debtors arising out of reinsurance operations		1,809	3,191
Other debtors	13	3,195	2,620
Amounts owed by group undertakings	12	1,806	1,577
		28,181	30,795
Other assets			
Tangible fixed assets		1	5
Cash at bank and in hand		4,533	2,577
		4,534	2,582
Prepayments and accrued income			
Accrued interest		1,169	1,498
Deferred acquisition costs	14	76,337	98,267
Other prepayments and accrued income		26	312
		77,532	100,077
Total assets		334,915	397,018

Comparative amounts have been restated for an error that affected previous years. For more information refer to note 1a.

Balance sheet

As at 31 December 2019

	Note	2019 £'000	2018 £'000 (Restated)
Equity and liabilities			
Capital and reserves			
Called up share capital	20	**34,000**	34,000
Foreign exchange reserve	20	**(868)**	(259)
Profit and loss account		**58,019**	73,055
Total Shareholder's funds		**91,151**	106,796
Technical provisions			
Provision for unearned premiums	14	**143,437**	178,664
Claims outstanding	14	**32,318**	35,946
		175,755	214,610
Provision for liabilities and charges	17	**164**	-
Creditors - amounts payable within one year			
Creditors - direct insurance operations		**27,966**	27,767
- reinsurance operations		**3,239**	3,136
Other creditors including taxation and social security	16	**8,584**	9,994
Amounts due to group undertakings	15	**4,337**	6,285
Deferred tax liabilities	18	**700**	961
Accruals and deferred income	19	**23,019**	27,469
Total equity and liabilities		**334,915**	397,018

Comparative amounts have been restated for an error that affected previous years. For more information refer to note 1a.

The notes on pages 23 to 55 form an integral part of these financial statements.

The financial statements on pages 19 to 55 were approved and authorised for issue by the Board of Directors on 11 May 2020 and were signed on its behalf by:

E-SIGNED by Claude Sarfo-Agyare
on 2020-05-11 13:16:57 GMT

C Sarfo-Agyare,
Chief Financial Officer
Registered Number 01865673

Statement of changes in equity

For the year ended 31 December 2019

	Share capital £'000	Foreign exchange reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2018	34,000	(846)	93,307	126,461
Effect of restatement (note 25)	-	-	170	170
At 1 January 2018 (restated)	34,000	(846)	93,477	126,631
Loss for the financial year	-	-	(422)	(422)
Exchange difference on translation of foreign operations	-	587	-	587
Total comprehensive income for the year	-	587	(422)	165
Dividends paid to share holder	-	-	(20,000)	(20,000)
At 31 December 2018	34,000	(259)	73,055	106,796
Profit for the financial year	-	-	5,264	5,264
Exchange difference on translation of foreign operations	-	(609)	-	(609)
Total comprehensive income for the year	-	(609)	5,264	4,655
Dividends paid to share holder	-	-	(20,300)	(20,300)
At 31 December 2019	34,000	(868)	58,019	91,151

The notes on pages 23 to 55 form an integral part of these financial statements.

Notes to the financial statements

London General Insurance Company Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is provided in the Company information shown on page 1. The nature of the Company's operations and its principal activities are set out under the Strategic Report on pages 2 to 8.

1. Accounting policies

a. Basis of preparation and statement of compliance

The financial statements have been prepared under the provisions of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI 2008/410") relating to insurance companies' individual financial statements and the provisions of Companies Act 2006. The financial statements have been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments, and in accordance with Financial Reporting Standard 102 (FRS 102) and Financial Reporting Standard 103 (FRS 103) issued by the Financial Reporting Council (FRC).

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its ultimate parent, Assurant, Inc., which may be obtained from the address given in note 23. As permitted by section 1.12 of FRS 102, exemptions have been taken in these financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel. As the Company is a wholly owned subsidiary it has taken advantage of the exemption permitted by FRS 102 Section 33 Related Party Disclosures, not to disclose transactions or balances with other wholly owned members of the same group.

Accounting policies have been consistently applied year on year other than the restatement of certain item due to an accounting error that affected previous periods. For more information refer to note 25.

b. Functional and presentation currency

The functional currency of the Company is considered to be pounds sterling (GBP) since that is the currency of the primary economic environment in which the Company operates. The presentational currency of the financial statements is also pounds sterling. Except as otherwise indicated, all financial information presented in GBP has been rounded to the nearest thousand (£'000).

c. Going concern

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing these financial statements.

d. Premium income

Written premiums comprise the total premiums receivable for the whole period of cover provided by contracts incepted during the financial year, together with adjustments arising in the financial year to such premiums receivable in respect of business written in previous financial years.

All premiums are shown gross of commission payable to intermediaries.

Written premiums exclude insurance premium tax.

Notes to the financial statements

1. Accounting policies (continued)

e. Underwriting results

Underwriting results are determined after making allowance for unearned premiums, deferred acquisition costs and claims outstanding, as follows:

Unearned premiums:
The element of premiums written in the year which relates to coverage extending beyond the end of the financial year is carried forward to subsequent accounting periods as unearned premiums. Unearned premiums are calculated on a daily basis using an earnings pattern appropriate to the risk profile of the policies.

Deferred acquisition costs:
Acquisition costs represent commissions paid and other expenses, which are deferred over the period in which the related premiums are earned.

Claims incurred:
Claims incurred comprise claims and directly related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related direct expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for other recoveries.

Claims outstanding:
Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company. The estimated cost of claims includes expenses to be incurred in settling claims. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claims event is generally available.

Reinsurance:
Contracts entered into by the Company with reinsurers, under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts.

The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurance companies. The reinsurers' share of claims incurred, in the profit and loss account, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the profit and loss account as 'Outward reinsurance premiums' when due.

Notes to the financial statements

1. Accounting policies (continued)

f. Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, treasury bills and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

g. Financial instruments

Financial assets and liabilities
Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

All financial assets are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the profit and loss account, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. The Company holds only basic financial assets that include trade and other receivables, cash and bank balances and other financial investments. Such assets are subsequently carried at amortised cost using the effective interest method except for other financial investments which are carried at fair value. The changes in fair value of other financial investments is recognised in the profit and loss account, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably, are measured at cost less impairment.

Financial assets and liabilities are only offset in the Balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit and loss account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Notes to the financial statements

1. Accounting policies (continued)

g. Financial instruments (continued)

The Company holds only basic financial liabilities that include loans and payables that are classified as payable within one year on initial recognition are measured at the undiscounted amount of the cash or other consideration expected to be paid. Financial liabilities are subsequently measured at amortised cost using effective interest rate method.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

h. Impairment of assets

Assets are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the profit and loss account as described below.

Non-financial assets
An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or Cash generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit and loss account. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit and loss account.

Financial assets
At each reporting date the Company assesses whether financial assets are impaired. A financial asset is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably. For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. All such impairment losses are recognised in the profit and loss account.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the cumulative impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset only to the extent that the revised recoverable value does not exceed the carrying value had no impairment been recognised.

Notes to the financial statements

1. Accounting policies (continued)

i. Investment income

Investment income comprises interest, realised investment gains and losses and movements in unrealised gains and losses on investments held at current market value, net of investment expenses and charges.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and original cost. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or if they have been previously valued, their valuation at the last balance sheet date. The movements in unrealised gains and losses recognised in the year also included the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investments disposed of in the current year.

Interest income on fixed interest securities and deposits is accounted for using accrual basis.

j. Intangible fixed assets

Intangible fixed assets consist entirely of computer software and the economic life is determined by management by considering relevant factors such as the usage of the asset and potential obsolescence. Expenditure on computer software is capitalised and amortised over the estimated useful economic lives of the assets on a straight line basis.

