Registered no: 3321734

STONEBRIDGE INTERNATIONAL INSURANCE LTD

Strategic Report, Directors' Report

and

Financial Statements

for the year ended 31 December 2019

CONTENTS

For the year ended 31 December 2019

DIRECTORS AND ADVISORS

For the year ended 31 December 2019

Company Number:	3321734	
Registered office:	Level 43 The Leadenhall Building 122 Leadenhall Street London EC3V 4AB	
Directors :	Alan Harris	Independent Director
	Mark Hesketh	Independent Director
	Douglas Grant	Director Appointed 13 August 2019
	Andrew McLeod	Director
	Derren Urwin	Director
	James Ewing	Director
Secretary:	James MacKenzie	
Independent Auditors:	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX	
Bankers:	Barclays Bank Plc Financial Services Team Level 11 Financial Services Team One Churchill Place London E14 5HP	
	Deutsche Bank AG Global Transaction Banking Implementations & Service Mailstop 03A04M Rossmarkt 18 60311 Frankfurt	

STRATEGIC REPORT

For the year ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Principal activities

Stonebridge International Insurance Limited's (the Company's) principal activity is the transaction and servicing of accident and health related general insurance products in selected European markets. The Company is registered in England and Wales.

The Company is the underwriter, it has no employees, and staff are employed by Aegon UK Corporate Services Limited.

Review of the business and future developments

The Company has prepared its financial statements in Sterling (GBP). The impact of translation to sterling on transactions initially incurred in non-sterling currencies is disclosed within the net operating expenses, Note 2 and Note 8.

The business had circa 204,000 inforce policies at 31 December 2019 with customers residing in the UK, Ireland, France, Germany, Italy, Spain and the Nordic region. £14,918,000 (62%) (2018: £16,376,000, 63%) of the gross written premium generated from the portfolio is denominated in non-sterling currencies, which has resulted in a foreign exchange loss of £715,000 in the year (2018: gain of £47,000) as a result of the movement of the euro against sterling in the year.

A summary of the key results is provided below:

	2019	**2018**	**Increase/ (Decrease)**	
	£'m	**£'m**	**£'m**	**%**
Gross written premiums (GWP)	**24.1**	26.0	(1.9)	(7.3)%
Profit before tax	**8.9**	12.8	(3.9)	(30.5)%
Profit for the financial year	**7.2**	10.3	(3.1)	(30.1)%

The reduction in gross written premiums of 7.3% is in line with expectations given no active new business is being written.

On 23 June 2016, the United Kingdom voted in a national referendum to withdraw from the European Union and formally left the EU on 31 January 2020. The implications of such a 'Brexit' remain unclear, with respect to the European integration process, the relationship between the UK and the European Union, and the impact on economies and businesses. The Company writes business in the UK and EU as a result the Company could be adversely impacted once the transition period completes

Management have been planning the activity required to ensure Stonebridge International Insurance Limited (SIIL) is able to put customers first whilst working within the relevant legislation and regulation. Management have assessed the impact of Brexit in regards to a post balance sheet event and would note that this does not change the going concern assessment or the immediate firm's capital or liquidity position. There is dedicated resource and management attention to ensure that the appropriate mitigation strategies are deployed to ensure where possible the best outcomes for customers, maintaining regulatory compliance and protecting the shareholder. We continue to be committed to all customers and existing markets and will communicate with stakeholders on a regular basis as appropriate.

STRATEGIC REPORT (continued)

For the year ended 31 December 2019

Review of the business and future developments (continued)

On 24 March 2020, in response to the risk of the Coronavirus COVID-19 and Government Instruction, the Aegon UK office was closed and the SIIL Business Continuity invoked for Edinburgh based staff, where staff were required to work from home. Management have assessed the impact of COVID-19 and note that this does not change the going concern assessment. We continue to monitor business processes and staff capacity both internally and externally and have conducted a review of the potential impact to the balance sheet in a worst case scenario. This assessment concludes that although there an increase in claims is possible, there is no material impact to assets and liabilities and no material impact to the company's outlook.

The Company continues to monitor the recent coronavirus disease (COVID-19) outbreak, which is causing worldwide economic disruption and will impact performance in 2020. The Company operates a risk and capital management framework to ensure customers are protected against severe risk events and operationally, the business is continuing to service its customers through this turbulent period.

Solvency II reporting is a regulatory requirement for insurers operating in Europe. Management continue to monitor the capital position under this framework to ensure the optimal capital position is maintained whilst safeguarding customers and delivering appropriate shareholder returns. Stonebridge continues to operate under the standard formula methodology.

Future Developments

Strong capital management continues to be exerted during the period of uncertainty created by the UK formally leaving the European Union (EU) on 31st January 2020 whilst negotiations over a future trade deal are ongoing. This will be monitored by management to ensure the impact is minimised for both policyholders and the shareholder.

Corporate Governance

The Company has established a governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the business. SIIL is a wholly owned subsidiary of Cornerstone International Holdings Limited. Cornerstone International Holdings Limited is ultimately wholly owned by Aegon N.V.. SIIL is the insurer/underwriter and employs no staff, all staffing arrangements are made through Aegon UK Corporate Services Limited, with a recharging arrangement to SIIL. During the course of the year, Ronald Scott resigned as Chief Executive Officer and Douglas Grant was appointed into the role.

