TWG Europe

Single Group Solvency & Financial Condition Report

Year-end 31 December 2018

Approved by the Board: 23 May 2019

Report Introduction

TWG Europe Limited's (TWG Europe) Solvency and Financial Condition Report (SFCR) is prepared on a group basis and includes details of London General Insurance Company Limited (LGI) and London General Life Company Ltd (LGL). The TWG Europe group (TWGE) also includes TWG Services Limited (TWGSL), which is the TWG Europe group's services company, that provides administration services to the group and directly to clients.

TWG Europe has an approved waiver from the Prudential Regulation Authority (PRA) allowing for the Group to produce one single SFCR (per Article 256 of Solvency II (Directive 2009/138/EC)).

Contents

Summary

Note: all figures quoted within this report are, unless stated otherwise, either as at year-end 2018 or year-end 2017.

Quick Glance Performance, Solvency and Financial Condition

Key Performance Indicator (£'000's)	TWG Europe		LGI		LGL	
	2018	2017	2018	2017	2018	2017
Net Underwriting Margin[1]	593	9,941	72	8,044	521	1,896
Total Investment Return	(233)	1,320	(221)	1,329	(22)	(16)
Solvency Ratio	171%	141%	161%	141%	138%	138%

In summary, key highlights/changes for 2018 are:

- The Warranty Group was acquired by Assurant, Inc. on 31 May 2018. Following the acquisition, TWG Europe Limited (TWGE) is now part of Assurant, Inc.'s European group of companies.

  Assurant has an existing UK insurance group under Assurant Group Limited, which is supervised separately and produces a separate SFCR. As the PRA confirmed that they will continue to regulate Assurant Group Ltd and TWGE as separate insurance groups, separate SFCR reports have been produced for each entity for the year ended 2018.

- There were no material changes to TWG Europe's governance framework in the year. However, with effect from 1 January 2019, TWG Europe's governance framework was updated following the acquisition of The Warranty Group by Assurant. These updates are not reported in this document as they were not effective during the reporting period; they will be reported in TWG Europe's SFCR for the year ending 31 December 2019.

- Performance in 2018 was lower than in 2017 measured in terms of underwriting profit. This reflected the continuation of some challenges from previous years in terms of volume and margins. TWGE's underlying business remained stable and significant results were achieved in strengthening its future client base.

- The 2018 solvency ratio improved compared to 2017 mainly due to reduced business volumes (as shown in section E2). There was also a smaller benefit from the Undertaking Specific Parameter (USP) being updated in 2018.

Business and Performance

TWG Europe[1] specialises in the underwriting, administration and marketing of three core product lines:

- Automotive extended warranty (Auto) - motor warranty, including Guaranteed Asset Protection (GAP) and ancillary insurances;
- Appliance & Technology (A&T) - including warranty, theft and accidental damage; and,
- Creditor - including unemployment, accident and life which is largely in run -off.

Approximately 52% of our business is written in non-UK, EEA countries (as shown in the business performance section) which is why Brexit is one of the largest short-medium term risks for TWGE.

These are primarily consumer insurance products that are marketed across Europe through a combination of branches and freedom of service arrangements. These are distributed on a Business-to-Business basis through relationships with a range of motor dealers, manufacturers, retailers, financial institutions and other distributors.

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[1] Net Underwriting Margin = Net premiums earned – Net claims incurred – Expenses incurred

All European insurance operations are conducted by entities that are subsidiaries of TWG Europe Limited.
The Group operating entities are:

- London General Insurance Company Limited (LGI), authorised provider of general insurance contracts;
- London General Life Company Limited (LGL), authorised provider of life insurance contracts. Minimal volumes of business in the entity, with no new business sought (only the run-off existing contracts and the renewal of monthly-pay-monthly-cover type products); and,
- TWG Services Limited (TWGSL), services company that provides administration services to the group and directly to clients.

Business performance has remained resilient in 2018, with TWG Europe, LGI and LGL recording positive underwriting profits. The business continues to invest in growth initiatives and in developing its technology platforms to support its growth agenda.

LGI continues to be the focus of the business with Auto and Appliance and Technology (A&T) markets being key areas of the business growth strategy. LGL continues to seek no new business, only run-off and renewal of existing business.

Please note: this year we have produced a Financial Condition Report for the Swiss branch of LGI. This has been uploaded onto our website.

Key elements of TWGE's business model and strategy include:

- continuing to supply new and existing clients with exceptional service which will be aided by an enhanced technology platform;
- retaining existing clients and organically growing portfolios profitably and
- development of new business opportunities with a focus on maintaining underwriting discipline.

Systems of governance

The governance structure is aligned across all entities, including LGI and LGL. The group is structured to provide robust corporate governance, at least meeting all required standards of regulated insurance companies/groups. This is manifested, at a fundamental level, in how the Board, Management and the Management Committees are structured and a three lines of defence model is used throughout the business.

This section of the report details how the TWG Europe group ("the Group") is structured and ensures good governance in the management and operation of the Group, including the Group's governance framework. This section also details the fit and proper requirements set out by the group for senior leaders in the business, as well as the role and integration of key control functions within the Group.

Risk Profile

The risk appetite and profile of the Group has not materially changed in the year. Strategic risks continue to be the focus of the Group, with experience, inherent product proposition, strong management oversight and strong control environments mitigating insurance, financial and operational risks.

The table below gives a quantitative breakdown of the risk components of the Solvency Capital Requirement (SCR)[2]:

[2] Throughout the report, LGI's SCR is quantified including the approved Undertaking Specific Parameter (USP). This is explained further in section *E.2 Solvency Capital Requirement and Minimum Capital Requirement* of this report.

Regulatory Solvency Requirements (£'000's)	TWG Europe 2018	TWG Europe 2017	LGI 2018	LGI 2017	LGL 2018	LGL 2017
Non-life underwriting risk	46,372	58,301	46,041	58,301	-	-
Health Underwriting risk	3,673	6,829	3,659	6,672	1	34
Life Underwriting risk	2,175	602	-	-	2,175	598
Market Risk	12,722	12,701	11,475	12,041	1,129	1,012
Counterparty default risk	4,810	8,298	1,925	6,060	38	143
Diversification	(15,370)	(18,445)	(11,555)	(16,543)	(641)	(426)
Basic Solvency Capital Requirement	**54,383**	**68,286**	**51,545**	**66,531**	**2,702**	**1,361**
Operational risk	4,775	6,071	4,440	5,802	348	268
Solvency Capital Requirement	**59,158**	**74,357**	**55,985**	**72,333**	**3,050**	**1,629**

From the above table we can see that non-life underwriting risk remains the largest component of the SCR for both TWG Europe and LGI at year end 2018 and 2017. The non-life underwriting risk has reduced between 2018 and 2017 reflecting a reduction in future business plan volumes during 2018.