Software is amortised over a period of 3 - 7 years. For intangibles with finite useful lives, impairment charges are recognised in the profit and loss account where evidence of such impairment is observed.

The amortisation charge is included in the profit and loss account under administrative expenses.

k. Tangible fixed assets

Tangible fixed assets are stated at their purchase cost, together with any incidental expenses of acquisition. Depreciation is provided on all tangible fixed assets as well as accumulated impairment losses, so as to write off the cost and impairment, if any, less the expected residual value over the expected useful life of the assets concerned.

The Company has only two categories of tangible asset; computer equipment and motor vehicles. Depreciation using the straight-line method is provided for on these assets as follows:

Computer equipment	5 years
Motor vehicles	4 years

Repairs and maintenance costs are expensed as incurred.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no further economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss account and included in other operating profit/(losses).

Notes to the financial statements

1. Accounting policies (continued)

l. Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

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

Deferred tax
Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

m. Foreign currencies

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the rates of exchange ruling at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rates of exchange ruling at the time of the transaction and no subsequent retranslations of the assets or liabilities are made. Revenue transactions in foreign currencies are translated to the functional currency at an average rate for the year. Exchange gains and losses on retranslation or settlement of foreign currency balances are recognised in the profit and loss account.

Assets and liabilities of the overseas branches denominated in foreign currencies are translated into the reporting currency at the rates of exchange ruling at the end of the financial year. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in 'Other comprehensive income'.

n. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made for the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Notes to the financial statements

1. Accounting policies (continued)

o. Unexpired risks provision

A provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated based on information available at the balance sheet date.

Unexpired risk surpluses and deficits are offset where clients are managed together and a provision is made if an aggregate deficit arises. The unexpired risks provision would be included within 'Other technical provisions'.

At 31 December 2019 and 31 December 2018 the Company did not have an unexpired risks provision.

p. Other income

Other income, which includes profit share commission receivable, is accounted for on an accruals basis, when it is reasonably certain that the profit share commission will be received and the related amount can be measured reliably.

q. Dividends

Dividends unpaid at the Balance Sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies
The critical judgements the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Insurance contract technical provisions
For insurance contracts, estimates are required to be made for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date ("IBNR"). A significant period of time may elapse before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form a substantial part of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

Notes to the financial statements

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is analysed by accident years, and they are further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios.

Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g. to reflect one-off occurrences, changes in external or market factors such as economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium and recoverability of deferred acquisition costs. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

3. Particulars of business

Year ended 31 December 2019	Direct					
	Accident and health	Property	Third party liability	Misc. and pecuniary loss	Reinsurance accepted	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross premiums written	7,361	24,143	-	50,848	3	82,355
Gross premiums earned	9,020	25,157	-	77,768	902	112,847
Gross claims incurred	(7,649)	(7,966)	199	(20,653)	210	(35,859)
Gross operating expenses	(2,684)	(13,810)	(69)	(49,915)	(851)	(67,329)
Gross underwriting result	(1,313)	3,381	130	7,200	261	9,659
Reinsurance balance	493	(4,459)	(199)	(3,059)	(73)	(7,297)
Net underwriting result	(820)	(1,078)	(69)	4,141	188	2,362
Allocated investment income	126	52	-	297	9	484
Balance on technical account	(694)	(1,026)	(69)	4,438	197	2,846

Notes to the financial statements

3. Particulars of business (continued)

Year ended 31 December 2018	Direct					
	Accident and health	Property	Third party liability	Misc. and pecuniary loss	Reinsurance accepted	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross premiums written	9,840	33,198	-	57,201	89	100,328
Gross premium earned (restated)	13,471	32,657	-	96,722	1,337	144,187
Gross claims incurred	(8,772)	(9,617)	401	(23,958)	(63)	(42,009)
Gross operating expenses (restated)	(6,130)	(18,474)	(156)	(64,867)	(979)	(90,606)
Gross underwriting result	(1,431)	4,566	245	7,897	295	11,572
Reinsurance balance	656	(8,649)	(401)	(2,529)	(88)	(11,011)
Net underwriting result	(775)	(4,083)	(156)	5,368	207	561
Allocated investment income	85	36	-	234	10	365
Balance on technical account	(690)	(4,047)	(156)	5,602	217	926

Analysis by geographic area

Gross premiums written	2019 £'000	2018 £'000
United Kingdom	44,373	56,031
Rest of Europe	37,982	44,297
	82,355	100,328

4. Movement in prior year's provision for claims outstanding

Included within claims incurred in the technical account - general business is an amount of £ 8,736,000 (2018 : £5,516,000) being the difference between the provision for claims outstanding at the beginning of the year less payments made during the year on account of claims incurred in previous years and the provision for claims outstanding at the end of the year for such claims.

An analysis of the over / (under) provision at the rate of exchange prevailing at the reporting date is as follows:

	2019 £'000	2018 £'000
Accident & health	782	822
Property	8,866	3,160
Misc. & pecuniary loss	(912)	1,534
Total direct	8,736	5,516
Reinsurance	-	-
	8,736	5,516

Notes to the financial statements

5. Investment return

	2019 £'000	2018 £'000
Investment income		
Income from other financial investments	3,345	4,295
Losses on realisation of other financial investments	(1,901)	(3,203)
	1,444	1,092
Investment expenses and charges	(371)	(268)
Net unrealised gains/(losses) on other financial investment	2,972	(1,045)
Total investment return	4,045	(221)

Net unrealised gains/(losses) on other financial investments relate to fair value changes during the year.

6. Net operating expenses

	2019 £'000	2018 £'000
Acquisition costs	38,446	42,886
Change in deferred acquisition costs	19,662	30,715
	58,108	73,601
Administrative expenses	3,229	7,414
Gross operating expenses	61,337	81,015
Reinsurance commissions (note 14)	(18,907)	(24,106)
Change in deferred reinsurance commissions (note 14)	(6)	(49)
Commission and profit participations (2018: restated)	5,992	9,591
Net operating expenses	48,416	66,451

Total commission for direct insurance accounted for by the Company during the year amounted to £47,146,000 (2018: £60,899,000) and are included in acquisition costs and change in deferred acquisition costs.

7. Profit on ordinary activities before tax

The profit on ordinary activities before tax is stated after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation on tangible fixed assets	5	12
Amortisation of intangible fixed assets	9	54
Foreign exchange gains	(345)	(175)
Fees payable to the Company's auditors for audit of Company's financial statements	233	220

There are no amounts payable to the Company's auditors and their associates in respect of services to the Company and related entities, other than the audit of financial statements disclosed above.

Notes to the financial statements

8. Directors' remuneration and staff costs

The directors of the Company are paid by a fellow group undertaking, Lifestyle Services Group Limited (LSG). The aggregate amount of remuneration paid to directors by LSG was £1,588,000. In the prior year some of the out going directors post acquisition by Assurant, Inc., were paid by TWG Services Limited (TWGSL), a fellow group undertaking. During 2018 the aggregate amount of remuneration paid to directors by TWGSL was £5,076,000. No costs (2018: £Nil) were recharged to the Company in respect of their services as it is currently not possible to apportion these cost to the Company. Further information in respect of directors' remuneration paid by LSG is disclosed in the annual financial statements of LSG.

The number of directors, including the highest paid director, who are entitled to receive shares in the ultimate parent undertaking, Assurant, Inc., under long-term incentive schemes in the year was 2 (2018: None).

The number of directors to whom retirement benefits are accruing under the portable defined contribution pension scheme during the year was 3 (2018: 1).

Staff costs

The Company received services from its fellow group undertakings TWG Services Limited (TWGSL) and Lifestyle Services Group Limited (LSG) to administer the Company's business. No costs (2018: £nil) were recharged to the Company by TWGSL and LSG. One person in an administrative role was employed by the Company during the year ended 31 December 2019 (2018: 1).

