ASSURANT®

Registered number 02443666

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

ASSURANT®

London General Life Company Limited

Annual report and financial statements 2019

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Company information

Registered Number:	02443666
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 Life 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 the underwriting of life insurance business of Assurant in the UK and Europe ("Assurant Europe Group" or "AEG"). The Company provides creditor protection life insurance and permanent health insurance.

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 has branches in Belgium, Germany, Republic of Ireland, Italy, Netherlands, Poland and Spain.

Review of the Business

Strategy and future outlook

The Company has not issued any new policies since 2018 but will continue to service existing policies. The directors anticipate that the long term business provision will continue to reduce in the future until the final expiry of existing policies in 2048.

Following the EU referendum result in 2016, AEG is committed to establish new European non-life and life insurers outside of the UK. The new insurers will begin 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.

AEG 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 as at the transfer's effective date.

Following completion of the above, LGL's insurance business will be focussed solely on UK business. The Board will continue to review the future of the business on a regular basis, within the Company's existing internal processes and governance.

Results and dividends

Profit on ordinary activities after tax for the year of 3,000 (2018: loss of £837,000). No dividends were paid during the year (2018: Nil). The Directors do not recommend any dividend in respect of the year ended 31 December 2019.

Strategic report (continued)

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 £'000	2018 £'000 (Restated)
Gross premiums written	**(158)**	842
Shareholder's funds	**5,161**	4,771
Profit on ordinary activities before tax	**114**	145
Investment return	**264**	(22)

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

Gross written premiums returns are negative due to single premium cancellations. Gross written premium is (£158,000) compared to £842,000 the year before. This is due to the Company ceasing to write new business in 2018.

Shareholder's funds have increased by £390,000. This is primarily due to the issuance of £300,000 share capital in addition to the profit of the financial year of £3,000 and currency translation gains of £87,000.

In the current year the Company has made a profit on ordinary activities before tax of £114,000 compared to £145,000 in the prior year. This is due to a higher net investment return off set by return premiums following the decision to cease to write new business. Net Investment return has increased by £286,000 due to the increase in unrealised gains in the year.

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 16 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.

Strategic report (continued)

Principal risks and uncertainties (continued)

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 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 will be unaffected as the Company is no longer issuing new policies. The Company may experience a deterioration in claim experience due to a higher number of claims caused by the pandemic.

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's counterparty 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.

Strategic report (continued)

Solvency and capital

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 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 capital injections of £300,000 during the year from its immediate parent undertaking, TWG Europe Limited (2018: £nil).

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 suppliers, 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 had 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 our customers, including monitoring incoming calls, regular quality assurance checks, review of complaints information and feedback shared by customers directly with contact centre operatives.

Strategic report (continued)

Section 172 statement (continued)

Views gathered from customers are reported and discussed in quarterly business reviews between our outsource partners and Senior Management. Where appropriate, escalations are referred to the Customer Experience Forum for review. The Customer Service Director will inform the Board directly if there is anything which requires escalation from the Forum relating to the relevant products so that the Board takes customer interests into account in its decision-making.

In 2019, the Company implemented a number of enhancements to customer experience including improvements to the Customer Relationship Management system to improve automation.

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.

The Company conducts regular strategic reviews with key clients to understand their strategic agenda, key strategic initiatives and identify opportunities for collaboration. Ongoing research is undertaken with the clients' customers via a variety of mechanisms to understand the evolving need of customers.

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. The Board receives periodic reporting from the Chief Financial Officer in this area, ensuring that appropriate controls and processes remain in place. 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.

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.

Strategic report (continued)

Section 172 statement (continued)

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.

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.

By Order of the Board

E-SIGNED by Claude Sarfo-Agyare
on 2020-05-11 13:17:56 GMT

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 it 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 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 18 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", 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, 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 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. 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.

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. The Company has ceased issuing new policies but will continue to service existing customers.

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. The directors have taken into consideration the impact of Part VII transfer on the financial position of the Company and the effects of COVID-19 on volume and cost of claims incurred.

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 period that it continues to service customers and accordingly that the going concern basis of preparation is considered 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.