Brexit continued to be a significant risk for TWG Europe during the year. Following completion of the acquisition of The Warranty Group by Assurant, Inc. it was decided to establish new European insurers to undertake the combined EU business of the two organisations and that those entities would sit within the TWGE group. This activity is expected to complete in 2019.

Also as a result of the acquisition by Assurant, a programme of integration was initiated in the second half of 2018. Significant operational focus was placed on activities during 2018 to ensure TWGE could affect the integration into Assurant while protecting our clients, retaining key talent, and ensuring business continuity.

Section C considers the material risk to which the Group is exposed, reflecting current exposures and profile, relevant monitoring and sensitivities, concentrations (where relevant) and mitigation.

Valuation for solvency purposes
Standard valuation techniques are used as detailed in the regulation 2015/35 (Delegated Act) that supplemented Directive 2009/138/EC (Solvency II).

TWG Europe has a simple balance sheet relative to other financial services firms. Investment assets are traded on regulated exchanges with transparent mark to market valuations. The material difference between the UK GAAP and Solvency II balance sheet is the change in basis valuation from UK GAAP reserves to best estimate and risk margin valuations (Technical Provisions). Valuation of other assets and liabilities broadly aligns to the valuation principles of UK GAAP.

Capital Management
The solvency position of TWG Europe, LGI and LGL remains strong as capital was held in excess of their respective risk appetite buffers (which are set as a percentage above regulatory capital requirements) at 31st December 2018. LGI's Solvency II regulatory capital requirement is the Solvency Capital Requirement and for LGL it is the absolute Minimum Capital Requirement (aMCR).

Regulatory Solvency (undiversified) (£'000's)	TWG Europe 2018	TWG Europe 2017	LGI 2018	LGI 2017	LGL 2018	LGL 2017
Capital Requirement	59,158	74,357	55,985	72,333	3,288	3,251
Eligible Own Funds (on basis to meet requirement)	101,047	104,797	90,120	101,768	4,536	4,490
Solvency Ratio	171%	141%	161%	141%	138%	138%

The table below shows the breakdown of eligible own funds by entity.

	Eligible Own Funds to meet the consolidated group SCR				Eligible Own Funds to meet the minimum consolidated group SCR			
£'000's	Tier 1 (unrestricted)	Tier 2	Tier3	Total	Tier 1 (unrestricted)	Tier 2	Tier3	Total
TWG Europe	97,957	-	3,089	101,047	97,957	-	-	97,957
LGI	88,459	-	1,661	90,120	88,459	-	-	88,459
LGL	4,536	-	-	4,536	4,536	-	-	4,536

The financial strength rating from AM Best for TWGE Europe, LGI and LGL was upgraded from A- to A in 2018, following the change in ownership of the Group.

There were the following material changes impacting capital management of LGI in the period:

- Since the 2018 year-end, the TWGE board has agreed to incorporate three new entities in support of their Brexit planning: Assurant Europe Insurance, NV (AEI), Assurant Europe Life, NV (AEL) and Assurant Europe Services, BV (AES). Together, it is planned that these new entities will service the EU customers of the TWGE Group.

  TWGE will hold 100% of the share capital of the new entities, and they will become part of the TWGE regulated group. Funding for these new entities will come via a share capital injection into TWGE from its parent TWG Holdings, along with funding from dividends within the existing TWGE Group.

  LGI's Board has approved the payment of a £10 million dividend which was paid in February 2019. This will be retained with the TWGE Group and used as funding for the new entities.

- The Undertaking Specific Parameter (USP) was approved by the PRA in March 2017. The USP was updated during 2018 in line with the approved USP policy - with the 2018 USP report being provided to the PRA. The USP changed from 9.35% to 9.02% and will be refreshed as part of the annual review cycle.

- In 2017, LGI entered an outward reinsurance Gap Catastrophe treaty reinsurance, with an affiliated company. The treaty incepted on 1st January 2018.

- TWGE paid a £19.5m dividend to its parent TWG Holdings in June 2018, following completion of its year-end Solvency II returns. This was funded through a dividend to TWGE from LGI of £20m. Both transactions were approved by TWGE's Board and the PRA were notified.

For LGL, there were no material capital management changes in the period.

Directors' statement

We acknowledge our responsibility for preparing this Single Group Solvency and Financial Condition Report (SFCR) in respect of the Group, LGI and LGL in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:

a. throughout the financial year in question, the Group and each of LGI and LGL, have complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations;

b. it is reasonable to believe that the Group, TWG Europe, and each of LGI and LGL have continued to comply subsequently, and will continue so to comply in future;

c. the SFCR has been prepared in all material respects in accordance with the PRA rules and the Solvency II regulations.

Claude Sarfo
Director

23rd May 2019

A. Business and Performance

A.1. *Business profile*

The Warranty Group/TWG is the brand name of our global business, which was acquired by Assurant, Inc. on 31 May 2018. Following the acquisition, TWGE is now part of Assurant, Inc.'s European group of companies.

The Warranty Group is the world's largest single-source provider of extended warranty solutions, with over 50 years in the warranty business. Products cover many consumer goods including automobiles, consumer electronics, and major home appliances. The Warranty Group enjoys long-lasting client relationships with market-leading partners across the globe. The Warranty Group has operations globally and is headquartered in Chicago, IL, USA.

Assurant has an existing UK insurance group under Assurant Group Limited, which is supervised separately and produces a separate SFCR. As the Regulator confirmed that they will continue to regulate Assurant Group Ltd and TWGE as separate insurance groups, separate SFCR reports have been produced for each entity for the year ended 2018.

TWG Europe specialises in the underwriting, administration and marketing of three core product lines:

- Motor Warranty including Guaranteed Asset Protection (GAP) and ancillary insurances;
- Appliance & Technology including warranty, theft and accidental damage; and,
- Creditor including unemployment, accident and life which is largely in run-off.

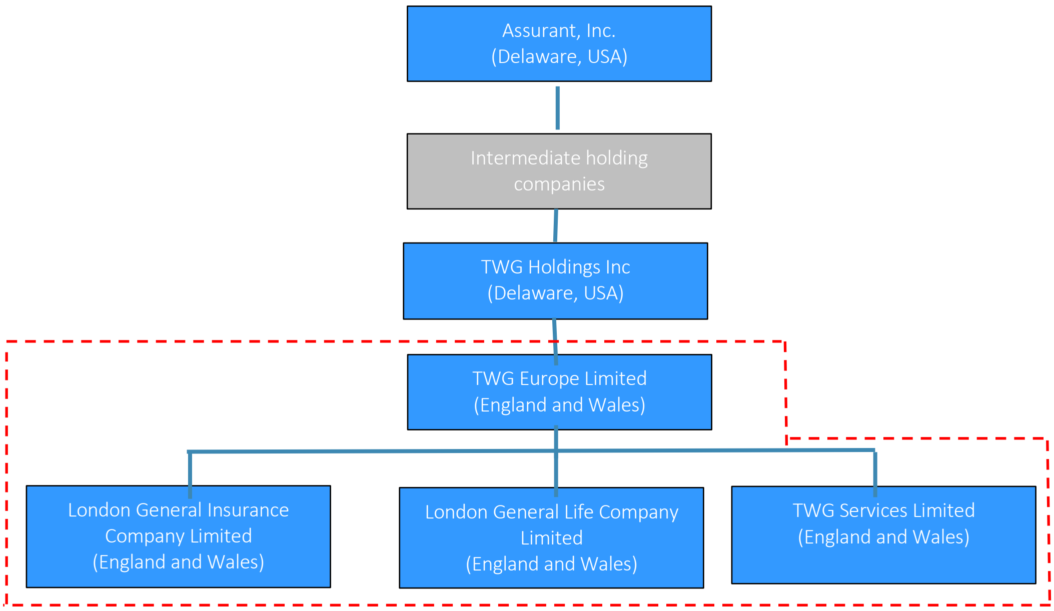
These are primarily consumer insurance products that are marketed across Europe through a combination of branches and freedom of service arrangements. These are distributed on a Business-to-Business basis through relationships with a range of motor dealers, manufacturers, retailers, financial institutions and other distributors.