Under the SIIL Operating Board's authority the Company operates the following further governance structure: the Executive Committee and the Risk Committee. Any remuneration and nomination items are discussed at a Private Session of the Board. Oversight, including Board membership, on behalf of Aegon N.V. is provided through Aegon UK management oversight and processes.

As a financial institution, the Company is also required to comply with rules and guidance issued by the PRA and FCA, which include high level standards covering Principles for Business and Senior Management Arrangements, Systems and Controls and requirements for the way the firm conducts its business.

Risk Management

The Company has in place a Risk Management Framework which is utilised and embedded in the business to ensure risk exposures are identified, monitored, measured and managed in an appropriate and informed way. The framework is aligned to the Aegon Risk Management Framework.

The Risk Management Framework ensures that all key risks in the business have been identified, with risks and controls that are fully documented. We state our risk appetite across our key risk exposures and monitor and manage our risk positions back to risk appetite. These measures cover financial, customer, operational and regulatory risks ensuring that we protect the interests of our customers and shareholders under a wide range of severe but plausible risk events.

Our solvency position is reported on a Solvency II basis which is a risk based measure. In addition to regulatory risk capital we seek to hold buffer capital in addition, to ensure that we have a very high degree of certainty that payments to customers and counterparties can be met both now and in the future.

Regulatory

The Company is regulated by the FCA and PRA, with a passport to intermediate business in various countries in Europe while a trade deal is being negotiated.

Statement on engagement with employees and other stakeholders

The Companies (Miscellaneous Reporting) Regulations 2018' (SI 2018/860) amended 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' (SI 2008/410) to introduce a requirement for companies above a certain size to include information about engagement with employees, suppliers, customers and other stakeholders.

Aegon UK Corporate Services Limited, provides services to SIIL and employs those personnel who provide services to the Company. Therefore, as the Company has no employees under contracts of service it is those personnel that are referred to as employees throughout this statement.

It is the SIIL's policy to ensure equal opportunities for all employees. The only criteria considered for the recruitment or promotion of staff is suitability for the position, regardless of sex, sexual orientation, marital status, age, religion, ethnic origin or disability (having due regard to the individual's aptitudes and abilities). It is our policy, wherever possible, to continue the employment of staff who have become disabled (with appropriate re-training when required). No discrimination is made against disabled employees with regard to training, career development or promotion.

By means of regular announcements and staff briefings and meetings with the independent trade unions, AEGIS and UNITE, Aegon has maintained its policy of providing information and consulting on matters likely to affect the interests of staff.

In addition, the Company engages with employees on at least a quarterly basis through senior manager briefings. At these briefings members of the Executive of the Company share updates regarding key topics such as the financial results, strategy development and business performance.

In respect of engagement with suppliers, the business regularly review Management Information on the Company's relationship with its key suppliers. This informs them of the status of the relationship with each key supplier and their current performance against service level agreements or agreed service levels. The Executive Committee is also regularly updated regarding the key activities being undertaken by the Company to continually improve its approach to supplier management in order to ensure protection for its customers, including Risk Assessments and Contingency Plans.

In respect of engagement with customers, annual customer communications were completed in 2019 for all customers. Communications were also sent for all of our non-core customers for the first time to align them with our core book. Communications will continue to all customers in 2020.

In respect of engagement with regulators, the Company has engagement with its Regulators and maintains an open dialogue with them. Such engagement includes periodic meetings with Board members and some of the Executive covering topics including, without limitation, governance arrangements, systems and controls, and risk and capital matters. These meetings enable the Company to understand the Regulators' perspective on the key issues that it faces in order that these can be taken into account in the matters before the Board.

In respect of engagement with the AUK Group shareholders, the Board has an AUK Group shareholder representative on it and receives at each meeting an update from the Aegon UK shareholder representative. This enables the Board to take into account as appropriate the perspective of the shareholder in respect of the matters for its consideration. It should be noted the company's CEO is a member the AUK Group Executive Committee of which one of the members is a member of the Management Board of Aegon NV and regularly engages with Aegon NV in respect of the key issues facing the Company.

The implications for the Company's stakeholders (which includes, without limitation, its employees, suppliers, customers, Regulators and shareholders) of matters presented to the Board for decision must be included in all board papers.

Principal Risks and Uncertainties

The Company is exposed to the following market related risks: Counterparty risk, Currency risk, Foreign Exchange risk, Liquidity risk, however, due to the nature of our products, the risk of externally market driven events is typically low. The main non-financial risks that the Company is exposed to relate to lapses and claims, our on-going expense levels and operational risk which includes legal and compliance risks. The Company is also exposed to broader strategic risk. Together these represent the principal risks and uncertainties for the Company.

Exposure to these risks is monitored by the Company's Board, appropriate sub-committees of the Board (in particular the Risk Committee) and appropriate Management Committees. Capital strength is actively considered through Solvency II reporting. The Company is part of the Aegon Group and has the benefit of the controls of Aegon N.V.'s economic capital framework in addition to being prepared for the Solvency II regime through Own Risk and Solvency Assessment (ORSA) and capital model and reporting.

Solvency II became the primary regulatory capital basis applicable to the business as of 1 January 2016 and hence is the primary metric adopted within the ORSA. Solvency II is a risk-based capital regime which has policyholder protection central to its aims.

There is a need to maintain and meet Regulatory Capital requirements and therefore protect policyholder benefits to the regulatory specified levels. In addition, and in line with Aegon Capital Management Policy, a buffer level of capital is targeted within SIIL. Capital strength is actively considered through Solvency II reporting required by PRA under its Prudential Sourcebook for Insurers.