By Order of the Board

E-SIGNED by Claude Sarfo-Agyare
on 2020-05-11 13:18:00 GMT

C Sarfo-Agyare,
Chief Financial Officer
11 May 2020

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

Report on the audit of the financial statements

Opinion

In our opinion, London General Life 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.

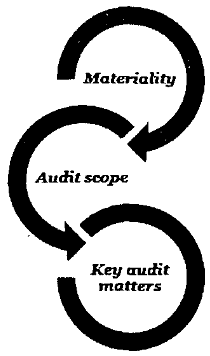
Independence
We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities 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: £92,000 (2018: £105,000), based on 1% of total assets.

- We conducted all 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 Long term business provision

Independent auditors' report to the member of London General Life 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.

Independent auditors' report to the member of London General Life 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 20, 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 potential impact on 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 on the level of claims received post year end and expected impact on future claims and the potential impact on the Long term business 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 ARCC 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 Life Company Limited (continued)

Key audit matter	*How our audit addressed the key audit matter*
Valuation of long term business provision Information can be found in note 1 to the financial statements which includes the directors' disclosures of the related accounting policies, judgements and estimates; and note 11 for the detailed disclosures. The Company holds a long term business provision of £1,761,000 (2018: £2,434,000). The provision is recognised for the liabilities associated with long term policyholder benefits. We focussed our testing on the valuation of long term business provision 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 the long term business provisions are impacted by a number of assumptions which we focussed on, including, but not limited to: - Mortality and morbidity assumptions; - Assumptions regarding amounts that may be recovered through re-insurance or profit share arrangements; - Demographic and disability assumptions; and - Economic assumptions such as forecast inflation and interest rates. The above are subject to estimation uncertainty and as a result there is an increased risk that the 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 the long term business provision 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 Long term business 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 Long term business 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 overall Long term business 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 long term business provision were reasonable, and that the underlying data used to calculate insurance provisions is complete and accurate. We concluded that the provision for long term business is reasonable and calculated in accordance with applicable accounting standards.

Independent auditors' report to the member of London General Life 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	£92,000 (2018: £105,000).
How we determined it	1% of Total Assets.
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 total assets is considered to be the most appropriate benchmark to use, and is a generally accepted benchmark. We considered total assets to be the most appropriate financial metric to represent the size of the business and as the business is in run off, other metrics such as net earned premiums will give rise to large movements in the materiality calculation.

We agreed with ARCC that we would report to them misstatements identified during our audit above £5,000 (2018: £5,000) 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 Life 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 8 and 9, 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 Life 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

ASSURANT®

Profit and loss account

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000 (Restated)
Technical account - long term business			
Gross premiums written	3	(158)	842
Outward reinsurance premiums		-	(6)
Earned premiums, net of reinsurance		(158)	836
Investment income	4	60	67
Unrealised gains on investments	4	137	-
Total technical income		39	903
Claims paid - gross amount		(521)	(1,011)
Net claims paid		(521)	(1,011)
Change in the provision for claims - gross amount		158	(82)
- reinsurers' share		-	-
Net change in the provision for claims		158	(82)
Claims incurred, net of reinsurance		(363)	(1,093)
Long term business provision - gross amount		635	1,274
- reinsurers' share		-	-
Change in other technical provisions, net of reinsurance		635	1,274
Net operating expenses	5	(225)	(860)
Unrealised losses on investments	4	-	(24)
Investment expenses and charges	4	(46)	(60)
Tax charge attributable to the long term business	8	(111)	(995)
Balance on the technical account for long term business		(71)	(855)
Non - technical account			
Tax charge attributable to the long term business	8	111	995
Investment income	4	60	73
Investment expenses and charges	4	(38)	(80)
Unrealised gains on investments	4	91	2
Other (expenses)/income		(39)	10
Profit on ordinary activities before tax	6	114	145
Tax on profit on ordinary activities	8	(111)	(982)
Profit/(loss) for the financial year		3	(837)

Statement of comprehensive income

For the year ended 31 December 2019

	2019 £'000	2018 £'000
Profit/(loss) for the year	3	(837)
Currency translation differences on foreign branches	87	46
Total comprehensive income/(expense) for the year	90	(791)

All profit and loss account transactions relate to continuing operations.