All European insurance operations are conducted by entities that are subsidiaries of TWG Europe Limited collectively known as TWG Europe. The Group operating entities are:

- London General Insurance Company Limited (LGI), authorised provider of general insurance contracts;
- London General Life Company Limited (LGL), authorised provider of life insurance contracts. Minimal volumes of business in the entity, with no new business sought (only the run-off existing contracts and the renewal of monthly-pay-monthly-cover type products); and,
- TWG Services Limited (TWGSL), services company that provides administration services to the group and direct to clients.

Corporate Structure

A simplified corporate structure of the TWG Europe Group is displayed below, with countries of incorporation shown in brackets. This structure is as at 31 December 2018 and reflects the acquisition of TWG Europe by Assurant, Inc. on 31 May 2018.



All entities within the red dashed lines are considered within this SFCR. The simplified structure chart above does not include the following recently incorporated Dutch subsidiaries of TWG Europe Limited which are not currently within the scope of this SFCR as they have not yet commenced business activities:

- Assurant Europe Insurance, NV (pending regulatory authorisations)
- Assurant Europe Life Insurance, NV (pending regulatory authorisations)
- Assurant Europe Services, BV (pending regulatory authorisations)

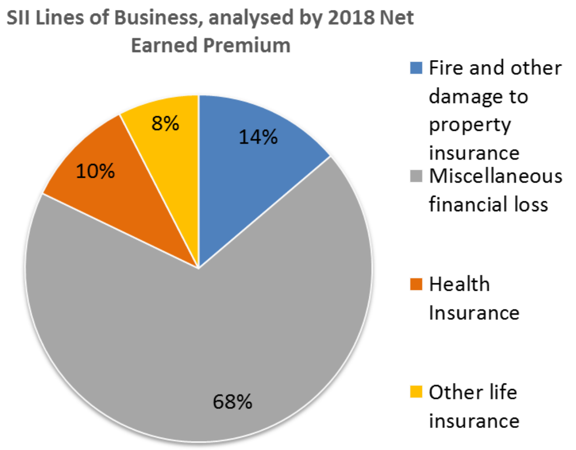
TWG Europe Limited directly holds 100% of the issued share capital and voting rights of LGI, LGL and TWGS. TWG Europe Limited's immediate parent undertaking is TWG Holdings, Inc., registered in Delaware, United States of America. TWG Holdings, Inc. holds 100% of the issued share capital and voting rights of TWG Europe Limited. The ultimate parent undertaking is Assurant, Inc., a publicly listed company on the New York Stock Exchange, registered in Delaware, United States of America.

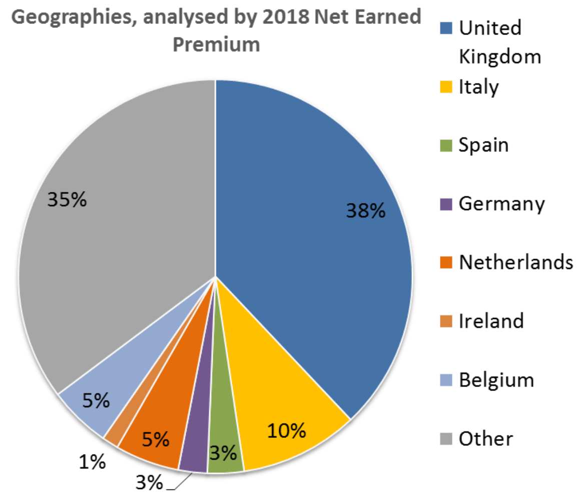
LGI and LGL are authorised by the Prudential Regulatory Authority[3](PRA) and are dual regulated by the Financial Conduct Authority[4] (FCA) and the PRA. TWGSL is authorised and regulated by the FCA only. Each entity has branches across Europe to conduct business. TWG Holdings, Inc. is regulated by the Delaware Department of Insurance[5].

TWG Europe, LGI, LGL and TWGSL Head Offices are in Staines, UK, with additional offices in:

- Mitcheldean, UK - operations centre and support functions;
- Amsterdam, Netherlands - sales and operations centre; and
- Milan, Italy - sales centre.

TWG Europe engages in business across Europe, with the below detailing geographic and Solvency II line of business, quantified by Net Earned Premium:





The above charts show the following:

- Miscellaneous financial loss remains the dominant Solvency II class of business (the corresponding percentage was 70% as at year-end 2017).
- Non-UK, EEA territories are where the bulk of business is written by TWG Europe (the corresponding percentage was 62% of business written in non-UK EEA countries as at year-end 2017).

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[3] Contact details for the PRA can be found at http://www.bankofengland.co.uk/pra/Pages/default.aspx . TWG Europe's supervisory contact is Prudential Regulation Authority, 20 Moorgate, London, EC2R 6DA.

[4] Contact details for the FCA can be found at https://www.fca.org.uk/ . As TWG Europe is a low risk firm to the FCA's objectives, no direct supervisory contact is given to the group, but the FCA Relationship Centre can be contacted on 0300 500 0597.

[5] The Delaware Department of Insurance can be contacted on +1 (302) 674-7300 / http://insurance.delaware.gov/contact/

Audit of the Report

In 2018, TWG Europe received an exemption from the requirement to externally audit the SFCR pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms.

PricewaterhouseCoopers LLP has been appointed as the statutory auditor to the Group and solo entities of the Group. Contact details for the Audit firm are: PWC, 1 Hardman Square, Manchester, United Kingdom, M3 3EB.

Details of Report

This Report has been prepared in line with Chapter XII of Title 1 and Chapter V of Title II of the regulation 2015/35 that supplemented Directive 2009/138/EC. Additionally, this report complies with the commission implementing regulation (EU) 2015/2452 and EIOPA Guidelines on Reporting and Public Disclosure requirements. The financial TWG Europe Group is aligned to the Group position considered within the report, with the Service company fully consolidated as an ancillary services undertaking. It is for this reason that TWG Europe does not equal LGI plus LGL.