The aggregate staff costs were as follows:

	2019 £'000	2018 £'000
Wages and salaries	**67**	61
Social security costs	**29**	25
	96	86

9. Tax on profit on ordinary activities

a) Analysis of tax charge for the year

	2019 £'000	2018 £'000
UK Corporation tax at 19% (2018: 19%)		
Current tax on profit for the year	**359**	203
Adjustments in respect of previous periods	**(129)**	(97)
Double tax relief	**-**	(75)
Foreign corporation tax on profit for the year	**1,245**	1,913
Adjustment to foreign corporation tax in respect of previous periods	**(663)**	268
Total current tax	**812**	2,212
Origination and reversal of timing differences	**(133)**	(132)
Different local basis of tax on overseas profits	**164**	(966)
Total deferred tax	**31**	(1,098)
Tax on profit on ordinary activities	**843**	1,114

Notes to the financial statements

9. Tax on profit on ordinary activities (continued)

b) Factors affecting the tax charge for the year

The total tax assessed for the year is lower (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000 (Restated)
Profit on ordinary activities before tax	6,107	692
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	1,160	131
Prior period restatement effect included in current year	74	(42)
Effects of:		
Adjustments to the tax charge in respect of previous periods	(792)	171
Expenses not deductible for tax purposes	(203)	-
Higher tax rates on overseas earnings	440	1,838
Different local basis of tax on overseas profits	164	(966)
Deferred tax rate change adjustment	-	(18)
Total tax charge for the year	843	1,114

c) Factors affecting current and future tax charges

The legislation as currently enacted states that the rate will reduce to 17% effective from 1 April 2020 onwards. However, the UK Government announced that it plans to remove the tax rate reduction in next Finance Bill, as such the future tax rate would remain at 19%. This change was substantively enacted on 17 March 2020 and will have the impact of increasing the tax charge in the future.

10. Intangible assets

	2019		
Software	Cost £'000	Accumulated amortisation £'000	Net book value £'000
As at 1 January	718	(707)	11
Amortisation charge for the year	-	(9)	(9)
As at 31 December	718	(716)	2

Net book value of above assets as at 31 December 2018 was £11,000.

11. Other financial investments

Following are the financial assets of the Company that are measured at fair value through the profit and loss account:

	Carrying value		Cost	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Debt securities and other fixed income securities - listed	152,494	171,349	152,818	174,811
Shares and other variable yield securities / units - listed	4,665	5,182	4,673	5,288
- unlisted	412	422	524	536
Money market funds	7,397	18,450	7,397	18,450
Deposits with credit institutions	11,001	11,154	11,001	11,154
Total other financial investment	175,969	206,557	176,413	210,239

All other financial assets of the Company are measure at amortised cost.

Notes to the financial statements

11. Other financial investments (continued)

The Company measures fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Inputs used in making a fair value measurement are classified as follows:

Level 1: fair values measured using quoted bid prices (unadjusted) in active markets for identical assets or liabilities. This category includes listed debt securities in active markets.

Level 2: fair values measured using observable market information as inputs for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes listed debt in a market that is not active and debt securities traded over the counter.

Level 3: fair values measured using internal models without observable market information as inputs.

The Company's financial investments are categorised as Level 2 (2018 (restated): level 2) in the fair value hierarchy except for unlisted variable yield investments of £412,000 (2018: £422,000) which was classed as Level 3 (2018: :level 3). This level 3 investment is in relation to overseas investment in a limited partnership.

Changes in fair value are included in the profit and loss account. None of the financial investments have been determined to be individually impaired based on the impairment factors used by the Company.

12. Amounts owed by group undertakings

Amounts owed by group undertakings are unsecured and non-interest bearing with full amount payable on demand. The Company measures these financial assets at amortised cost.

13. Other debtors

	2019 £'000	2018 £'000
UK corporation tax recoverable	**808**	705
Non-UK taxes recoverable	**1,040**	254
Deferred tax assts	**1,347**	1,661
	3,195	2,620

A deferred tax asset of £1,347,000 (2018: £1,661,000) has been recognised and included in Other debtors to the extent that it is considered more likely than not that there will be suitable taxable profits against which they can be utilised.

The analysis of the deferred tax balance is as follows:

	2019 £'000	2018 £'000
On capital allowances	**38**	34
On different local basis of tax on overseas profits	**1,309**	1,627
	1,347	1,661

Notes to the financial statements

13. Other debtors (continued)

Deferred tax asset	2019 £'000	2018 £'000
As at 1 January	**1,661**	1,626
Foreign exchange movements	**(22)**	(13)
Deferred tax (charge)/credit to the profit and loss account	**(292)**	48
	1,347	1,661

A reduction in the UK corporation tax to 17% from 1 April 2020 has been legislated for and, accordingly used as the deferred tax rate in these financial statements to calculate the Company's deferred tax assets/liabilities as at 31 December 2019 and 31 December 2018. However, the UK Government announced that it plans to remove the tax rate reduction in next Finance Bill, as such the future tax rate would remain at 19%. This change was substantively enacted on 17 March 2020. The impact of the change in tax rate on the deferred tax asset is not expected to be material.

14. Insurance contract liabilities and reinsurance assets

a) analysis of insurance contract liabilities

	2019 £'000	2018 £'000
Gross		
Unearned premiums (2018: restated)	**143,437**	178,664
Reported claims outstanding	**18,536**	18,928
Claims incurred but not reported	**13,782**	17,018
Total gross insurance liabilities	**175,755**	214,610
Recoverable from reinsurers		
Unearned premiums	**(41,832)**	(49,271)
Reported claims outstanding	**(3,816)**	(4,137)
Claims incurred but not reported	**(3,049)**	(3,588)
Total reinsurers' share of insurance liabilities	**(48,697)**	(56,996)
Net		
Unearned premiums (2018: restated)	**101,605**	129,393
Reported claims outstanding	**14,720**	14,791
Claims incurred but not reported	**10,733**	13,430
Total net insurance liabilities	**127,058**	157,614

Deferred acquisition costs relating to insurance contracts at 31 December 2019 were £76,337,000 (2018: £98,267,000).

The reinsurers' share of deferred acquisition costs of £22,560,000 (2018: £27,329,000) is included within accruals and deferred income.

Notes to the financial statements

14. Insurance contract liabilities and reinsurance assets (continued)

b) Assumptions, changes in assumptions and sensitivity (continued)

(i) Basis of assessing liabilities
Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods
- changes in the legal environment
- the effects of inflation
- changes in the mix of business
- the impact of large losses

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these, the Company has regard to the claim circumstance as reported, any information available from claims handlers and information on the cost of settling claims with similar characteristics in previous periods.

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class, of contracts with similar characteristics, and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions.

There is usually no significant delay between the occurrence of the claim and the claim being reported to the Company. The costs of claims notified to the Company at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications.

Provisions for claim outstanding are not discounted.

(ii) Sensitivity analysis
The table below shows the sensitivity as a result of reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	Impact on profit		Impact on equity	
	2019	2018	**2019**	2018
	£'000	£'000	£'000	£'000
5 % increase in Motor warranty average claim cost	-	18	-	12
5 % increase in Motor warranty average number of claims	-	18	-	12
Increase in duration of accident and health claims by 1 month	**419**	304	**308**	220
5 % increase in accident and health average number of claims	**955**	916	**702**	685
Increase in duration of Redundancy claims by 1 month	**(1)**	2	**(1)**	3
5 % increase in Redundancy average number of claims	-	12	-	10

The sensitivities do not indicate a probability of such an event and do not consider any non-linear effects of reinsurance.