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

The notes on pages 21 to 45 form an integral part of these financial statements.

ASSURANT®

Balance sheet

As at 31 December 2019	Note	2019 £'000	2018 £'000 (Restated)
Assets			
Investments			
Other financial investments	9	**8,760**	8,685
Reinsurers' share of technical provisions			
Long term business		**-**	-
Claims outstanding		**9**	9
		9	9
Debtors - amounts falling due within one year			
Debtors arising out of direct insurance operations - policy holders		**1**	6
- intermediaries		**-**	3
Other debtors	10	**334**	156
		335	165
Other assets			
Cash and cash equivalents		**178**	196
Prepayments and accrued income			
Accrued interest		**45**	54
Total assets		9,327	9,109
Equity and liabilities			
Capital and reserves			
Called up share capital	15	**4,050**	3,750
Foreign exchange reserve	15	**474**	387
Profit and loss account		**637**	634
Total Shareholder's funds		**5,161**	4,771
Technical provisions			
Long term business provision	11	**1,761**	2,434
Claims outstanding	11	**114**	280
		1,875	2,714
Other provisions - deferred tax	12	**-**	34
Creditors - amounts payable within one year			
Other creditors including taxation and social security	14	**47**	-
Amounts owed to group undertakings	13	**2,244**	1,590
		2,291	1,590
Total equity and liabilities		9,327	9,109

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

The notes on pages 21 to 45 form an integral part of these financial statements.

These financial statements 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 13:18:35 GMT
C Sarfo-Agyare,
Chief Financial Officer
Registered Number 02443666

Statement of changes in equity

For the year ended 31 December 2019

	Share capital	Foreign exchange reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000
At 1 January 2018	3,750	341	1,471	5,562
Loss for the financial year (restated)	-	-	(837)	(837)
Exchange difference on translation of foreign operations	-	46	-	46
Total comprehensive loss for the year	-	46	(837)	(791)
At 31 December 2018	3,750	387	634	4,771
Profit for the financial year	-	-	3	3
Exchange difference on translation of foreign operations	-	87	-	87
Total comprehensive income for the year	-	87	3	90
Issue of new shares (note 15)	300	-	-	300
At 31 December 2019	4,050	474	637	5,161

The notes on pages 21 to 45 form an integral part of these financial statements.

Notes to the financial statements

London General Life Company Limited (the Company) 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 shown under the Company information 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 4.

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 19. As permitted by section 1.12 of FRS 102, exemptions have been taken in these Company 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 comparatives due to an accounting error that affected previous periods. For more information refer to note 21.

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

Premiums, including reinsurance premiums, are accounted for when due for payment. All premiums are shown gross of commission payable to intermediaries. Cancellations are accounted for as a reduction in Gross Written Premiums.

Written premiums exclude insurance premium tax.

Notes to the financial statements

1. Accounting policies (continued)

e. Long term business

The Company has adopted the modified statutory basis of accounting for long term insurance business:

Long term business provision:
The Company has calculated its long term business provision using the Solvency II basis. Further details are given in note 11.

Claims outstanding:
Claims outstanding represents the discounted ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date, including a provision for claims incurred but not yet reported, less any amounts paid in respect of these liabilities.

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.

f. Investments

The Company has elected to measure its debt securities and other fixed income investments at fair value.

g. 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.

Notes to the financial statements

1. Accounting policies (continued)

h. 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 for 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 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.

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.

Notes to the financial statements

1. Accounting policies (continued)

i. 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 CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the 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 the 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.

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.

j. 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.

Investment income arising from investments held by the long-term business fund is included in the long-term business technical account. Other investment income is included in the non-technical account.

Notes to the financial statements

1. Accounting policies (continued)

k. 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.

l. 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'.

m. 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)

n. 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.

o. 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
The liability for life insurance contracts is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company bases mortality and morbidity on standard industry mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to life style, these could result in significant changes to the expected future mortality exposure.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the Company's historical experience of lapses and surrenders. Discount rates are based on current market risk rates, adjusted for the Company's own risk exposure. Further details are given in note 11.