Monitoring and managing the level of risk within SIIL against the Risk Tolerance Statements is a key risk management tool. The Risk Tolerance Statements, and the effective management against those, increase the likelihood of SIIL achieving its business objectives and are key to meeting the Solvency II requirements.

The Company also uses financial forecasts to cover the medium-term financial outlook of the business, including forecasts of solvency positions and key performance indicators under a variety of economic and operating scenarios, to inform our capital and risk management decisions. This is a key element of our medium term plan and our ORSA, as required for the Solvency II regime.

Economy and the Consumer

The UK formally left the EU on 31st January 2020 and entered into transitional arrangements. Whilst negotiations over a future trade deal are ongoing there continues to be a period of uncertainty, with the loss of EU passporting rights for financial services and the supply of services and data cross borders remaining the areas of highest risk specific to SIIL's operations. Management continue to monitor this closely to ensure appropriate actions can be taken. It should be noted that SIIL does not actively sell new business and at the end of 2019 retained a strong capital position, with expectation to continue to generate value for customers and shareholder alike.

STRATEGIC REPORT (continued)

For the year ended 31 December 2019

Management are comfortable that there is sufficient capital and liquidity to maintain operations throughout the period and operate as a going concern, and to implement any specific action required to respond to political developments. There is dedicated resource and management attention to ensure that the appropriate mitigation strategies are deployed to ensure where possible, the best outcomes for customers, maintaining regulatory compliance and protecting the shareholder. Overall, the Company has not encountered any adverse trends on performance, such as persistency, that would suggest that the current economic and political environment has had an adverse impact on Company performance.

Coronavirus (COVID-19)

Management have monitored developments and enacted the business continuity plans. Management have also assessed the possible impact of COVID-19 on the business covering operational, capital and liquidity considerations as a result, management have concluded that there is no impact to the financial statements and the going concern basis. The principal risks arising as a result of the pandemic are an increase in claims and the inability to maintain current service levels. The majority of SIIL's products are accident related and there are a limited number of policies impacted by sickness. Management have assessed in a worst case scenario that claims could increase but this would not be material overall to the claims profile of SIIL and the Company would continue to have sufficient capital to ensure customer benefits are protected.

Investments

Management continue to adopt a low risk investment strategy as evidenced throughout 2019 and 2018, where excess cash balances are invested into a low risk Sterling money market fund managed by Kames Capital, a fellow Aegon undertaking.

By order of the Board

Douglas Grant
Chief Executive Officer
Date: 6th April 2020

DIRECTORS' REPORT

For the year ended 31 December 2019

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

Results

The Company made a profit for the year, after taxation, of £7,178,000 (2018: £10,325,000). The Company did not pay or declare a dividend in the year (2018: nil) and had net assets of £59,785,000 (2018: £52,607,000).

Ensuring Fair Treatment of Customers (Treating Customers Fairly)

Management information includes a Value for Money Dashboard presented to the Operating Board on a six monthly basis. The dashboard contains key performance indicators which measures five risk areas; culture, products and meeting customer needs, communications, products performance meeting customer's expectations and any barriers that may exist. The dashboard is a key tool which is sufficient for compliance purposes.

It should be noted that as a result of the SIIL de-risking agenda the overall level of risk in the business has been reduced and the decision not to return to selling for the time being means that the risks that otherwise might arise in relation to sales and marketing have been closed, leaving a limited number of conduct risks that are all covered by the dashboard.

Employees

All staff are employed by Aegon UK Corporate Services Limited. A recharging arrangement is in place.

Directors

During the course of the year the following changes took place in the directorships of the Group: Ronald Scott resigned 31 May 2019 and Douglas Grant was appointed on 13 August 2019.

A full listing of the current directors is included on page 1.

Financial Risk Management

Please refer to the strategic report on pages 3 - 4.

Future Developments

Please refer to the strategic report on page 3.

Environmental issues

The Company operates in accordance with the Aegon Group Code of Conduct as well as the Aegon Environmental Policy under which it strives to respect the environment and undertake initiatives to promote greater environmental responsibility. However, the nature of the Company's business and operations means that it has a limited direct impact on the physical environment in which it operates. The Company keeps its operating procedures and policies under review for environmental impact.

Directors' qualifying third party indemnity provisions

During the year the Company maintained liability insurance for directors and officers of the Company through arrangements made by Aegon N.V. for the benefit of its subsidiary companies.

DIRECTORS' REPORT (continued)

For the year ended 31 December 2019

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow directors and the auditors, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Going Concern

The Company's business activities, together with key risks and factors likely to affect its future development are described in the Strategic Report on pages 2-6. The Company has financial resources together with contracts in the in-force book and supplier relationships to support its business operations. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook which includes Brexit, where management are monitoring the outcome closely to ensure appropriate actions can be taken. Management have assessed the possible impact of COVID-19 on the business and concluded that there is no impact to the financial statements and the going concern basis.

The financial performance of 2019 has seen the in-force portfolio continue to perform satisfactorily and derives a positive outlook over the forthcoming year. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the 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.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

DIRECTORS' REPORT (continued)

For the year ended 31 December 2019

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.

Independent Auditors

The Board agreed that in accordance with section 489 of the Companies Act 2006 that PricewaterhouseCoopers LLP be reappointed as auditors to the Company.