Notes to the financial statements

14. Insurance contract liabilities and reinsurance assets (continued)

c) Change in insurance contract liabilities and reinsurance assets

	2019			2018		
	Gross £'000	Reinsurance £'000	Net £'000	Gross £'000	Reinsurance £'000	Net £'000
Provision for unearned premiums (2018: restated)						
At the beginning of the year	178,664	(49,271)	129,393	222,333	(57,809)	164,524
premiums written	**82,355**	**(29,391)**	**52,964**	100,328	(35,236)	65,092
less: premiums earned	**(112,847)**	**35,412**	**(77,435)**	(144,187)	43,914	(100,273)
Change in unearned premiums	**(30,492)**	**6,021**	**(24,471)**	(43,859)	8,678	(35,181)
Exchange movements	**(4,735)**	**1,418**	**(3,317)**	190	(140)	50
At the end of the year	**143,437**	**(41,832)**	**101,605**	178,664	(49,271)	129,393
Claims outstanding						
At the beginning of the year	35,946	(7,725)	28,221	38,734	(10,615)	28,119
claims incurred	**35,859**	**(9,202)**	**26,657**	42,009	(8,748)	33,261
claims paid	**(37,846)**	**9,722**	**(28,124)**	(45,104)	11,707	(33,397)
Movement in claims outstanding	**(1,987)**	**520**	**(1,467)**	(3,095)	2,959	(136)
Exchange movements	**(1,641)**	**340**	**(1,301)**	307	(69)	238
At the end of the year	**32,318**	**(6,865)**	**25,453**	35,946	(7,725)	28,221
Deferred acquisition costs (DAC)						
At the beginning of the year	98,267	(27,329)	70,938	129,193	(33,558)	95,635
commissions paid	**38,446**	**(18,907)**	**19,539**	42,886	(24,106)	18,780
amortisation charged	**(58,108)**	**18,913**	**(39,195)**	(73,601)	24,155	(49,446)
Movement in DAC	**(19,662)**	**6**	**(19,656)**	(30,715)	49	(30,666)
Transfers	**-**	**4,500**	**4,500**	-	6,234	6,234
Exchange movements	**(2,268)**	**263**	**(2,005)**	(211)	(54)	(265)
At the end of the year	**76,337**	**(22,560)**	**53,777**	98,267	(27,329)	70,938

d) Analysis of claims development

The tables below present changes in the historical provisions for losses and loss adjustment expenses that were established in 2010 and the provisions for losses and loss adjustment expenses arising in each subsequent accident year. The tables are presented at current average year to date exchange rates.

The top triangle of each table presents the estimated provisions for ultimate incurred losses and loss adjustment expenses for each accident year as at the end of the reporting period.

The lower triangle of the tables presents amounts paid against those provisions in each subsequent accounting period.

The estimated provisions for ultimate incurred losses change as more information becomes known about the actual losses for which the initial provisions were set up and as the rates of exchange change.

Notes to the financial statements

14. Insurance contract liabilities and reinsurance assets (continued)

d) Analysis of claims development (continued)

Gross basis (£'000)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Estimate of cumulative claims incurred										
End of accident year	101,944	137,841	136,935	153,170	141,572	89,664	85,019	78,473	53,620	**42,912**
1 year later	88,276	123,170	124,783	146,452	130,324	80,613	65,822	62,091	**38,459**	
2 years later	88,915	123,765	125,090	145,716	131,516	82,112	67,606	**63,684**		
3 years later	91,724	125,385	127,303	148,075	134,154	84,531	**70,856**			
4 years later	92,147	126,269	128,679	149,217	134,774	**85,541**				
5 years later	92,281	127,722	129,007	149,587	**134,974**					
6 years later	92,573	128,056	129,154	**149,593**						
7 years later	92,792	128,093	**129,130**							
8 years later	92,848	**128,168**								
9 years later	**92,843**									
Current estimate of cumulative claims	**92,843**	**128,168**	**129,130**	**149,593**	**134,974**	**85,541**	**70,856**	**63,684**	**38,459**	**42,912**
Cumulative claims paid										
End of accident year	65,428	105,937	105,964	126,541	119,172	69,917	57,556	54,197	32,050	**25,621**
1 year later	83,801	118,847	120,823	141,867	127,927	79,355	64,574	60,704	**37,223**	
2 years later	85,671	120,620	122,471	143,483	130,132	80,671	65,795	**61,978**		
3 years later	87,288	121,941	123,978	145,012	131,290	81,691	**66,901**			
4 years later	88,592	123,187	125,376	146,131	132,157	**82,624**				
5 years later	89,691	125,054	126,465	146,952	**133,092**					
6 years later	90,978	126,524	127,732	**147,855**						
7 years later	91,972	127,196	**128,349**							
8 years later	92,423	**127,689**								
9 years later	**92,702**									
Cumulative payments to date	**92,702**	**127,689**	**128,349**	**147,855**	**133,092**	**82,624**	**66,901**	**61,978**	**37,223**	**25,621**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Gross claims last 10 accident year	**141**	**479**	**781**	**1,738**	**1,882**	**2,917**	**3,955**	**1,706**	**1,236**	**17,291**	**32,126**
Gross claims in respect of prior accident years											**192**
Gross claims outstanding on the Balance sheet											**32,318**

Notes to the financial statements

14. Insurance contract liabilities and reinsurance assets (continued)

d) Analysis of claims development (continued)

Net basis (£'000)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Estimate of cumulative claims incurred										
End of accident year	49,296	46,582	43,624	39,276	36,188	37,893	42,066	42,496	39,580	**35,623**
1 year later	39,880	39,498	38,217	35,879	30,926	32,202	34,711	32,908	**29,187**	
2 years later	40,606	40,121	38,596	35,180	31,875	33,670	35,117	**30,926**		
3 years later	43,240	41,740	40,818	37,543	34,487	36,081	**35,945**			
4 years later	43,699	42,622	42,228	38,684	35,104	**37,077**				
5 years later	43,855	44,076	42,555	39,051	**35,304**					
6 years later	44,179	44,410	42,700	**39,058**						
7 years later	44,397	44,446	**42,661**							
8 years later	44,453	**44,520**								
9 years later	**44,449**									
Current estimate of cumulative claims	**44,449**	**44,520**	**42,661**	**39,058**	**35,304**	**37,077**	**35,945**	**30,926**	**29,187**	**35,623**
Cumulative claims paid										
End of accident year	23,963	24,727	24,419	23,077	21,915	22,868	28,677	28,254	24,052	**22,256**
1 year later	35,634	35,350	34,513	31,421	28,594	30,995	34,031	32,145	**28,072**	
2 years later	37,431	36,989	36,024	32,971	30,496	32,238	34,349	**29,976**		
3 years later	38,895	38,297	37,528	34,480	31,625	33,243	**34,218**			
4 years later	40,198	39,542	38,925	35,598	32,491	**34,161**				
5 years later	41,298	41,409	40,014	36,420	**33,428**					
6 years later	42,585	42,878	41,281	**37,322**						
7 years later	43,578	43,550	**41,884**							
8 years later	44,029	**44,044**								
9 years later	**44,309**									
Cumulative payments to date	**44,309**	**44,044**	**41,884**	**37,322**	**33,428**	**34,161**	**34,218**	**29,976**	**28,072**	**22,256**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Net claims last 10 accident year	**140**	**476**	**777**	**1,736**	**1,876**	**2,916**	**1,727**	**950**	**1,115**	**13,367**	**25,080**
Net claims in respect of prior accident years											**373**
Net claims outstanding on Balance sheet											**25,453**

It is to be expected that releases will normally be made to prior years claims as reserves are set such that no adverse deterioration is expected. However, from time to time, the random occurrence of large individual claims or events being worse than expected can give rise to a required strengthening, in addition to normal claims development being adverse.