Notes to the financial statements

3. Particulars of business

	2019		
	Life	Permanent health insurance	Total
	£'000	£'000	£'000
Gross premiums written	**(148)**	**(10)**	**(158)**
Investment return	**184**	**13**	**197**
Gross claims incurred	**(349)**	**(14)**	**(363)**
Change in technical provisions	**716**	**(81)**	**635**
Other expenses	**(417)**	**35**	**(382)**
Gross technical result	**(14)**	**(57)**	**(71)**
Reinsurance balance	**-**	**-**	**-**
Balance on technical account	**(14)**	**(57)**	**(71)**

	2018		
	Life	Permanent health insurance	Total
	£'000	£'000	£'000
Gross premiums written	860	(18)	842
Investment return	61	6	67
Gross claims incurred	(1,054)	(39)	(1,093)
Change in technical provisions (restated)	1,141	133	1,274
Other expenses	(1,911)	(28)	(1,939)
Gross technical result (restated)	(903)	54	(849)
Reinsurance balance	(6)	-	(6)
Balance on technical account (restated)	(909)	54	(855)

Gross single return premiums relating to non-participating contracts underwritten during the year amounted to £158,000 (2018: income of £842,000). All premiums are received from contracts written by way of direct insurance.

Analysis by geographic area

Analysis of gross premiums written	**2019**	2018
	£'000	£'000
United Kingdom	**-**	13
Belgium	**(313)**	751
Rest of Europe	**155**	78
	(158)	842

Analysis of gross new single premium	**2019**	2018
	£'000	£'000
United Kingdom	**-**	16
Belgium	**540**	2,090
Rest of Europe	**1**	209
	541	2,315

Gross new single premiums comprise the total premiums receivable for the whole period of cover provided by contracts incepted during the financial year and excludes cancellation.

Notes to the financial statements

4. Investment return

	Long-term business		Non-technical Account	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Investment income				
Income from other financial investments	60	67	60	73
Losses on realisation of other financial investments	(25)	(48)	(38)	(75)
	35	19	22	(2)
Investment expenses and charges	(21)	(12)	-	(5)
Net unrealised gains/(losses) on other financial investments	137	(24)	91	2
Total investment return	151	(17)	113	(5)

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

5. Net operating expenses

	2019 £'000	2018 £'000
Acquisition costs	(313)	403
Administrative expenses	538	457
	225	860

£313,000 of acquisition costs represents the amounts reversed in the profit and loss account due to return premiums during the year ended 31 December 2019.

6. Profit/(loss) on ordinary activities before tax

Profit/(loss) on ordinary activities is stated after charging:

	2019 £'000	2018 £'000
Fees payable to the Company's independent auditors for audit of Company's financial statements	80	75

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

7. Directors' remuneration

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 a number of the outgoing directors 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 costs to the Company. For disclosure in respect of directors' remuneration paid by LSG, refer to 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)

Notes to the financial statements

8. Tax on profit on ordinary activities

a) Analysis of tax charge for the year

Non-technical account	2019 £'000	2018 £'000
UK Corporation tax at 19% (2018: 19%)		
Current tax on profit for the year	-	1
Notional tax attributable to shareholders' long-term business profits	154	13
Adjustment in respect of previous periods	(9)	-
Total current tax	145	14
Transitional arrangements under the New Life Tax Regime	-	962
Different local basis of tax on overseas profits	-	85
Reversal of deferred tax liability	(34)	-
Effect of change in accounting policy	-	(79)
Total deferred tax	(34)	968
Tax on profit/(loss) on ordinary activities	111	982