Whilst the PRA has made use of the option in Article 51(2) of Directive 2009/138/EC, not to require disclosure of any imposed capital add-ons, TWG Europe, LGI and LGL can confirm that no such add-on is required or has been applied by the PRA at the valuation date or within the period (31 December 2018 or through 2018).

This report details the Group's position as at 31 December 2018.

Unless otherwise stated, financial information contained within the report, including the quantitative reporting templates (QRTs) in Appendix B, are in thousands of pounds Sterling (i.e. 10 = GB£10,000), as set out in Article 2 of the commission implementing regulation (EU) 2015/2452.

A.2. ***Underwriting Performance***

The underwriting performance of TWGE Europe, LGI and LGL by SII line of business and by geographical split as reported in the proforma or audited financial statements is set out below. In terms of Solvency II line of business, miscellaneous financial loss remained the dominant class of business at both Group and LGI levels.

Consolidated financial statement information in this SFCR is presented on a proforma UK GAAP basis.

LGI and LGL prepare financial statements under UK generally accepted accounting principles ("UK GAAP"). Reference to "financial statements" below should be understood to refer to audited UK GAAP financial statements in respect of LGI and LGL and to unaudited proforma UK GAAP financial statements in respect of TWG Europe.

TWG Europe - Underwriting Performance (£'000's)	Fire and other damage to property insurance		Miscellaneous financial loss		Health Insurance		Other life insurance		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net Premium Written	14,327	10,974	40,483	62,215	7,919	11,388	855	5,484	63,585	90,062
Net Premium Earned	14,852	12,720	73,639	88,202	11,130	14,846	8,135	6,550	107,757	122,318
Net Claims Incurred	8,241	6,073	18,010	26,524	7,064	7,079	925	658	34,240	40,333
Expenses Incurred	9,731	8,112	50,098	52,571	6,389	7,325	6,706	4,036	72,924	72,044
Net Underwriting Performance	(3,119)	(1,464)	5,531	9,107	(2,323)	442	504	1,856	593	9,941

TWG Europe - Underwriting Performance - Fire and other damage to property and Miscellaneous Financial loss (£'000's)	United Kingdom		Italy		Spain		Germany		Poland		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net Premium Written	30,447	36,650	7,754	8,051	3,875	n/a*	3,329	5,728	n/a*	9,739	9,405	13,021	54,810	73,189
Net Premium Earned	40,551	46,441	10,462	14,576	3,223	n/a*	2,567	3,182	n/a*	12,315	31,689	24,408	88,492	100,922
Net Claims Incurred	13,014	11,169	5,352	5,940	823	n/a*	1,116	1,703	n/a*	2,246	5,235	11,539	26,251	32,597
Expenses Incurred	30,555	32,809	8,437	6,735	2,070	n/a*	1,915	1,888	n/a*	9,800	16,683	9,451	59,829	60,683
Net Underwriting Performance	**(3,018)**	**2,463**	**(3,327)**	**1,902**	**330**	**n/a***	**(464)**	**(409)**	**n/a***	**269**	**9,770**	**3,418**	**2,411**	**7,643**

n/a* - Country not reported in S.05 in Year

TWG Europe - Underwriting Performance - Health and Life (£'000's)	United Kingdom		Netherlands		Ireland		Belgium		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net Premium Written	186	1,539	5,235	3,377	2,232	3,777	1,065	7,914	56	267	8,774	16,873
Net Premium Earned	351	1,615	5,672	12,707	1,462	3,965	5,517	3,221	6,262	(112)	19,265	21,396
Net Claims Incurred	(966)	793	(739)	6,630	(202)	568	184	194	9,711	(449)	7,989	7,737
Expenses Incurred	131	859	2,627	5,160	1,044	1,945	5,158	2,781	3,707	615	13,095	11,361
Net Underwriting Performance	**1,186**	**(37)**	**3,784**	**916**	**620**	**1,452**	**175**	**246**	**(7,156)**	**(279)**	**(1,819)**	**2,299**

TWG Europe Underwriting Performance:

- Total net underwriting performance results were reduced to £0.6m in 2018, reflecting run off in core portfolios.
- Fire and damage to other property insurance remains loss making and experienced higher loss and expense ratios in the year.
- Miscellaneous financial loss remains profitable, the net underwriting performance result was lower in 2018 due to lower business volumes.
- Overall the bulk of TWGE's risks continue to be under-written in non-UK, EEA countries.

LGI - Underwriting Performance (£'000's)	Fire and other damage to property insurance 2018	2017	Miscellaneous financial loss 2018	2017	Health Insurance 2018	2017	Total 2018	2017
Net Premium Written	14,327	10,974	40,483	62,215	7,937	11,385	62,748	84,575
Net Premium Earned	14,852	12,720	73,639	88,202	11,020	14,703	99,512	115,625
Net Claims Incurred	8,241	6,073	18,010	26,524	7,009	7,070	33,260	39,667
Expenses Incurred	9,731	8,112	50,098	52,571	6,351	7,232	66,180	67,914
Net Underwriting Performance	**(3,119)**	**(1,465)**	**5,531**	**9,107**	**(2,340)**	**401**	**72**	**8,044**

LGI - Underwriting Performance - Fire and other damage to property and Miscellaneous Financial loss (£'000's)	United Kingdom 2018	2017	Italy 2018	2017	Spain 2018	2017	Germany 2018	2017	Poland 2018	2017	Other 2018	2017	Total 2018	2017
Net Premium Written	30,447	36,650	7,754	8,051	3,875	n/a*	3,329	5,728	n/a*	9,739	9,405	13,021	54,810	73,189
Net Premium Earned	40,551	46,441	10,462	14,576	3,223	n/a*	2,567	3,182	n/a*	12,315	31,689	24,408	88,492	100,922
Net Claims Incurred	13,014	11,169	5,352	5,940	823	n/a*	1,116	1,703	n/a*	2,246	5,235	11,539	26,251	32,597
Expenses Incurred	30,555	32,809	8,437	6,735	2,070	n/a*	1,915	1,888	n/a*	9,800	16,683	9,451	59,829	60,683
Net Underwriting Performance	**(3,018)**	**2,463**	**(3,327)**	**1,901**	**330**	**n/a***	**(464)**	**(409)**	**n/a***	**269**	**9,770**	**3418**	**2,411**	**7,643**

LGI - Underwriting Performance - Health (£'000's)	United Kingdom 2018	2017	Netherlands 2018	2017	Ireland 2018	2017	Belgium 2018	2017	Other 2018	2017	Total 2018	2017
Net Premium Written	179	1,481	5,366	5,072	2,038	3,402	314	1,295	40	136	7,937	11,385
Net Premium Earned	160	1,480	3,117	9,083	1,132	3,436	367	951	6,244	(246)	11,020	14,703
Net Claims Incurred	(994)	783	(1,367)	6,289	(261)	526	(80)	(75)	9,711	(452)	7,009	7,070
Expenses Incurred	117	793	1,078	3,522	827	1,603	636	789	3,693	524	6,351	7,232
Net Underwriting Performance	**1,037**	**(96)**	**3,406**	**(729)**	**566**	**1,307**	**(189)**	**237**	**(7,160)**	**(318)**	**(2,340)**	**401**

- As LGI's performance dominates that of TWGE. The above comments in respect of TWGE business performance also apply to LGI with the exception of the 'other life insurance' category which is a component of LGL.