By order of the Board

Douglas Grant
Chief Executive Officer
Date: 6th April 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEBRIDGE INTERNATIONAL INSURANCE LTD

For the year ended 31 December 2019

Report on the audit of the financial statements

Opinion

In our opinion, Stonebridge International Insurance Ltd'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 Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, 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 Board Committee.

Basis for 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

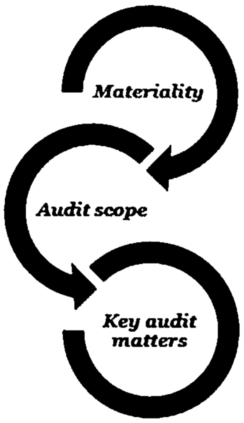
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance 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: £442,850 (2018: £641,834), based on 5% of profit before tax.

- 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 geographic structure of the entity, the accounting processes and controls in place.
- The entity operates mainly by divisions of insurance business.

- Valuation of Insurance reserving.
- Impact of COVID-19

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEBRIDGE INTERNATIONAL INSURANCE LTD (continued)

For the year ended 31 December 2019

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 entity and its industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority, the Financial Conduct Authority, BaFin Federal Financial Supervisory Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements of the Company. 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 and UK 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 increase revenue of the Company, and management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of general insurance contract liabilities. Audit procedures performed by the engagement team included:

- Discussions with management, review of internal audit reports and Company's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of the operating effectiveness and reviewing the results of management's internal controls designed to prevent and detect irregularities, in particular their controls around authorisation of payments and other third parties;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Risk Committee;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of claim payments; and,
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

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 MEMBERS OF STONEBRIDGE INTERNATIONAL INSURANCE LTD (continued)

For the year ended 31 December 2019

Key audit matter	*How our audit addressed the key audit matter*
Valuation of Insurance reserving	**Our audit procedures included:**
The provision for outstanding claims at year end of £4.1m is a material balance within the financial statements. Valuation of these liabilities is highly judgemental, and requires a number of assumptions to be made that have high estimation uncertainty. Small changes in the assumptions used to value the liabilities, particularly those relating to the value and timing of future claims, can lead to material impacts on the valuation of insurance liabilities. The key assumptions that drive the reserving calculations include loss ratios (the ultimate claim amounts as a proportion of the premiums earned) and the view of how claims in respect of earned business will develop over time. These are considered by both territory and line of business. The valuation of insurance liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of insurance liabilities may arise.	Re-performing reconciliations between the claims data recorded in the policy administration systems and the data used in the actuarial reserving calculations. Testing, on a sample basis, the accuracy of claims data input into the actuarial model by tracing it to underlying policy administration systems and independent, third party documentation to support the validity of the claim. Reviewing legal correspondence and post year end claims paid to verify no data has been omitted from the actuarial model at year end. In addition, with the assistance of our actuarial specialists, we assessed the key assumptions and reserving methodologies driving the value of the insurance liabilities. To do this we: - compared the assumptions to expectations based on the entity's historical experience, current trends and our own industry knowledge, including information relating to forthcoming legislation that may impact claims settlement speed or amount; - reviewed sensitivity analyses over key judgements and assumptions including loss ratios; - independently re-projected the reserve balances for certain classes of business; and, - evaluated the governance around the overall reserving process. Based on the work performed, we determined that the assumptions used and the approach taken were reasonable.

Impact of COVID-19 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 it is therefore a non-adjusting event. Management has 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. In considering whether Stonebridge International Insurance Limited ('SIIL') can meet its obligations as they fall due, subsequent to the year end, management has performed procedures to assess the financial and operational impacts of COVID-19 on SIIL: - current balance sheet position (assets and liabilities); - future cash flow forecasts and liquidity; - ability to operate in the coming 12 months; and - estimated solvency surplus. Following the consideration of the impact in relation to each of these areas, the Directors continue to believe that it is appropriate to adopt the going concern basis in preparing the financial statements and have included a disclosure explaining the factors they have considered.	We held a discussion with management to understand their assessment of the potential impact of COVID-19 from a financial and regulatory perspective; **Going concern and liquidity** • We have obtained a copy of management's going concern and liquidity assessment and discussed the basis of preparation with management and the Board. We have agreed the cash flow model to SIIL's medium term plan; • We evaluated management's scenarios, key assumptions and assessment of operational impacts and considered their consistency with other available information and our understanding of the business. **Estimated solvency capital surplus** • Obtained management's estimated Solvency capital position and reconciliation from the 2019 year end position (audited) to 31 March 2020; • Assessed management's estimate of the change to the company's Solvency Capital Requirement between the year end and 31 March 2020; • Tested the reconciliation for mathematical accuracy. Attended the Board meeting which considered COVID-19 in advance of reporting; and • We assessed management's conclusion that this is a non-adjusting subsequent event and the related disclosures set out in note 20 to the financial statements and checked consistency of the disclosures with our knowledge of SIIL based on our audit. We believe that the disclosures made within the annual report are appropriate. From the evidence obtained we concluded that management's use of the going concern assumption for the company is appropriate.

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	£442,850 (2018: £641,834).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. We adopted 5% as we consider anything above this threshold could have a significant impact on key performance indicators expected to influence the economic decisions of the stakeholders of Stonebridge International Insurance Ltd.

We agreed with the Board Committee that we would report to them misstatements identified during our audit above £22,000 (2018: £32,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

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 MEMBERS OF STONEBRIDGE INTERNATIONAL INSURANCE LTD (continued)

For the year ended 31 December 2019

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 page 8, 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.