Technical account	2019 £'000	2018 £'000
UK Corporation tax at 19% (2018: 19%)		
Adjustments in respect of previous periods	(9)	(21)
Foreign tax suffered	154	35
Total current tax	145	14
Transitional arrangements under the New Life Tax Regime	-	962
Reversal of deferred tax liability	(34)	-
Different local basis of tax on overseas profits	-	19
Total deferred tax	(34)	981
Tax on profit on ordinary activities	111	995

b) Factors affecting the tax charge for the year

The total tax assessed for the year is higher (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	114	145
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	22	28
Effects of:		
Adjustments to the tax charge in respect of previous periods	(9)	(21)
Income not taxable	(26)	-
Higher tax rates on overseas earnings	154	35
Different local basis of tax on overseas profits	-	(26)
Unrecognised deferred tax asset	(34)	1,048
Losses not recognised for deferred tax	(40)	-
Prior year restatement effect recognised in current year	44	(44)
Other	-	(38)
Total tax charge for the year	111	982

Notes to the financial statements

8. Tax on profit on ordinary activities (continued)

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. This will reduce the Company's future corporation tax charge accordingly. 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 was substantively enacted on 17 March 2020 and will have impact of increasing the tax charge in the future.

9. 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	2018	2019	2018
	£'000	£'000	£'000	£'000
Debt securities and other fixed income securities - listed	**7,242**	7,104	**7,249**	7,188
Money market funds	**1,518**	1,581	**1,518**	1,581
Total other financial investment	**8,760**	8,685	**8,767**	8,769

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

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.

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.

10. Other debtors

	2019	2018
	£'000	£'000
UK corporation tax recoverable	**182**	104
Non-UK taxes recoverable	**152**	52
Deferred tax	-	-
	334	156

A deferred tax asset of £243,000 (2018: £1,048,000) has not been recognised in these financial statements as Management have reviewed the business plans and are of the opinion that there are insufficient projected taxable profits of the Company against which the deferred tax asset can be recovered.

Notes to the financial statements

10. Other debtors (continued)

Deferred tax asset	2019 £'000	2018 £'000
As at 1 January	-	1,048
Amount of deferred tax written-off to profit and loss account	-	(1,048)
	-	-

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 unprovided deferred tax assets 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 unrecognised deferred tax asset is not expected to be material.

11. Insurance contract liabilities and reinsurance assets

a) analysis of insurance contract liabilities

	2019 £'000	2018 £'000
Gross		
Long term business provision (2018: restated)	1,761	2,434
claims outstanding	114	280
Total gross insurance liabilities	1,875	2,714
Recoverable from reinsurers		
Long term business provision	-	-
Claims outstanding	(9)	(9)
Total reinsurers' share of insurance liabilities	(9)	(9)
Net		
Long term business provision (2018: restated)	1,761	2,434
Claims outstanding	105	271
Total net insurance liabilities	1,866	2,705

Comparative amounts have been restated for an error that affected previous years. For more information refer to note 21.

b) Assumptions, changes in assumptions and sensitivity

(i) Basis of assessing liabilities

The long term business provision represents the SII premium provision calculated against the outstanding exposure the Company has on existing policies.

The premium provisions are calculated by projecting the expected claims on the existing policies and then mathematically deriving discounted cashflow payments from those claims. 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 IBNR claims 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.

Notes to the financial statements

11. Insurance contract liabilities and reinsurance assets (continued)

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

(i) Basis of assessing liabilities (continued)

The principle demographic assumptions in this calculation are described below:

Mortality and morbidity rates

Assumptions are typically based on standard industry and national tables, according to the type of contracts written and the geographical area in which the insured person resides, reflecting historical experience adjusted when appropriate to take account of the Company's own experiences. Assumptions are differentiated by product type.

An increase in the morbidity rate will lead to larger numbers of claims or claims could occur sooner than anticipated. This rise will increase claims and reduce profits for shareholders.

Mortality claims frequency *Region*	**2019**	2018
United Kingdom	-	-
Belgium	**51.7% of AG 2018 (Mixed)**	51.7% of AG 2018 (Mixed)
Germany	-	-
Republic of Ireland	**28.6% of NLT (2015-17)**	28.6% of NLT (2015-17)
Netherlands	**179.6% of AG 2018 (Mixed)**	179.6% of AG 2018 (Mixed)
Other	-	31% of NLT (2015-17)

Accident and morbidity claims frequency (per month) *Region*	**2019**	2018
United Kingdom	-	-
Spain	**0.21%**	0.21%
Other	**0.12%**	0.12%

Accident and morbidity claim duration (months)	**2019**	2018
Less than 10 months	**4.8**	4.8
12 months	**5.2**	5.2
Greater than 12 months	**7.7**	7.7

Notes to the financial statements

11. Insurance contract liabilities and reinsurance assets (continued)

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

(i) Basis of assessing liabilities (continued)

Lapse and surrender rates (persistency)

Policy lapse and surrender rates are determined using statistical measures based on the Company's experience and vary by product type. A decrease in lapse and surrender rates will typically reduce profits.