LGL - Underwriting Performance (£'000's)	Health Insurance		Other Life Insurance		Total	
	2018	2017	2018	2017	2018	2017
Net Premium Written	(18)	3	855	5,484	837	5,487
Net Premium Earned	110	143	8,135	6,550	8,245	6,693
Net Claims Incurred	55	9	925	658	980	667
Expenses Incurred	38	94	6,706	4,036	6,744	4,130
Net Underwriting Performance	**17**	**40**	**504**	**1,856**	**521**	**1,896**

LGL - Underwriting Performance 2018 - Health and Life (£'000's)	United Kingdom		Belgium		Ireland		Spain		Netherlands		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net Premium Written	7	58	751	6,619	194	375	16	131	(131)	(1,695)	837	5,487
Net Premium Earned	191	136	5,150	2,270	330	529	18	134	2,555	3,624	8,245	6,693
Net Claims Incurred	28	11	264	269	59	42		4	628	341	980	667
Expenses Incurred	14	66	4,522	1,992	217	343	14	91	1,549	1,638	6,744	4,130
Net Underwriting Performance	**149**	**59**	**364**	**9**	**54**	**144**	**4**	**39**	**378**	**1,645**	**521**	**1,896**

- Net underwriting performance overall has reduced for LGL as creditor business continues to run off.
- Belgium remains the dominant territory where most business is written.
- Net Premium Written for Netherlands is negative because of cancellations.

TWG Europe utilises profit share arrangements that share the profits with clients to ensure aligned commercial interests in the Group's products.

The impact of risk mitigation techniques on underwriting performance can be seen in the 's.05' Quantitative Reporting Templates (QRT forms), which are included in Appendix B. Reinsurance mitigation (i.e. benefit from reinsurance) is considered fully effective at the valuation date.

A.3. *Investment Performance*

TWG Europe's investment portfolio is a mix of longer term government and corporate bonds as well as short-term cash deposits. All investments are made subject to the Group's agreed financial risk policies.

Interest income is reducing as higher yielding investments purchased in the past have matured and been replaced with more recently issued bonds with lower yields as a result of the prolonged general low yield environment.

Despite a difficult trading environment with many macroeconomic events throughout the year, the prudent investment approach taken by the Group has ensured protection of principal and steady yields for both LGI and LGL. A summary of investment performance is detailed below:

Investment Performance (£'000's)	TWG Europe		LGI		LGL	
	2018	2017	2018	2017	2018	2017
Total Investment Income	4,445	5,608	4,295	5,430	140	172
Investment Expenses	(285)	(265)	(268)	(250)	(17)	(16)
Realised gains/losses	(3,326)	(2,456)	(3,203)	(2,325)	(123)	(131)
Unrealised gains/losses	(1,067)	(1,567)	(1,045)	(1,526)	(22)	(41)
Total Investment Return	**(233)**	**1,320**	**(221)**	**1,329**	**(22)**	**(16)**

In 2018, investment return reduced to a loss of £0.2m, a £1.5m reduction on the prior year (£1.3m) primarily due to higher realised losses on the portfolio. In 2018, the unrealised losses were higher than 2017 due to ongoing market conditions predominantly in the sterling UK market and the Italian European market.

The Group does not sponsor, transfer to or utilise in any other way, other than for the purposes of investment in securitised assets. The Group has a very tight investment mandate which the third party investment manager adheres to.

Securitised assets are restricted in concentration to a maximum of 10% of the investment portfolios of LGI and LGL. At the valuation date, investments in securitised assets were valued at c1% for LGI and 0% for LGL, of the respective investment portfolios, with no additional investments at the group level. Details of securitised assets are provided below:

Securitised assets (£'000's)	TWG Europe		LGI		LGL	
	2018	2017	2018	2017	2018	2017
RMBS (Retail Mortgage Backed Security)	526	854	526	854	-	-
ABS (Asset Backed Security)	1,408	3,526	1,408	3,526	-	-
Total Securitised assets	**1,934**	**4,380**	**1,934**	**4,380**	**-**	**-**

A.4. *Performance of other activities*

No other material lines of business are pursued by the Group, however, as part of the Group's product offering, the Group receives administration fees from The Warranty Group Services (Isle of Man) Limited (a related company within the global Group), and fees for administration services provided direct to clients.

In addition, foreign exchange movements are considered below.

Other income below includes: other income from solo accounts; elimination and classification adjustments on consolidation; and, adjustments to income recognition.

Other Income (£'000's)	TWG Europe		LGI		LGL	
	2018	2017	2018	2017	2018	2017
Net foreign exchange gains/losses	9	244	(175)	116	10	30
Administration fees - fellow group undertakings	6,029	7,234	-	-	-	-
Administration fees - third parties	9,200	9,824	-	-	-	-
Other income	7,946	4,319	527	665	-	-
Gain/(loss) on sale of fixed assets	(29)	(58)	-	-	-	-
Total Other Income	**23,155**	**21,563**	**352**	**781**	**10**	**30**

A.5. *Any other information*

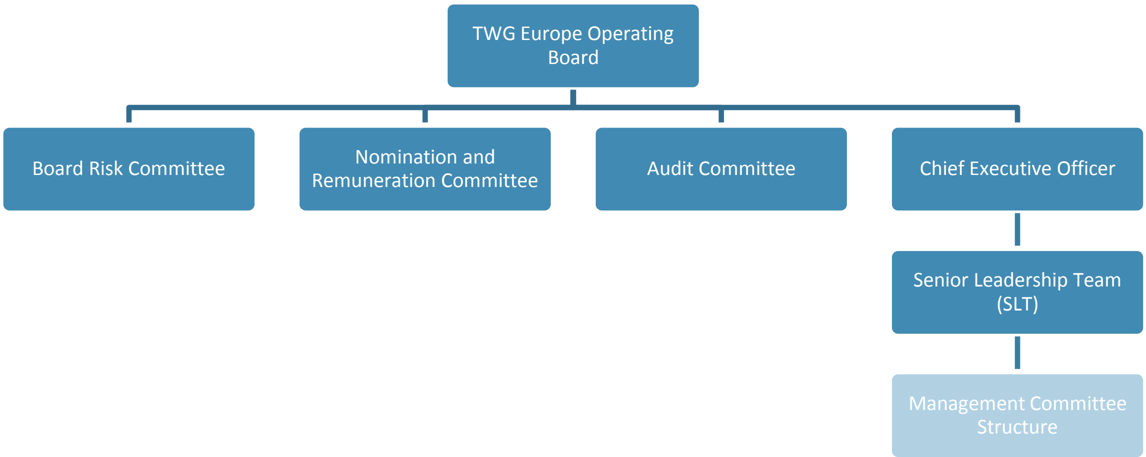
There were no other material income or expenses incurred during 2018.