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

We were appointed by the Board Committee on 10 November 2014 to audit the financial statements for the year ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2014 to 31 December 2019.

Gillian Alexander

Gillian Alexander (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
6th April 2020

INCOME STATEMENT

For the year ended 31 December 2019

Technical account – general business

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Earned premiums					
Gross written premiums	4	**24,104**		26,012	
Net premiums written			**24,104**		26,012
Change in the provision for unearned premiums					
Gross amount	7(a)	**103**		63	
Change in the net provision for unearned premiums			**103**		63
Earned premiums			**24,207**		26,075
Claims incurred					
Claims paid:					
Gross amount		**(7,048)**		(6,909)	
Net claims paid			**(7,048)**		(6,909)
Change in the provision for claims					
Gross amount	7(c)	**370**		800	
Change in the net provision for claims			**370**		800
Claims incurred			**(6,678)**		(6,109)
Net operating expenses	8		**(9,105)**		(7,637)
Net income general business			**8,424**		12,329

INCOME STATEMENT (continued)

For the year ended 31 December 2019

Non- technical account

	Note	**2019**		2018	
		£000	**£000**	£000	£000
Net Income			**8,424**		12,329
Investment income		**387**		234	
Other income		**64**		291	
Investment expense		**(18)**		(17)	
			433		508
Profit before tax	*9*		**8,857**		12,837
Tax charge on profit	*10*		**(1,679)**		(2,512)
Profit for the financial year			**7,178**		10,325

There are no items of Comprehensive Income in the year (2018: nil).

All of the amounts above are in respect of continuing operations.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019		2018	
ASSETS		**£000**	**£000**	£000	£000
Current assets					
Investments	*11*		**58,179**		**44,764**
Debtors					
Arising out of direct insurance operations		**308**		**449**	
Deferred tax	*10 (c)*	**126**		**153**	
			434		**602**
Cash at bank and in hand			**7,515**		**14,825**
Prepayments and accrued income					
Deferred acquisition costs	*7(b)*	**82**		**200**	
Other prepayments and accrued income	*12*	**845**		**1,250**	
			927		**1,450**
Total assets			**67,055**		**61,641**
EQUITY & LIABILITIES					
Shareholders' equity			**59,785**		52,607
Technical provisions					
Provision for unearned premiums	*7(a)*	**961**		1,064	
Claims outstanding	*7(c)*	**4,185**		4,555	
			5,146		5,619
Creditors	*13*		**1,134**		2,493
Accruals and deferred income			**990**		922
Total liabilities and shareholders' equity			**67,055**		61,641

The financial statements on pages 17 - 19 were approved by the directors on **6th April 2020** and were signed on its behalf by

Douglas Grant
Chief Executive Officer
Date: 6th April 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital	Capital contributions	Retained earnings	Total shareholders' equity
	£000	£000	£000	£000
At 1 January 2019	**7,500**	**-**	**45,107**	**52,607**
Net income recognised in the income statement	-	-	**7,178**	**7,178**
At 31 December 2019	**7,500**	**-**	**52,285**	**59,785**

	Share Capital	Capital contributions	Retained earnings	Total shareholders' equity
	£000	£000	£000	£000
At 1 January 2018	7,500	-	34,782	42,282
Net income recognised in the income statement	-	-	10,325	10,325
At 31 December 2018	7,500	-	45,107	52,607

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. Basis of preparation

The individual financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Consolidated accounting and reporting requirements for entities in the UK and Republic of Ireland issuing insurance contracts ("FRS 103") and the Companies Act 2006.

These financial statements are prepared on a going concern basis, under the historical cost convention, and certain financial assets and liabilities measured at fair value through profit or loss, having made due consideration to the impacts of COVID-19, specifically the impact to claims and premium income ensuring sufficient capital and liquidity is available to continue in operational existence for the foreseeable future.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Investments

Financial assets are recognised on the trade date when the Company becomes a party to the contractual provisions of the instrument and are classified for accounting purposes depending on the characteristics of the instruments and the purpose for which they were purchased. Investments are shown fair value on the balance sheet date. Unrealised losses or gains since purchase or the previous valuation are reported in the income statement non-technical account.

Classification

The Company designates financial assets as fair value through profit or loss when by doing so it significantly reduces the accounting mismatch that would arise. Financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell in the near future or for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, are accounted for as loans.

Measurement

Financial assets at fair value through profit or loss are measured at fair value with all changes in fair value recognised in the income statement as incurred.

Fair Value

Fair value is defined as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). For quoted financial assets for which there is an active market, the fair value is the bid price at the balance sheet date.

2. Principal accounting policies (continued)

Derecognition

A financial asset is derecognised when the contractual rights to the asset's cash flows expire, when the Company has transferred the asset and substantially all the risks and rewards of ownership, or when the Company has transferred the asset without transfer of substantially all the risks and rewards of ownership, provided the other party can sell or pledge the asset. Financial assets, in respect of which the Company has neither transferred nor retained all the risks and rewards, are recognised to the extent of the Company's continuing involvement. If significantly all risks are retained, the assets are not derecognised.

On derecognition, the difference between the disposal proceeds and the carrying amount is recognised in the income statement as a realised gain or loss. Any cumulative unrealised gain or loss previously recognised in the revaluation reserve in shareholders' equity is also recognised in the income statement.

b) Insurance contracts

Insurance contracts are contracts under which the Company accepts a significant risk – other than a financial risk – from a customer by agreeing to compensate the beneficiary on the occurrence of an uncertain future event for which he or she will be adversely affected.