Notes to the financial statements

15. Amounts due to group undertakings

Amounts due to group undertakings are unsecured and non-interest bearing with full amount repayable on demand.

16. Other creditors including taxation and social security

	2019 £'000	2018 £'000
Foreign current tax	487	370
Other taxes, including insurance premium tax and other social security costs	7,580	9,464
Other creditors	517	160
	8,584	9,994

17. Provision for liabilities and charges

During the year a provision of £164,000 was recognised for expected payments to be made to one of the tax authorities in the Euro zone. These payments are in relation to insurance premium taxes due in respect of previous years. The Management of the Company has provided for the amount based on the advice sought from an independent professional services firm in Europe. The ultimate amount may differ from the amount provided in these financial statements. It is expected that these liabilities will be settled within one year of the balance sheet date.

18. Deferred tax liabilities

The deferred tax liability included in the Balance sheet is as follows:

	2019 £'000	2018 £'000
Equalisation provision	234	362
Different local basis of tax on overseas profit	466	599
	700	961

The movement of deferred tax liability during the year is as follows:

	2019 £'000	2018 £'000
Balance as at 1 January	961	2,011
Charge to the profit and loss account	(261)	(1,050)
Balance as at 31 December	700	961

19. Accruals and deferred income

	2019 £'000	2018 £'000
Reinsurers' share of deferred acquisition costs	22,560	27,329
Accrued expenses	459	140
	23,019	27,469

Notes to the financial statements

20. Called up share capital and reserves

	2019 £'000	2018 £'000
Allotted, called up and fully paid:		
34,000,000 (2018: 34,000,000) ordinary shares of £1 each	**34,000**	34,000

Ordinary shares entitle the holder to participate in dividends and to share in the proceeds of the winding up of the Company, in proportion to the number of and amounts paid on the shares held.

Other reserves represent the accumulated exchange gain/loss on translation of foreign branches' operations. For movement analysis on these reserves refer to the Statement of changes in equity.

21. Risk management

The Company is part of AEG as such the Company's risk management procedures are integrated with those of AEG.

AEG employs a Risk management framework that includes a range of policies, procedures, measurement, reporting and monitoring techniques to ensure that the risk exposures that arise from operating the Group's business are appropriately managed.

AEG has a documented risk strategy. The risk strategy is owned by AEG Board, and it is the Board's responsibility to ensure that the business strategy and risk strategy do not diverge. The risk management function has responsibility to report divergence to the Board, together with the appropriate recommendations, including risk mitigation, which could include reassessing risk appetite.
The risk management function is responsible for overseeing implementation of risk strategy, challenging the risks inherent within the business strategy.

For the purposes of managing risk, AEG classifies risks into the following categories:
- Insurance risk;
- Market risk;
- Liquidity risk;
- Credit risk; and
- Operational risk.

a. Insurance risk

i. Underwriting risk

Underwriting risk is defined as the financial and contractual risks involved when writing or administering insurance policies. Unmitigated, the risk exposure would have a large, material impact on the total risk exposure of AEG.

AEG's underwriting and reinsurance policy applies to all companies within the Group. In general, the risk appetite of Assurant Europe is to limit the time period for exposure on underwriting risk. Where the Company accept risk beyond one year, this will be in exchange for a higher anticipated financial return.

The Company has a range of contractual mitigations included within contracts. These allow for contracts to be re-priced and therefore mitigate underwriting risk in different scenarios including unexpected financial performance, change of product or processes by the client, impact of regulatory change or change in the supply chain market environment.

Due to the nature of the primary business lines insured, it is continually necessary to scan the horizon for emerging risks such as changes in customer behaviour and changes in technology. The Company's commercial contracts contain controls to protect against any future change in the landscape. The Company's insurance policies issued are generally held by individuals across a number of geographic areas and it is not exposed to significant insurance concentration risk.

Notes to the financial statements

21. Risk management (continued)

a. Insurance risk (continued)

i. Underwriting risk (continued)

The table below sets out the concentration of claims liabilities by type of risk

	2019		
	Gross	Reinsurer's Share	Net
	£'000	£'000	£'000
Accident & health	**24,402**	**(4,881)**	**19,521**
Property	**1,752**	**(569)**	**1,183**
Third party liability	**-**	**-**	**-**
Misc & pecuniary loss	**5,800**	**(1,379)**	**4,421**
Inward reinsurance	**364**	**(36)**	**328**
	32,318	**(6,865)**	**25,453**

	2018		
	Gross	Reinsurer's Share	Net
	£'000	£'000	£'000
Accident & health	24,710	(4,979)	19,731
Property	3,130	(847)	2,283
Third party liability	202	(202)	-
Misc & pecuniary loss	7,142	(1,632)	5,510
Inward reinsurance	762	(65)	697
	35,946	(7,725)	28,221

The geographical concentration of the outstanding claim liabilities is noted below. The disclosure is based on the countries where business is written. The analysis would not be materially different if based on the countries in which the risk resides.

	2019		
	Gross	Reinsurer's Share	Net
	£'000	£'000	£'000
Netherlands	**24,061**	**(4,812)**	**19,249**
United Kingdom	**2,283**	**(827)**	**1,456**
Italy	**2,511**	**(516)**	**1,995**
France	**407**	**(102)**	**305**
Rest of Europe	**3,056**	**(608)**	**2,448**
	32,318	**(6,865)**	**25,453**

	2018		
	Gross	Reinsurer's Share	Net
	£'000	£'000	£'000
Netherlands	24,492	(4,899)	19,593
United Kingdom	2,754	(1,019)	1,735
Italy	2,885	(619)	2,266
France	921	(213)	708
Rest of Europe	4,894	(975)	3,919
	35,946	(7,725)	28,221

Notes to the financial statements

21. Risk management (continued)

a. Insurance risk (continued)

i. Underwriting risk (continued)

The Company's largest reinsurance counterparty is Virginia Surety Company, Inc with an A.M. Best credit rating of A, and as at 31 December 2019 its share of insurance contract liabilities was £6,274,000 (2018: £6,748,000).

ii. Reserving risk

Reserving risk considers the risk that the reserves, held on the balance sheet are not adequate to cover the cost of the existing liabilities. The main reserves held by the Company are unearned premium reserves (UPR), in course of payment (ICOP) claims reserves and IBNR claims reserves.

The adequacy of the UPR is tested and audited annually and tested quarterly by the Company to ensure that it is sufficient to pay future claims and expenses. The assumptions underlying the UPR testing are based on the audited claims reserving exercise. The prior year run off of ICOP and IBNR is documented and reported to the ARCC annually.

The business underwritten for the Company is short tail compared to some other general insurance businesses. Claims are reported and decisions made quickly, especially for property and warranty insurance claims, although claims payments for accident & health policies may be made over a longer period of time. Speed of payment of claims reduces the uncertainty surrounding the ultimate claim amounts.
Refer to sensitivity analysis in note 14 for further information.

b. Market risk

Market risk is defined as the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

The factors that are likely to affect market risk include, but are not limited to, large fluctuations in, or changes to, interest rates or credit spreads, volatility in foreign exchange markets, sudden inflation/deflation, recession, conflict (war, terrorist attack), and political instability.