Cancellation rates (per month)	**2019**	2018
United Kingdom	**-**	-
Republic of Ireland	**1.77%**	1.77%
Belgium	**2.17%**	2.17%
Netherlands	**0.54%**	0.54%
Other	**1.23%**	1.23%

(ii) Sensitivity analysis

The long-term business provision is most sensitive to changes in mortality and morbidity rates and expenses, with a low sensitivity to changes in interest rates.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on 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 and equity	
	2019	2018
	£'000	£'000
5% increase in all mortality rates	2	3
5% decrease in all mortality rates	(2)	(3)
Increase in duration of PHI claims by a month	-	3
Decrease in duration of PHI claims by a month	-	(3)

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

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Notes to the financial statements

11. Insurance contract liabilities and reinsurance assets (continued)

c) Change in insurance liabilities and reinsurance assets

	2019			2018		
	Gross £'000	Reinsurance £'000	Net £'000	Gross £'000	Reinsurance £'000	Net £'000
Long term business provision (2018: restated)						
At the beginning of the year	2,434	-	2,434	4,007	-	4,007
Change in long term business provision	**(635)**	-	**(635)**	(1,274)	-	(1,274)
Exchange movements	**(38)**	-	**(38)**	(299)	-	(299)
At the end of the year	**1,761**	-	**1,761**	2,434	-	2,434
Claims outstanding						
At the beginning of the year	280	(9)	271	195	(9)	186
Movement in claims outstanding	**(158)**	-	**(158)**	82	-	82
Exchange movements	**(8)**	-	**(8)**	3	-	3
At the end of the year	**114**	**(9)**	**105**	280	(9)	271

12. Other provisions - deferred tax

The deferred tax liability relates to different basis of tax on profits in overseas jurisdictions.

	2019 £'000	2018 £'000
Balance at 1 January	**34**	118
Deferred tax credited to profit and loss account	**(34)**	(84)
Balance at 31 December	**-**	34

13. Creditors - amounts due to group undertakings

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

14. Other creditors including taxation and social security

	2019 £'000	2018 £'000
Non-UK corporation tax payable	**58**	21
Insurance premium taxes	**(11)**	(21)
	47	-

Notes to the financial statements

15. Called up share capital and reserves

	2019 £'000	2018 £'000
Allotted, called up and fully paid:		
4,050,000 (2018: 3,750,000) ordinary shares of £1 each	4,050	3,750

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. On 29 August 2019 the Company issued 300,000 ordinary share of £1 each to it's sole shareholder.

Foreign exchange reserve represents 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.

16. 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 the 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.

The Company ceased issuing new policies during 2018 and so its exposure to underwriting risk is not material, however it continues to be exposed to reserving risk.

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

16. 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
Life	**44**	**-**	**44**
Permanent health insurance	**70**	**(9)**	**61**
	114	**(9)**	**105**

	2018		
	Gross	Reinsurer's Share	Net
	£'000	£'000	£'000
Life	215	-	215
Permanent health insurance	65	(9)	56
	280	(9)	271

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	**44**	**-**	**44**
United Kingdom	**17**	**(9)**	**8**
Rest of Europe	**53**	**-**	**53**
	114	**(9)**	**105**

	2018		
	Gross	Reinsurer's Share	Net
	£'000	£'000	£'000
Netherlands	205	-	205
United Kingdom	11	(9)	2
Rest of Europe	64	-	64
	280	(9)	271

Notes to the financial statements

16. Risk management (continued)

a Insurance risk (continued)

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 long term business provision (LTBG), in course of payment (ICOP) claims reserves and Incurred but not Reported (IBNR) claims reserves.