Insurance liabilities are recognised when the contract is entered into and the premiums are charged. The liability is derecognised when the contract expires, is discharged or is cancelled. Insurance contracts are accounted for in alignment with the policies adopted by the Company for reporting to its ultimate parent undertaking, Aegon N.V. refer to Note 3.

c) Provisions

A provision is recognised for present legal or constructive obligations arising from past events, when it is probable that it will result in an outflow of economic benefits and the amount can be reliably estimated. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, considering all its inherent risk and uncertainties, and where applicable the time value of money.

d) Premium income

Written premiums are reported gross of commissions and net of Insurance Premium Tax.

Direct business premiums are received monthly in advance in the UK, France, Germany, Italy, Spain and the Nordic Region. For these policies, premium receipts are received evenly through the month, consequently the provision for unearned premiums comprises half of the gross written premiums for the last month.

Indirect business premiums are received monthly in advance. Premium receipts are received evenly through the month; consequently the provision for unearned premiums comprises half of the gross written premiums for the last month.

e) Claims

Claims incurred consist of claims and claims handling expenses paid during the financial year, together with the movement in the provision for outstanding claims.

The provision for outstanding claims is an estimate of the cost of settling all claims incurred but unpaid at the balance sheet date, reported and not reported, and related claims handling expenses.

f) Deferred acquisition costs

Marketing and commission costs are deferred and amortised over the contractual life of the policy. i.e. one month contract boundary, where the policy is renewable each month.

2. Principal accounting policies (continued)

g) Tax assets and liabilities

Current income tax

Income tax assets and liabilities for the current period and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, or paid to or recovered from other group companies in respect of group relief surrendered or received. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax and liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

h) Tax assets and liabilities

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred income tax relating to items recognised directly in other comprehensive income is recognised directly in other comprehensive income and not in the income statement. Deferred income tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income tax relate to the same taxable entity and the same taxation authority.

i) Investment income

Investment income is accounted for on a receivable basis. Interest is accrued up to the balance sheet date and disclosed in the income statement non-technical account.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

2. Principal accounting policies (continued)

j) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction and subsequently revalued at a reporting period (annual) average rate. Assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

k) Pension costs

All staff servicing the business of the Company are employed by Aegon UK Corporate Services Limited. Pension costs are therefore disclosed in the financial statements of the employing company. These are all on a defined contribution basis and no defined benefit plans were in force during the year.

l) Operating leases

The costs relating to operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

3. Critical accounting estimates and judgement in applying accounting policies

Application of the accounting policies in the preparation of the financial statements requires management to apply judgement involving assumptions and estimates concerning future results or other developments, including the likelihood, timing or amount of future transactions or events. The actual results will not be materially different from those estimates. Accounting policies that are critical to the financial statement presentation and that require complex estimates or significant judgement are described in the following sections.

a) Actuarial Assumptions

The claims reserves are based on actuarial assumptions around the future development of claims relating to premiums paid to date. Claims experience from 1 January 2010 to 30 September 2019 has been considered in setting these assumptions and the claims experience rolled forward to 31 December 2019. Separate analyses were performed for different territories and for different products. There was particular focus on the Accident Cash Plan (ACP) and UK Accidental Death (AD) and the combined non-UK AD products for which the most credible data was available.

For both AD and ACP the Bornhuetter-Ferguson Approach is used blending the use of completion factors and loss ratios to determine the appropriate claims reserving factors.

Adjustments were made to the loss ratios to allow for the lower level of benefits prior to the Past Business Review (PBR) and for benefit and premium changes made in 2018 and 2019, on the claims profile during 2015 and 2016 and the expected impact on the level and frequency of claims going forward. A level of judgment is required in these adjustments but the impact is minimal.

4. Segmental analysis

The Company writes only one material accounting class of business, Accident and Sickness (classes 1 and 2).

The proportion of business written relating to policyholders outside the United Kingdom is 62% (2018: 63%). There is no reinsurance accepted in 2019 or 2018.

	2019	2018
	£000	£000
United Kingdom	**9,186**	9,636
Rest of Europe	**14,918**	16,376
Total	**24,104**	26,012

All risks are underwritten in the UK.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

5. Remuneration of directors

	2019	2018
	£000	£000
Directors' remuneration	63	53

The remuneration of directors in 2019 is entirely made up of fees to the non-executive directors for services provided to Stonebridge International Insurance Limited and Cornerstone International Holdings Limited. All other directors are employed by other Aegon Group companies and receive remuneration from their respective employing company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the Company and their services as directors of the holding company or of fellow Group undertakings.

6. Staff numbers and costs

The Company does not employ any staff, there is a recharging agreement in place with Aegon UK Corporate Services Limited.