Included within market risk are:

- Interest rate risk;
- Currency risk; and
- Spread risk;

Notes to the financial statements

21. Risk management (continued)

b. Market risk (continued)

Concentration of the Company's other financial investments with respect to type and geography is as follows:

	2019				
	Corporate bonds	Government	Securitised debt	Short term deposit	Total
	£'000	£'000	£'000	£'000	£'000
United Kingdom	28,422	21,748	1,319	-	51,489
USA	19,939	-	-	-	19,939
France	12,248	2,705	-	-	14,953
Switzerland	6,795	6,888	-	-	13,683
Netherlands	11,237	1,329	-	-	12,566
Germany	3,230	5,761	-	282	9,273
Sweden	8,195	-	-	-	8,195
Ireland	-	-	-	7,120	7,120
Poland	-	-	-	7,006	7,006
Luxembourg	2,500	1,305	200	559	4,564
South Africa	-	-	-	3,434	3,434
Canada	2,549	610	-	-	3,159
Australia	3,085	-	-	-	3,085
Belgium	2,338	-	-	-	2,338
Finland	1,035	1,210	-	-	2,245
Norway	951	964	-	-	1,915
Jersey	1,812	-	-	-	1,812
Guernsey	1,319	-	-	-	1,319
Denmark	1,318	-	-	-	1,318
New Zealand	710	-	-	-	710
Italy	686	-	-	-	686
Bermuda	625	-	-	-	625
Spain	453	-	-	-	453
Other	-	-	-	409	409
	109,447	42,520	1,519	18,810	172,296

Included in Other financial investments are bonds valuing at £3,673,000 issued by International Financial Institutions that are not included in above analysis.

Notes to the financial statements

21. Risk management (continued)

b. Market risk (continued)

	2018				
	Corporate bonds	Government	Securitised debt	Short term deposit	Total
	£'000	£'000	£'000	£'000	£'000
United Kingdom	28,394	35,442	1,381	-	65,217
Switzerland	10,517	7,213	-	-	17,730
Ireland	2,486	736	-	17,883	21,105
USA	23,067	-	422	-	23,489
Netherlands	17,028	30	-	-	17,058
Germany	5,799	1,237	-	-	7,036
France	12,365	-	-	-	12,365
South Africa	-	-	-	11,155	11,155
Luxembourg	4,819	-	553	557	5,929
Sweden	8,920	-	-	-	8,920
Finland	730	3,514	-	-	4,244
Belgium	2,749	64	-	-	2,813
Spain	449	-	-	-	449
Italy	959	-	-	-	959
Guernsey	1,258	-	-	-	1,258
Australia	1,762	-	-	-	1,762
Canada	1,137	-	-	-	1,137
Other	3,878	53	-	-	3,931
	126,317	48,289	2,356	29,595	206,557

i. Objective and strategy

The Company accepts market risk as a by-product of its main activities to fund capital required and policy liabilities and ensure achievement of profitability objectives for the benefit of all stakeholders.

ii. Interest rate risk

The fair value of the Company's portfolio of fixed income securities is inversely correlated to changes in the market interest rates. Thus if interest rates fall, the fair value of the portfolio would tend to rise and vice versa as set out in the sensitivity analysis below.

	Impact on profit before tax		Impact on equity	
Change in variable	**2019**	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Decrease of 100 bps in interest rate	**4,503**	4,819	**3,647**	3,903
Increase of 100 bps in interest rate	**(4,342)**	(4,658)	**(3,517)**	(3,773)

The table above assumes all territories experience the same interest rate movement while holding all other variables constant. There have been no changes from the prior year to the method and assumptions used in preparing the above mentioned sensitivity analysis.

iii. Currency risk

The Company operates in the UK and in other European countries, via branches, and is also part of a group based in the United States. Accordingly its net assets are subject to currency risk. The primary foreign currency exposures are to the Euro and the United States Dollar. If the value of Sterling strengthens then the value of the non-Sterling net assets will decline when translated into Sterling.

Notes to the financial statements

21. Risk management (continued)

b. Market risk (continued)

iii. Currency risk (continued)

The Company incurs currency risk in two ways:

- Operational currency risk - by holding assets and by underwriting liabilities in currencies other than the currency of the primary environment in which the business units operate (non-functional currencies).
- Structural currency risk - by operating overseas branches where the currency of the primary environment differs to that of the principal business and being part of an international insurance group.

Operational and structural currency risk is managed within the Company by broadly matching assets and liabilities by currency.

The largest currency exposures with reference to net assets/liabilities are shown below, representing effective diversification of resources:

	2019 £'000	2018 £'000 (Restated)
Great British Pound	73,772	84,726
Euro	5,355	2,963
Other	11,039	19,107
	90,166	106,796

A 5% change in Pound Sterling against the Euro or other currency would have the following impact on shareholders' funds:

	Impact on profit before tax		Impact on equity	
Change in variable	**2019 £'000**	2018 £'000 (Restated)	**2019 £'000**	2018 £'000 (Restated)
Strengthening of GBP	**820**	1,104	**664**	894
Weakening of GBP	**(820)**	(1,104)	**(664)**	(894)

The presentation of above analysis has been changed compared to prior year, as this now provides more useful information about currency risk.

The following assumptions have been made in preparing the above sensitivity analysis:

- currency gains and losses arise from a change in the value of GBP against all other currencies moving in parallel; and
- all other variables, in particular interest rates, remain constant ignoring any impact of forecasts.

There have been no changes from the prior year to the method and assumptions used in preparing the above mentioned sensitivity analysis.

iv. Spread risk

Spread risk does present a material risk to the business in terms of changes to the market value of the assets but is closely managed by the use of a suitably diverse investment portfolio. Realised market value movements or losses caused by the early close out of investments are not considered to be of sufficient materiality to impact solvency. The investment portfolio mandate reflects the Company risk appetite to mitigate spread risk, and investments are diversified by industry, allocation and quality. The investment managers are given parameters against which they are measured monthly.

Market risk to the investment portfolio is considered in real time. Risks to the value of investments are discussed at least quarterly with the fund managers.

Notes to the financial statements

21. Risk management (continued)

b. Market risk (continued)

v. *Liquidity risk*

Liquidity risk is defined as the risk that the Company will have insufficient liquid assets available to meet liabilities as they fall due. Liquidity risk is managed by the Group's Treasury management team.

Liquidity risk is mitigated as:

- The Company has taken action to diversify its assets and accurately forecast cash flows and future liabilities and the Group Treasury Management team monitor available liquid assets on a weekly basis.
- In respect of the investment portfolio, the Company seeks to maintain assets in classes which can be realised into cash easily with minimal impact on asset valuation.
- The Company holds significant cash balances with a number of banks within Europe, and diversifies its exposure to ensure that any bank failures do not materially impact liquidity.
- Other debtors are monitored by the debt management team who review ageing analysis and chase payments as they fall due.
- In an adverse situation, it is also expected that access to funding from the Company's US parent would be available.

Maturity periods of contractual repricing

The following table summarises the contractual repricing or maturity dates (whichever is earlier) for financial liabilities that are subject to fixed and variable interest rates.

Insurance contract liabilities are also presented and are analysed by remaining estimated duration until settlement.

	2019				
	Less than one year	One to two years	Three to five years	More than five years	Total
	£'000	£'000	£'000	£'000	£'000
Claims outstanding	**15,517**	**4,330**	**8,746**	**3,725**	**32,318**
Creditors arising out of direct insurance operations	**27,966**	**-**	**-**	**-**	**27,966**
Creditors arising out of reinsurance operations	**3,239**	**-**	**-**	**-**	**3,239**
Other creditors excluding taxation and social security	**4,854**	**-**	**-**	**-**	**4,854**
	51,576	**4,330**	**8,746**	**3,725**	**68,377**

	2018				
	Less than one year	One to two years	Three to five years	More than five years	Total
	£'000	£'000	£'000	£'000	£'000
Claims outstanding	17,941	4,841	9,275	3,889	35,946
Creditors arising out of direct insurance operations	27,767	-	-	-	27,767
Creditors arising out of reinsurance operations	3,136	-	-	-	3,136
Other creditors excluding taxation and social security	6,445	-	-	-	6,445
	55,289	4,841	9,275	3,889	73,294

ASSURANT®

Notes to the financial statements

21. Risk management (continued)

b. Market risk (continued)

vi. Credit risk

The Company is exposed to credit risk via:

- default or delay in payments due upon corporate bonds or cash;
- reinsurance counterparties failing to meet financial obligations or entering into restructuring arrangements that may adversely affect reinsurance recoveries; and
- default or delay of repayment of loans and receivables.