B. System of Governance

B.1. *General information on the system of governance*

Governance Framework Introduction

There were no material changes to TWG Europe's governance framework in the year. However, with effect from 1 January 2019, TWG Europe's governance framework was updated following the acquisition of The Warranty Group by Assurant. These updates are not reported in this document as they were not effective during the reporting period; they will be reported in TWG Europe's SFCR for the year ending 31 December 2019.



Board Structure
Each entity within the group has a separately constituted Board but delegates full authority to a single TWG Europe Operating Board, except for reserved matters. The single operating Board has identical membership to those of the individual companies ensuring alignment. The Board has a separate Risk Committee, Audit Committee, and Nomination and Remuneration Committee and delegate's management responsibility through the European Chief Executive Officer (CEO). The structure is depicted below.

Each of the Board committees has a defined Terms of Reference. Appropriate segregation of responsibilities and non-executive oversight is achieved in several ways, including: non-executive directors as Chairs of the Board level committees; membership of each committee consisting of a majority of non-executive directors; and conflicts of interest documented with any mitigating action in place where necessary.

Board Members

The following were members of the TWG Europe Operating Board as at 31 December 2018:

- John Kelly – Non-executive Chairman LGI, LGL, TWG Europe, TWGSL;
- Geoff Shanks – Non-executive Director LGI, LGL, TWG Europe, TWGSL;
- (Elizabeth) Jane Owen – Non-executive Director LGI, LGL, TWG Europe, TWGSL;
- Richard Green – Chief Executive Officer Europe, Director LGI, LGL, TWG Europe, TWGSL; and
- James Insley – Chief Financial Officer, Europe, Director LGI, LGL, TWG Europe, TWGSL.

The following key changes occurred with respect to the TWG Europe Operating Board during 2018 and with effect from 1 January 2019:

- Edward Wagner resigned on 31 August 2018.
- John Kelly, (Elizabeth) Jane Owen, Geoff Shanks, Richard Green and James Insley resigned on 31 December 2018.
- The following directors were all appointed on 1 January 2019:
    - George Bartlett – Independent Non-Executive Director and Board Chair
    - Colin Kersley – Independent Non-Executive Director
    - Andrew Morris – President & Chief Executive Officer
    - Claude Sarfo – Chief Financial Officer

- Michael Carter – European HR Director

- Ricardo Morales-Gomez (Group Non-Executive Director) was appointed on 21 January 2019.

Board Structure

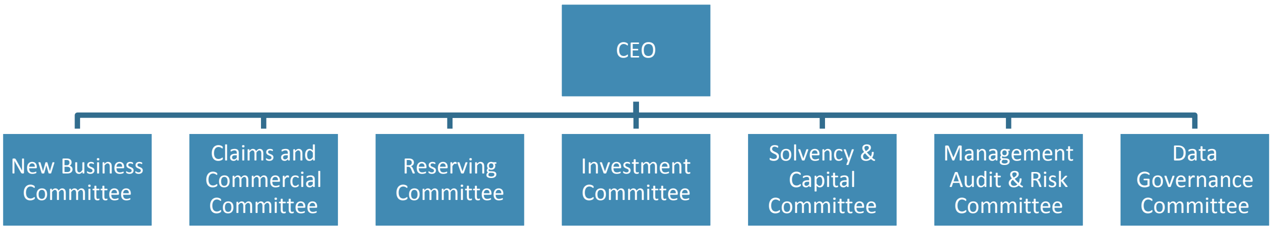
	Board	Risk Committee	Audit Committee	Nomination and Remuneration Committee
Chairman	John Kelly	Jane Owen	Geoff Shanks	John Kelly
Members	Geoff Shanks Jane Owen Rich Green James Insley	Geoff Shanks	Jane Owen	Jane Owen

Board committee objectives

Board	The overriding objective of the Operating Board is the effective overall governance of the Companies and specifically to assume direct responsibility for: Strategy and Management; Risk Appetite, Tolerance and Limits; Corporate Policies; Financial reporting and controls; Structure and Capital; Internal Controls; Major Capital projects; Major contracts; Communication; Senior executive appointment; and Delegation of authority.
Risk Committee	• oversee the effectiveness and appropriateness of the TWG Europe Risk Management Framework; • ensure that the Risk Management Framework includes appropriate risk management strategy, policies, processes, internal reporting procedures, governance and oversight; and, • ensure that all responsibilities for risk management and related governance are appropriately allocated and resourced.
Audit Committee	• to oversee the Companies' financial reporting, financial and internal controls and internal audit functions; • to oversee the Companies' relationships with external auditors; and, • to liaise as necessary with the other standing committees of the Board including, in particular, its Risk Committee.
Nomination and Remuneration Committee	Assist in the Board's oversight of HR policies and practices including: • formal, rigorous and transparent procedures for the appointment of directors, senior executives and Controlled Function holders (as defined by the PRA and FCA); • formal and transparent policies and procedures for appropriate executive and director remuneration; and, • appropriate independence to avoid conflicts of interest.

Management Committee Structure

As defined in the Board structure above, TWG Europe has in place a 'Management Committee Structure' to ensure the appropriate oversight of performance, activity and risks within the business. This committee structure is defined below:



The committees each have a Terms of Reference, which define the committee's membership, quorum, objectives and responsibilities. Each committee above has a core membership consisting of relevant individuals of the senior leadership team. These committees are noted within the Risk Profile section of the report as they provide significant oversight and management of the material risks to which the Group is exposed.

A summary of the objectives of each committee is detailed below. It should be noted that all the committees below report risk summaries into the Management Audit and Risk Committee.