7. Technical provisions and deferred acquisition costs

(a) Provision for unearned premiums

	2019		2018	
	£000	£000	£000	£000
Balance at 1 January	1,064		1,127	
Change in the provision for the year	(103)		(63)	
Balance at 31 December		961		1,064

(b) Deferred acquisition costs and provision for commissions on unearned premiums

	2019		2018	
	£000	£000	£000	£000
Commission				
Balance at 1 January	200		210	
Commission paid during the year	82		200	
Amortised during the year	(200)		(210)	
Balance at 31 December		82		200
Total deferred acquisition costs and provisions for commission on unearned premiums at 31 December		82		200

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

7. Technical provisions and deferred acquisition costs (continued)

(c) Provision for outstanding claims	2019		2018	
	£000	£000	£000	£000
Gross amount brought forward	4,555		5,355	
Amounts utilised during the year	(6,485)		(6,308)	
Prior year provision carried forward	(1,930)		(953)	
Gross provision for the year	6,115		5,508	
Gross provision for outstanding claims at year end		4,185		4,555
Net provision for outstanding claims at year end		4,185		4,555

8. Net operating expenses

	2019	2018
	£000	£000
Acquisition costs		
- Commission	82	200
Premium commission	2,108	2,184
Change in deferred acquisition costs	118	10
Translation difference in foreign currency	715	(47)
Other administrative expenses	6,082	5,290
	9,105	7,637

The Company use Aegon UK Corporate Services Limited to provide a number of services and these amounts are recharged to SIIL as operating expenses.

9. Profit before tax

Profit before tax is stated after charging:		2019	2018
		£000	£000
Auditors' remuneration: Audit services	- Financial Statements	68	65
	- Regulatory Return	52	-

Auditors' remuneration includes audit services for Stonebridge International Insurance Limited and Cornerstone International Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

10. Tax charge on profit

(a) Analysis of tax charge in year

	2019	2018
	£000	£000
Current tax		
UK corporation tax	1,652	2,401
Prior year adjustment	-	77
	1,652	2,478
Deferred tax		
Origination of timing differences	31	38
Change in tax rate	(4)	(4)
Total tax charge	1,679	2,512

The current tax rate of 19%, which has been effective since 1 April 2017, was enacted by Finance (No 2) Act on the 26 October 2015. The Finance Act 2016, enacted on 6 September 2016, included a future reduction in the corporation tax rate from 19% to 17% with effect from 1 April 2020.

The impact of these reductions in tax rates on the deferred tax balances has been included in the above figures and the deferred tax tables.

(b) Tax reconciliation

	2019	2018
	£000	£000
Profit before tax	8,857	12,837
Tax charge		
Expected tax charge at 19.00% (2018: 19.00%)	1,683	2,439
Change of tax rate	(4)	(4)
Prior year adjustment	-	77
Total tax charge	1,679	2,512

(c) Deferred tax asset

	2019	2018
	£000	£000
Decelerated capital allowances	126	153
	126	153

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

10. Tax charge on profit (continued)

Deferred tax assets

	2019	2018
	£000	£000
At 1 January	**153**	187
Charged to income statement	**(27)**	(34)
At 31 December	**126**	153

As in 2018, all assets have been recognised in full in the accounts as it is probable that future taxable profits will allow the deferred tax asset to be recovered.

The Finance Act 2020 will increase the tax rate to 19% from 1 April 2020, please see note 20 subsequent events for the impact of this change.

11. Investment

Management have adopted a low risk and capital preservation strategy throughout 2019 and 2018 by placing excess cash on deposit in a Sterling Fund.

	Level I	**Level II**	**Level III**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets carried at fair value				
Money market investments	58,179	-	-	**58,179**
Total assets at fair value at 31 December 2019	58,179	-	-	**58,179**

	Level I	**Level II**	**Level III**	**Total**
	£000	£000	£000	£000
Financial assets carried at fair value				
Money market investments	44,764	-	-	**44,764**
Total assets at fair value at 31 December 2018	44,764	-	-	**44,764**

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2019

12. Other prepayments and accrued income

	2019	2018
	£000	£000
Other Debtors	**56**	321
Prepayments and accrued investment income	**789**	929
	845	1,250

13. Creditors

	2019	2018
	£000	£000
Corporation tax creditor	**452**	1,528
Other taxes	**475**	496
Other creditors	**207**	469
	1,134	2,493

14. Share Capital

	2019	2018
	£000	£000
Allotted, called up and fully paid		
7,500,000 (2018: 7,500,000) ordinary shares of £1 (2018: £1) each	7,500	7,500

15. Dividends

The Company did not pay or declare a dividend in the year (2018: nil). SIIL aims to pay out a sustainable dividend to allow the shareholder to share in its performance.

16. Risk Management – General

The Company is exposed to non – financial and financial risks. Non-financial risks incorporating insurance risks are mortality/morbidity, lapses, and operational risk including legal, compliance and financial crime risks. The Company is also exposed to broader strategic risks. The main financial risks are credit risk and market risk, with the principal elements of market risk being interest rate risk and currency risk.

Exposure to these risks is monitored by the Company's Board, and appropriate sub-committees of the Board (in particular the Board Risk Committee) as part of the ORSA process required by Solvency II.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. An indication of the Company's exposure to credit risk is the quality of the investments and counterparties with which it transacts. The Company manages credit risk exposure by individual counterparty, sector and asset class, including cash positions.

Aegon N.V. operates a Credit Name Limit Policy ('CNLP') under which limits are placed on the aggregate exposure that it has to any one counterparty. Limits are placed on the exposure at both group level and individual country units. The limits placed on SIIL relate primarily to the Company and agreed by management as suitable for the size and nature of the Company's business. The limits also vary by a rating system, which is a composite of the main rating agencies (S&P, Moody's and Fitch) and Aegon N.V.'s internal rating of the counterparty. If an exposure exceeds the stated limit, then the exposure must be reduced to the limit for the Company and rating category as soon as possible.