Information about Company's financial assets is as follows:

Maximum exposure:	2019			
	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
Other financial investments	**175,969**	-	-	**175,969**
Reinsurers' share of claims outstanding	**6,865**	-	-	**6,865**
Debtors arising out of direct insurance operations	**20,902**	-	**414**	**21,316**
Debtors arising out of reinsurance operations	**1,809**	-	-	**1,809**
Amounts receivable from group undertakings	**1,806**	-	-	**1,806**
Cash at bank and in hand	**4,533**	-	-	**4,533**
	211,884	-	**414**	**212,298**

Maximum exposure:	2018			
	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
Other financial investments	206,557	-	-	206,557
Reinsurers' share of claims outstanding	7,725	-	-	7,725
Debtors arising out of direct insurance operations	22,482	1,300	320	24,102
Debtors arising out of reinsurance operations	3,135	56	-	3,191
Other debtors	4,197	-	-	4,197
Cash at bank and in hand	2,577	-	-	2,577
	246,673	1,356	320	248,349

None of the debtors arising out of direct insurance operations were past due (2018: £55,500 balance which is more than 90 days overdue).

The Company considers the credit risk of holding assets in interest bearing investments as part of market risk. Refer to the market risk section above for further information.

The investment portfolio is structured so that asset quality is a primary feature rather than investment return. As a result the portfolio is limited to Government Bonds (UK only), Sovereign and Sub-Sovereign debt, Collateralised Securities and investment grade Corporate Bonds which are actively traded. The Board uses Assurant Asset Management and Aberdeen Asset Management Limited (AAM) to manage the investment portfolio.

Investments are required to be above investment grade BBB-. Those that fall below investment grade during the period are investigated with subject matter experts when the perceived likelihood of payment and costs of early exit are assessed.

Third party reinsurers are required to be credit scored at 'A' (or equivalent) by two out of three of the main rating agencies (Fitch, Moody's or S&P) or be Solvency II regulated in the EU, and in compliance with their solvency capital requirements, in order to be accepted unless appropriate collateral is provided to mitigate the exposure and Board approval provided. The Company perform internal due diligence procedures before establishing relationships with new reinsurers.

Notes to the financial statements

21. Risk management (continued)

b. Market risk (continued)

vi. Credit risk (continued)

Debtors arising out of direct insurance operations are managed by a debt management team who review ageing analysis and chase payments as they fall due.

The Company extends payment terms to clients and several clients regularly owe balances of over £1 million.

The following table presents the credit quality of financial assets that are neither past due nor impaired. Credit ratings are determined by taking the worst of ratings provided by Moody's Investors Service, Standard & Poor's and Fitch.

	2019						
	AAA	AA	A	BBB	Below BBB	Not rated	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Shares and other variable yield securities	**22**	**992**	**1,705**	**974**	**-**	**1,384**	**5,077**
Other financial investments - debt securities	**31,922**	**50,853**	**47,658**	**22,061**	**-**	**-**	**152,494**
Other financial investments - money market funds	**559**	**6,838**	**-**	**-**	**-**	**-**	**7,397**
Deposits with credit institutions	**-**	**11,001**	**-**	**-**	**-**	**-**	**11,001**
Reinsurers' share of claims outstanding	**-**	**6,278**	**97**	**-**	**-**	**490**	**6,865**
Debtors arising out of reinsurance operations	**-**	**1,690**	**-**	**-**	**-**	**119**	**1,809**
Debtors arising out of direct insurance operations	**-**	**6,107**	**388**	**-**	**-**	**14,407**	**20,902**
Other debtors	**-**	**-**	**-**	**-**	**-**	**1,806**	**1,806**
Cash at bank	**-**	**-**	**4,412**	**121**	**-**	**-**	**4,533**
	32,503	**83,759**	**54,260**	**23,156**	**-**	**18,206**	**211,884**

	2018						
	AAA	AA	A	BBB	Below BBB	Not rated	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Shares and other variable yield securities	-	1,010	1,396	946	-	2,252	5,604
Other financial investments - debt securities	32,068	60,600	48,803	29,878	-	-	171,349
Other financial investments - money market funds	557	17,893	-	-	-	-	18,450
Deposits with credit institutions	-	-	11,154	-	-	-	11,154
Reinsurers' share of claims outstanding	-	7,002	149	-	-	574	7,725
Debtors arising out of reinsurance operations	-	2,703	-	-		488	3,191
Debtors arising out of direct insurance operations	-	-	-	-	-	22,482	22,482
Other debtors (restated)	-	-		-	-	1,577	1,577
Cash at bank	-	-	2,523	44	-	10	2,577
	32,625	89,208	64,025	30,868	-	27,383	244,109

Notes to the financial statements

21. Risk management (continued)

b. Market risk (continued)

vi. Credit risk (continued)

None of financial assets have been determined to be individually impaired based on the impairment factors used by the Company. During the year collective impairment losses of £414,000 (2018: £320,000) were charged to the profit and loss account.

Information about collective allowance for doubtful debts is as follows:

	2019 £'000	2018 £'000
Balance as at 1 January	**320**	30
Charge for the year	**414**	320
Amounts written off	**(320)**	(30)
Reversals	**-**	-
Balance as at 31 December	**414**	320

The Company does not have any collateral pledged or accepted.

The Company does not utilise any credit derivatives.

Investments in structured entities - collateralised securities and money market funds

The Company invests in funds managed by external specialist investment managers where investments are pooled within an investment vehicle to provide a diversified exposure to particular classes of underlying investments.

The use of these products allows the Company to broaden the diversification of its investment portfolio in a cost-efficient manner.

Class of Investment	Nature of underlying investments of the vehicle	Carrying Value 31 December 2019 £'000
Money Market Funds	Cash deposits, commercial paper, government and corporate bonds	7,397

c. Operational risk including regulatory and conduct risk

With the scope of operational and conduct risks wide and diverse, the Company has identified Regulatory and Legal risk as a key risk, defined as the risk that new or amended financial regulation or legislation significantly impacts the viability of AEG's business model, and / or it breaches a financial regulatory or other legislative requirement. This includes changes as a result of the UK's exit from the EU - "Brexit". For more information on Brexit risk refer to the Strategic report.

Operational risks are proportionately managed by the Company, with suitable controls in place. Each risk is assigned an executive risk owner, who is responsible for ensuring the appropriate management of their risks. The Company has in place a number of group-wide corporate policies, with the majority aimed at setting out the principles for managing operational and conduct risks. The policies set the overarching tone, requirements and responsibilities for individuals within the Group.

Notes to the financial statements

21. Risk management (continued)

c. Operational risk including regulatory and conduct risk (continued)

Own Risk and Solvency Assessment (ORSA)
The Company continues to conducts an ORSA under the Solvency II Directive. The Company has received a waiver from the PRA to dispense with the requirement to conduct an individual ORSA and to participate in AEG ORSA.

For this purpose of Capital Management, the Capital is deemed to be Share Capital and Reserves.

AEG defines its ORSA as a series of inter-related activities by which it establishes:

- The quantity and quality of the risks which it seeks to assume
- The level of capital required to support those risks
- The actions it will take to achieve and maintain the desired levels of risk and capital

Capital and Regulatory Solvency
The Company has assessed its solvency and capital positions using the valuation requirements set out in the Solvency II regulations. The Company uses the Standard Formula of solvency capital requirement for the calculation of its regulatory capital required.