New Business Committee	provides oversight and approval of high risk new business propositions, including considering the commercial, underwriting, regulatory and solvency, risk reputational, practical and customer and conduct elements relating to new business propositions
Commercial and Claims Committee	provides oversight of existing business, including business performance, renewals, changes to existing deal structures including commercials, underwriting and risk coverage, overview of underwriting reviews and insurance aggregate and concentration exposures
Reserving Committee	provides oversight and approval of the reserving processes, policies and outputs; actuarial reserve reviews and opinions, including underwriting and reinsurance, are reviewed by this committee
Investment Committee	provides oversight of the investment profile, including the Investment Manager, adherence to the investment guidelines; committee reviews the investment strategy, proposing any changes or recommendations to the Board. Credit and Liquidity risk exposures are also overseen by the committee
Solvency and Capital Committee	provides oversight of regulatory and economic capital calculations and their Management approval; this includes model processes, documentation and validation
Management Audit & Risk Committee	provides oversight of Enterprise Risk Framework, Enterprise Risks, including Compliance and Operational Governance. This includes Operational issues, events and near misses, compliance plans, conduct risks and reporting, as well as providing holistic oversight of governance and corporate policies at TWG Europe
Data Governance Committee	provides oversight of the data risks, processes and issues within the business; this includes ensuring appropriate escalation to functions and individuals where required. The committee is also responsible for the oversight of wider IT controls and process, and oversight of IT related compliance activity

Remuneration

TWG's compensation philosophy is based on five key principles:

- Attraction and Retention: Attract, motivate, engage and retain highly qualified employees whose talents are critical to TWG's success and competitive advantage using monetary and non-monetary methods;
- Pay for Performance: Drive a culture of meritocracy by emphasising the appropriate level of variable compensation tied to TWG's and individual performance;
- Market Driven: Make market and data based decisions and appropriately align to competitive market pay practices, benefits and levels in each country;
- Short and Long-term Success: Promote and reward high performance in the short (i.e. annual) and, where appropriate, long-term to support TWG's long-term strategy; and
- Ethics and Values: Support the company's values and to the greatest extent possible, ensure that compensation practices do not drive inappropriate behaviours.

Non-executive directors are paid fixed fees to fulfil their roles.

The remuneration structure for employees of TWG Europe is within standard salary metrics and associated corporate benefits with discretionary bonus schemes available to selected corporate and sales functions. The focus is to ensure that fixed compensation is appropriate for all roles, with external benchmarking and performance reviews regularly updating and ensuring fair compensation for our staff.

For eligible corporate staff, bonus payments are based on individual commitments and the global group's financial performance. Sales staff bonus structure is based on similar principles, with increased focus on the performance of the accounts managed by each individual, ensuring income and profit are above targets (aligned to the business plan).

In addition, Long Term Incentive Plans are provided to senior leaders in the business, based again on individual performance and aligned to the long-term performance of the global group.

No supplementary pension or early retirement schemes are in place at TWG Europe.

Material transactions in the Period

This section details information about material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the Board.

There were two relevant transactions in the period:

- TWGE paid a £19.5m dividend to its parent TWG Holdings in June 2018, following completion of its year-end Solvency II returns. This was funded through a dividend to TWGE from LGI of £20m. Both transactions were approved by TWGE's Board and the PRA were notified.
- The Board has approved the payment of a £10 million dividend which was paid in February 2019. This will be retained with the TWGE Group and used as funding for the new EU entities.

B.2. *Fit and proper requirements*

TWG Europe applies strict criteria to individuals within defined 'significant roles'. All controlled function roles are included within the list of significant roles, including Board members. Appropriate and diligent enquiries into individuals is conducted before employment, with appropriate review and consideration as part of performance management. TWG Europe acknowledges that the scope and nature of enquiries and checks vary between different roles, however, in most cases, the following criteria will be appropriate, as stated in TWG Europe's Fit and Proper policy, TWG Europe will assess at least the following in respect of the individuals applying for or holding a significant role:

- relevant qualifications and previous employment;
- personal probity and character, including financial and criminal background checks;
- management competencies, as appropriate to the role;
- relevant technical competence for the proposed function as applicable to the business activities of TWG Europe; and,
- demonstration of due skill, care, diligence and compliance with the relevant standards of the area/sector they have worked in.

Post appointment of an individual to a significant role, periodic checks and assessments are made, focussing on ongoing probity and character, including changes to financial or criminal checks and ongoing relevant technical competence, due care skill and diligence.

The skills, knowledge and composition of the Board are assessed through the Board annual effectiveness review, which is designed to ensure that all relevant areas of required expertise are covered collectively by the Board Members.

B.3. *Risk Management System*

TWG Europe has in place a robust Risk framework that details the approach and oversight principles of all the key risks within TWG Europe's risk universe. TWG Europe has classified its risks within five key risk categories: Insurance risk (applicable to Non-life, Health and Life business); Financial risk (comprising Market, Credit and Liquidity risks); Strategic and Regulatory risk (including Emerging risks); Operational risk; and, Conduct and compliance risk.

Risks are managed at an entity and aggregate Group level consistently, with a harmonised approach to business governance and performance aligned to this approach.

Each of these high-level risk categories are used to aid effective management and oversight of the key risks to which the group and solo entities are exposed. The Risk Framework details the alignment of the various management committees to material risks in the business, ensuring appropriate oversight and management of each.

Related corporate policies are detailed in the framework. These define behaviours, controls, approaches and roles and responsibilities for managing risks. The policies cover all material risk areas, including: Underwriting and Pricing; Reserving; Market risk (including Asset and Liability Management); Investment risk; Credit risk; Liquidity; Operational and conduct risk; and, Reinsurance. These policies meet or exceed the requirements set out in the Solvency II Guidelines and implementing standards.

Key risks and related sub-risks are detailed in the risk register. All risks are defined, documented and managed through the one consistent Risk Lifecycle of identification, assessment, management, reporting and monitoring. A consistent 5x5 matrix approach is used to assess the inherent and residual risks to which TWG is exposed. This matrix considers the likelihood of risk against its impact, with the impact measured on a financial, regulatory, customer and reputational perspective. This rating system ensures understanding and prioritisation of the bigger risks in TWG Europe's profile which supports the focus of assurance activity across the business.

The Risk function oversees and independently challenges the business in the management of risk. There is a clear Risk Policy, including risk strategy, framework and tools which are used by the function to assess and support the risk profile, appetite and control of the business. The Risk Policy also defines the scope and responsibilities of the function. The Risk Policy is approved by the Board, with activities overseen by the Board Risk Committee. The Risk function lead reports directly to the Board Risk Committee.

B.4. *Own Risk and Solvency Assessment (ORSA)*

TWG Europe has in place an active waiver for a Single Group ORSA report to be submitted to the regulator, in line with the third subparagraph of Article 246(4) of Directive 2009/138/EC. Whilst the report is completed at a single group level, the qualification and quantification of both insurance entity level and group level ORSAs is completed.

TWG Europe has an ORSA Policy in place to govern the ORSA process. A full ORSA is conducted, reported to and approved by the Board annually. On-going monitoring of the ORSA is facilitated via interim quarterly reports provided by the Risk function to Management and Board. The quarterly reports include updates on: risk events; risk profile against appetite; material risk movements; regulatory solvency position; and, any other relevant business or governance changes.

The ORSA considers the most recent business plan, including the risks associated with it and factors which could hinder achieving the business plan. In addition, the ORSA considers specific business plan stresses and scenarios.

The ORSA policy outlines triggers for performing additional assessments/ORSA renewal such as a material change in the business plan or any event which adversely impacts the group and results in a change in our risk profile.