The key elements of reserving risk for the Company relate to mortality and morbidity. The Company manages its reserving risk by using a variety of reserving valuation techniques and conducting sensitivity testing. Refer to note 11 for further information.

The Company's policies are held by individuals across a number of geographic areas and it is not exposed to significant insurance concentration risk.

Refer to sensitivity analysis in note 11 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;

The Company does not seek market risk as a means to increase revenue or profit. Market risk is a necessary aspect of managing the solvency of the business. The Company is tolerant of market risk as a mechanism to fund policy liabilities and contribute to the growth of surplus and maintenance of its capital requirements.

Notes to the financial statements

16. 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	Cash / Short term deposit	Total
	£'000	£'000	£'000	£'000
United Kingdom	**526**	**1,965**	**-**	**2,491**
Republic of Ireland	**-**	**-**	**1,518**	**1,518**
Netherlands	**898**	**226**	**-**	**1,124**
United State of America	**979**	**-**	**-**	**979**
France	**971**	**-**	**-**	**971**
Sweden	**351**	**-**	**-**	**351**
Germany	**60**	**251**	**-**	**311**
Luxemburg	**217**	**-**	**-**	**217**
Austria	**184**	**-**	**-**	**184**
New Zealand	**172**	**-**	**-**	**172**
Other	**442**	**-**		**442**
	4,800	**2,442**	**1,518**	**8,760**

	2018			
	Corporate bonds	Government	Cash / Short term deposit	Total
	£'000	£'000	£'000	£'000
United Kingdom	537	1,582	-	2,119
Republic of Ireland	91	-	1,581	1,672
United State of America	1,158	-	-	1,158
Netherlands	883	247	-	1,130
France	823	-	-	823
Germany	190	139	-	329
Finland	90	229	-	319
Australia	229	-	-	229
Luxemburg	227	-	-	227
Other	634	45	-	679
	4,862	2,242	1,581	8,685

i) 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	**209**	234	**169**	189
Increase of 100 bps in interest rate	**(202)**	(226)	**(164)**	(183)

Notes to the financial statements

16. Risk management (continued)

b Market risk (continued)

i) interest rate risk (continued)

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.

ii) 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 Euro. If the value of Sterling strengthens then the value of the non-Sterling net assets will decline when translated into Sterling.

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	1,136	903
Euro	4,025	3,868
	5,161	4,771

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

	Impact on profit before tax		Impact on equity	
Change in variable	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Strengthening of GBP	**(201)**	(193)	**(163)**	(156)
Weakening of GBP	**201**	193	**163**	156

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.

Notes to the financial statements

16. Risk management (continued)

b Market risk (continued)

iii) 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.

c 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.
- AEG holds significant cash balances with a number of banks within Europe, but diversifies its exposure to ensure that any bank failures do not materially impact liquidity. Significant cash exposures may be invested in short-term highly liquid money market funds in order to maintain liquidity but diversify risk of counterparty default.
- 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	96	11	5	2	114
Long term business provision	1,484	171	82	24	1,761
Amounts owed to fellow group undertakings	2,224	-	-	-	2,224
	3,804	182	87	26	4,099

Notes to the financial statements

16. Risk management (continued)

c Liquidity risk (continued)

	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	239	33	5	3	280
Long term business provision (restated)	2,079	287	42	26	2,434
Amounts owed to fellow group undertakings	1,590	-	-	-	1,590
	3,908	320	47	29	4,304

d 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.

The Company's maximum exposure to credit risk is amounts of financial assets as disclosed in Balance sheet. None of the Company's financial assets are considered past due or impaired.

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.

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.