The Company's regulatory Solvency II own funds comprise total shareholders' equity, and retained earnings on a Solvency II basis.

Composition of regulatory capital:	**2019 £'000**	2018 £'000
Capital and reserves per financial statements	**91,151**	106,405
Solvency II valuation differences	**(385)**	(16,285)
Available and eligible own funds	**90,766**	90,120

The Company sets internal capital standards above the PRA's minimum requirement. The Company has met all externally imposed capital requirements throughout the year (2018: met) For more information refer to Strategic Report. Compared to prior year, there have been no significant changes to the objectives or the method used to calculate the above amounts.

22. Dividends

Dividends of £20,300,000 were declared and paid in respect of the year ended 31 December 2019 (2018: £20,000,000)

Since the year end the Directors have not approved and declared any further dividend.

23. Immediate and ultimate parent undertakings

The immediate parent undertaking is TWG Europe Limited, a company registered in England and Wales.

The ultimate parent undertaking is Assurant, Inc., a publicly listed company on the New York Stock Exchange, registered in Delaware, United States of America. Assurant, Inc. is the smallest and largest group to consolidate these financial statements.

Copies of the consolidated financial statements can be obtained from the Company Secretary, Assurant, Emerald Buildings, Westmere Drive, Crewe, Cheshire, CW1 6UN.

24. Subsequent events

Other than Brexit and COVID-19, there were no significant events occurring after the balance sheet date that would have a material impact on the Company's results of operations, financial position and cash flows.

Notes to the financial statements

24. Subsequent events (continued)

Brexit

The Company, as part of the AEG is committed to providing clients and policyholders in Europe with its full suite of innovative risk management solutions including insurance and non-insurance related products. Currently, AEG have market presence within UK and across mainland Europe and has contract with customers within these local markets. Assurant's global expertise is delivered in a culturally sensitive way; aligned to the consumer's need within their local market.

Following the referendum result in 2016, AEG is committed to establish new European non-life and life insurers outside of the UK. The new insurers will be used to underwrite new policies and renew existing policies for both existing EU and new EU clients of AEG's UK insurers. The move from the existing insurers will be managed in order to minimise the operational risk and disruption to customers, clients and AEG related undertakings' employees.

The volume of business underwritten by the Company will reduce over the plan period as the existing portfolio of EU policies in force renews in the new insurers, terminates, lapses or expires. Assurant group has also commenced approvals for a Part VII transfer to move any existing non-UK business out of its UK insurers and into the new insurers. This is expected to complete in 2020 and will affect any remaining policies that are yet to reach renewal, as at the transfer's effective date. Following completion of the above, LGI's insurance business will be focussed solely on UK business.

COVID-19

The Company is part of the Assurant, Inc. group. As a global organisation, Assurant has been actively monitoring the developments of the rapidly evolving situation resulting from COVID-19. Throughout this period of uncertainty, Assurant has acted swiftly and deliberately to safeguard employees, customers and business operations in line with Assurant values.

Assurant believes that it must continue to do its part to stem the spread of the virus, while also minimising any disruptions to its operations. To that end, as the virus moved from east to west across the world, Assurant implemented a regional, then global ban on business travel and established work-from-home protocols for employees that are able to do so. For those employees that need to work in global facilities, Assurant continues to enforce safety and hygiene protocols, such as social distancing, per the guidelines of the Center for Disease Control and the World Health Organisation, to safeguard its employees.

Communication throughout this time of uncertainty has been paramount. In addition to communicating with its employees, Assurant has been in direct and regular contact with clients, who also are experiencing the challenges of COVID-19, to ensure Assurant does the utmost to support them and their end-consumers.

Beyond the needs of its employees and customers, Assurant also has been active in maintaining its support within local communities by delivering on its charitable contributions and commitments.

The Company will continue to evaluate additional actions as the situation evolves.

It remains too early to quantify the impact of COVID-19 on the Company's future performance, which will depend on a number of factors including the extent and duration of the period of disruption and the impact on the UK and European economy. At this point the Company remains focused on supporting its fellow group undertakings' employees and its customers through these challenges whilst maintaining its operational and financial resilience.

The Company continues to serve it customers together with its business partners. Although the UK and EU economy has seen wider adverse effects of COVID-19, the insurance industry has been affected to varying degrees. Business volumes may reduce as a direct result of declining economic activity. Vehicle warranty business may reduce significantly as distribution channels may see significant reduction in sales and resale activity. The Company may face increased claims cost if it has no other alternative to settle retail goods claims in cash, and if the repair network for motor warranty claims is disrupted.

Notes to the financial statements

24. Subsequent events (continued)

The COVID-19 crisis has seen increasing credit spreads which adversely affects the market valuation of the Company's corporate bond portfolio. The Company is working with its investment advisors, including reviewing the impact of various stresses on the portfolio, to determine the impacts and ensure they remain within the Company's risk buffers. Investment advisors have not identified any holdings as being at specific risk of default however they have identified a number of sectors, including for example transport/leisure, as being at risk of downgrade and this continues to be monitored.

Currency exchange rate fluctuations may adversely impact the foreign currency denominated net assets of the Company the majority of which are in the Euros.

As the Company distributes products through third parties it has a number of counterparties owing balances although these are usually settled quickly. Reinsurance exposure is primarily with other group companies and therefore the risk is deemed low.

The COVID-19 crisis has severely affected the UK and EU workforce. The Company faces an unprecedented challenge in terms of its ability to provide ongoing customer policy and claims administration services through AEG related undertakings. Work from home protocols have been established for the majority of staff. Contact has been made with third party providers to understand their situation and mitigation plans for the current events and ensure that they can continue to support the firm. A number of providers have implemented work from home mitigations, like most companies globally.

25. Prior period restatement

The Company has identified an accounting error while undertaking a review of the earning pattern of its contracts with customers. The policy coverage period was not correctly reflected in the underwriting system and as a consequence, unearned premiums were incorrectly calculated for prior periods. This also impacted profit share amounts recorded in prior periods. This has resulted in an increase in prior period profits by £222,000 and the retained earnings reserves at 1 January 2018 by £170,000.

The error has been corrected by restating each of the affected financial statement line items for prior periods as follows:

Balance sheet (extract)	31 December 2018	Increase/ (decrease)	31 December 2018 (restated)	31 December 2017	Increase/ (decrease)	1 January 2018 (restated)
	£'000	£'000	£'000	£'000	£'000	£'000
Assets						
Debtors arising out of direct insurance operations - intermediaries	23,630	**(695)**	**22,935**	22,046	**(302)**	**21,744**
Deferred acquisition costs	98,517	**(250)**	**98,267**	129,296	**(103)**	**129,193**
Liabilities						
Provision for unearned premiums	180,000	**(1,336)**	**178,664**	222,909	**(575)**	**222,334**
Net assets	106,405	**391**	**106,796**	126,461	**170**	**126,631**
Retained earnings	72,664	**391**	**73,055**	93,307	**170**	**93,477**
Total equity	106,405	**391**	**106,796**	126,461	**170**	**126,631**

Notes to the financial statements

25. Prior period restatement (continued)

Profit and loss account (extract)	31 December 2018	Profit increase/ (decrease)	31 December 2018 (restated)
	(£'000)	(£'000)	(£'000)
Change in the gross provision for unearned premiums	43,098	**761**	**43,859**
Net operating expenses	(65,912)	**(539)**	**(66,451)**
Profit before tax	470	**222**	**692**
Tax on profit	(1,114)	**-**	**(1,114)**
Loss after tax	(644)	**222**	**(422)**

The above restatement had no significant effect on items in prior period statement of comprehensive income.