The Company employs a rating hierarchy aligned with the Aegon N.V. Group CNLP. Under the CNLP a composite rating is used, which is based on a combination of the ratings of S&P, Moody's, Fitch, Internal and National Association of Insurance Commissioners (NAIC). The rating used is the lower of the external rating and the internal rating.

The following tables give an indication of the level of creditworthiness of those categories of assets that are most exposed to credit risk, using principally ratings prescribed by major rating agencies.

16. Risk Management – General (continued)

The first table shows financial assets:

	2019	2018
	£000	£000
No rating	58,179	44,764
Total Assets by Credit Risk	**58,179**	44,764

Financial assets above comprise:

	2019	2018
	£000	£000
Money market investments	58,179	44,764
Total Financial Assets	**58,179**	44,764

In respect of the Company, credit risk concentrations by sector for shareholder fund investments are as follows:

	2019	2018
	£000	£000
Financial	58,179	44,764
Total Credit Risk Concentrations	**58,179**	44,764

Maturity analysis Financial Instruments

All financial assets have a contractual maturity of less than one year.

17. Capital and solvency

The Company's overall capital management strategy is based on adequate solvency capital and capital quality.

Solvency Capital

The capital management policy supports the Company's strategy to adequately protect the interests of our customers, return capital to our shareholders and execute our strategic priorities. The policy is intended to ensure transparency and accountability with respect to capital management. The Company has a target zone of 170% to 270% which is calibrated to be akin to a 1 in 10 year event over and above the regulatory required solvency capital ratio. This is detailed below in the table on a Solvency II basis.

	2019	2018
	£000	£000
Solvency II Ratio		
Own Funds	**59,780**	52,534
Net SCR	**8,445**	9,855
Surplus	**51,335**	42,679
Solvency Ratio	**708%**	533%

The Company's overall approach to capital management is described in the Principal Risk and Uncertainties section of the Strategic Report. The Company's economic solvency position should be maintained to a level such that it would not default economically on its obligations to customers should any "plausible" scenarios from the past recur.

The Company should not be vulnerable to "plausible" events and so should be well diversified in the risks it takes. The objective of the Company in managing capital is to ensure that it maintains its current strong financial strength. The level of additional capital held in the business is set in the form of a capital buffer representing the additional capital required in the business to be able to withstand adverse plausible events whilst still being able to meet regulatory capital requirements.

The Company has met its regulatory capital requirements during 2019 and 2018.

The company has been granted a discretionary waiver over certain reporting requirements as a Tier 5 insurer from the PRA.

Capital Quality

SIIL's capital consists of 3 Tiers that indicate its quality of the capital. It is noted that the own funds do not include any contingent liabilities. Tier 1 capital consists of Ordinary Share Capital and reserves, SIIL does not have any Tier 2 capital and Tier 3 capital consists of deferred tax assets.

	2019	2018
	£000	£000
Available own funds		
Tier 1	**59,653**	52,366
Tier 2	**-**	-
Tier 3	**127**	168
Total Tiers	**59,780**	52,534

18. Related party transactions

As the Company is a wholly owned subsidiary of Aegon N.V. it has taken advantage of the exemption allowed in FRS 102 (33.1A) and has not disclosed transactions or balances with entities which form part of the group. There are no other related party transactions to disclose.

19. Cash flow statement

The Company is a wholly owned subsidiary of Cornerstone International Holdings Limited, which is itself a wholly owned subsidiary of Aegon N.V. which prepares financial statements including a consolidated cash flow statement. The Company has taken advantage of the exemption not to prepare a cash flow statement as permitted by FRS 102 section 1.12 (b).

20. Subsequent events

The deferred tax balances in Note 10 have been calculated using the future tax rate in force at the balance sheet date, being 17%. On 11 March 2020, the government announced that the Finance Act 2020 will increase the tax rate to 19% from 1 April 2020. Applying the revised tax rate would have the effect of increasing the net deferred tax asset position by £14.8K.

Since January 2020, the coronavirus disease (COVID-19) outbreak is causing disruption to society, impacting the Company, its employees, suppliers and customers.

Financial markets have been severely impacted by significant decreases in interest rates, equity markets and commodity prices, and by credit spreads widening. Governments and central banks are responding to this crisis with aid packages and further quantitative easing. At the date of this report the depth and length of this crisis is unknown.

The Company is continuously monitoring the market and economic turbulence that has arisen as a consequence of the COVID-19 outbreak. As the company maintains a low market risk strategy in regards to its assets. The most significant risks the Company faces are related to underwriting risks. The Company continues to monitor claim activity and policyholder behaviour. At the time of this report it is too early to tell what the actual impact of the COVID-19 crisis is on the Company's underwritings results and the Company's long term underwriting and economic assumptions, if any. Management continue to regularly assess the developments in market and operational experience. There continues to be limited impact on premiums and claims in Q1 and an assessment of product features has concluded there is some exposure to claims directly affected by COVID-19 but this would not materially change the capital or liquidity positions as reported at year end.

SIIL has invoked its business continuity plans to help ensure the safety of and well-being of its staff, as well as its capacity to support its customers and maintain its business operations, while maintaining our financial and operational resilience.

21. Ultimate parent company

The results of the Company are consolidated in the financial statements of Aegon N.V., the ultimate parent undertaking, which is incorporated in the Netherlands. Copies of the consolidated financial statements of Aegon N.V. are available to the public and may be obtained from The Company Secretary, Aegon UK plc, Aegon Lochside Crescent, Edinburgh Park, Edinburgh, EH12 9SE.