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

	2019					
	AAA	AA	A	BBB	Not rated	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Other financial investments - debt securities	830	3,630	2,023	759	-	7,242
- money market funds	-	1,518	-	-	-	1,518
Reinsurers' share of claims outstanding	-	-	-	-	9	9
Debtors arising out of direct insurance	-	-	-	-	1	1
Other debtors	-	-		-	334	334
Cash at bank	-	-	137	-	41	178
	830	5,148	2,160	759	385	9,282

Notes to the financial statements

16. Risk management (continued)

d Credit risk (continued)

	2018					
	AAA £'000	AA £'000	A £'000	BBB £'000	Not rated £'000	Total £'000
Other financial investments - debt securities	1,349	3,360	1,901	494	-	7,104
- money market funds	1,581	-	-	-	-	1,581
Reinsurers' share of claims outstanding	-	-	-	-	9	9
Debtors arising out of direct insurance	-	-	-	-	9	9
Other debtors	-	-	-	-	156	156
Cash at bank	-	-	158	-	38	196
	2,930	3,360	2,059	494	212	9,055

The largest aggregate credit exposure through UK gilts and is equivalent to 22% (2018:18%) of the Company's total assets. The increase in credit exposure is due to the Company purchasing a bond portfolio during the year.

None of the receivables of the Company were past due (2018: none).

None of financial assets have been determined to be individually or collectively impaired based on the impairment factors used by the Company.

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. As at 31 December 2019 these were:

Class of Investment	Nature of underlying investments of the vehicle	Carrying Value £'000
Money Market Funds	Cash deposits, commercial paper, government and corporate bonds	1,518

e 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".

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. For more information on Brexit risk refer to Strategic report.

Notes to the financial statements

17. Capital management

Own Risk and Solvency Assessment (ORSA)

Under Solvency II Directives, the Company is required to conduct an ORSA. The Company has received a waiver from the PRA to dispense with the requirement to conduct an individual ORSA and to participate in the TWG Europe Limited group ORSA.

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.

Restrictions on available capital resources

The capital held within the shareholders' funds is generally available to meet any requirements. It remains the intention of management to ensure that there is adequate capital to exceed the Company's regulatory requirements.

The Company's available own funds under Solvency II basis are £5,161,000 (2018: £4,771,000). £1,866,000 (2018: 2,705,000) of the net technical provision relates to non-participating life assurance policies.

The Company has met all externally imposed capital requirements throughout the year (2018: met). For more information refer to the Strategic report. Compared to prior year, there have been no significant changes to the objectives or the method used to calculate the above numbers.

Capital resource sensitivities

The capital position is sensitive to changes in market conditions, due to both changes in the value of the assets and the effect that changes in investment conditions may have on the value of liabilities. It is also sensitive to assumptions and experience relating to mortality, morbidity, expenses and persistency.

The timing of any impact on capital would depend on the interaction of past experience and assumptions about future experience. In general, if experience had deteriorated or was expected to deteriorate and management actions were not expected to reduce the future impact, then assumptions relating to future experience would be changed to reflect it. In this way, liabilities would be increased to anticipate the future impact of the worse experience with immediate impact on the capital position.

18. Dividends

No dividends were declared and paid in respect of the year ended 31 December 2019 (2018: nil)

19. 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.

Notes to the financial statements

20. Subsequent events

Except for 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.

Brexit
Following the EU referendum result in 2016, AEG is committed to establish new European non-life and life insurers outside of the UK. The new insurers will begin 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.

AEG 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 as at the transfer's effective date.

Following completion of the above, LGL's insurance business will be focussed solely on UK business. The Board does not intend to formally place the business into run-off at this time but will continue to review the future of the business on a regular basis, within the Company's existing internal processes and governance.

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 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 will be unaffected as the Company is no longer issuing new policies. The Company may experience a deterioration in claim experience due to a higher number of claims caused by the pandemic.

Notes to the financial statements

20. 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's counterparty 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 it 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.

21. Prior period restatement

The Company has identified an accounting error while undertaking a review of technical provisions under Solvency II regime. The Long term business provision was incorrectly calculated for prior period. The error has the effect of increasing the profit for 2018 by £233,000 and net assets as at 31 December 2018 by the same amount. There was no impact on reserves at 1 January 2018.

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

Balance sheet (extract)	31 December 2018	Increase/ (decrease)	31 December 2018 (Restated)
	£'000	£'000	£'000
Long term business provision	2,667	(233)	2,434
Net assets	4,538	233	4,771
Retained earnings	401	233	634
Profit and loss account (extract)			
Change in other technical provision			
Long term business provision - gross amount	1,041	233	1,274

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