The key risk categories adopted by TWG Europe are largely aligned to those within the Solvency II Standard Formula (SF) – insurance risk (life, non-life and health), market, counterparty, and operational risks. TWG Europe believe that the SF model is robust for quantifying life, health, market, counterparty and operational risks, given the standard risk profile of investments, credit exposures, operational risks and the small life insurance book of TWG Europe, and thus these elements are used in TWG Europe's ORSA.

Within the ORSA report, various reverse stress tests, and stress and scenario tests are considered, none of which have invalidated the ORSA assessment. Other risk categories within TWG Europe's risk framework include strategic, regulatory, emerging and conduct risks, all of which are considered within the stress and scenario framework, with consideration for inclusion in the ORSA quantification.

TWG Europe's assessment of its economic capital requirement, as quantified through the ORSA process remains significantly below the regulatory solvency capital requirement (SCR) for both the Group and LGI. Whilst the approved USP helps align the Standard Formula to the non-life risk profile of TWG Europe and LGI, the SCR is considered inappropriate as a measure of true non-life risk profile because:

1) Commissions are included in the volume measure used to calculate non-life insurance risk. The commission volume represents no insurance risk to TWG Europe, but is included in the calculation of premium risk. This leads to an over-estimation of risk profile associated with premium risk; and,
2) For non-life business underwritten by LGI, the disparate risks are grouped into two classes of business, with each given a single premium volatility measure. The most material of these classes is "Miscellaneous Financial Loss". The premium risk parameter set for this class is based on a "catch-all" approach and is not specific to lines of business written by TWG Europe.

Furthermore, the capital position of LGI, estimated by LGI on a rating agency basis, indicates a financial strength position that aligns to the capital thresholds of an AAA rating. LGI's financial strength rating is confirmed at A by AM Best.

For LGL, the economic capital requirement is also quantified as the regulatory capital requirements (currently the absolute Minimum Capital Requirement).

The above mentioned non-life assessment conducted by TWG Europe has no impact on LGL, however, LGL's economic capital is equal to its calculated SCR, without the absolute restriction of the aMCR applied. This view is considered appropriate given: the size and scale of LGL, relative to the market; that the calibration of the SCR is felt appropriate for the business underwritten by LGL; and, the penal nature of the aMCR due to LGL's small volume of business.

B.5. *Internal control system*

The internal control system at TWG Europe is applied consistently across the individual entities and at the group level, with structures, personnel, policies and procedures applied universally.

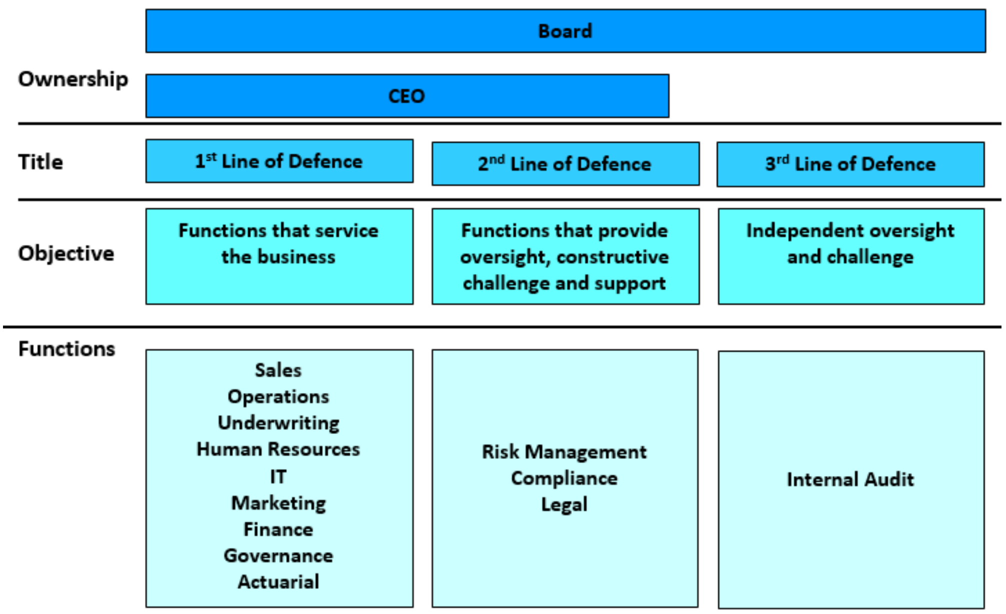
TWG Europe aims to adhere to sound principles of good governance as appropriate to the scope and nature of its business and operations. These principles are set within the framework of:

- the Core Values and over-arching Corporate Policies of TWG Europe
- the Business Strategy of TWG Europe
- the Risk Policy and Risk Appetite of TWG Europe
- the legal and regulatory requirements and expectations, applicable to TWG Europe's business

Effective governance is delivered through:

- the Board and its various committees and (as appropriate) the individual boards of each of TWG Europe's subsidiary and associated companies;
- management committee structures; and,
- the management and staff of TWG Europe.

TWG Europe's governance is based around a traditional "three lines of defence" model illustrated below:



The Three Line of Defence Model provides for:

The First Line of Defence - all personnel have responsibilities to identify, mitigate and control the risks which form part of their processes and procedures.

The Second Line of Defence - Risk Management, Compliance and Legal functions provide support to those in the first line of defence by providing

- governance and oversight of risk management;
- overseeing awareness and application of corporate policies and controls, and legal and regulatory requirements;
- challenge and validation to the effectiveness of the controls applied by first line of defence; and
- reporting to and updating senior management and the Board.

The Third Line of Defence – Internal Audit is structured to function independently of the management of TWG Europe to provide to the Board the independent validation of the effectiveness of controls. Internal Audit will also make recommendations to improve the effectiveness of risk management controls and governance processes.

Whilst External Audit are independent of the Company's own governance structure, their findings are reported to the Audit Committee of the Board.

B.6. Compliance function

The Compliance function forms a key part of the second line of defence. TWG Europe's Compliance function has a clear mandate, documented in the Compliance Policy, with a documented compliance plan of control and risk testing for the year as well as independently supporting and challenging the business. The Compliance Policy is approved by the Board and the Compliance plan is overseen by the Board Risk Committee.

B.7. Internal audit function

The Internal Audit mandate is detailed in the Global Internal Audit Policy and Charter that is implemented across the entire footprint of The Warranty Group, including TWG Europe. The activities and reviews conducted by Internal Audit are evaluated for independence. Reports are provided directly to the Audit Committee of the Board and the day-to-day activities of the function are outsourced, enforcing independence in the work undertaken. Independence is further enforced as no member of the outsourced internal audit team has previously worked for TWG Europe, or for The Warranty Group globally.

Operational performance of Internal Audit activity is outsourced to a reputable audit firm, with oversight maintained by the global Group Head of Internal Audit.

The US TWG Internal Audit team annually conducts an audit of IT General Controls (ITGCs) akin to the requirements for Sarbanes Oxley 404 testing. This work supports the financial statement audit and is handed off to EY. Broadly, this work covers three pillars: Logical Access, Change Management and IT Operations and is conducted across all material TWG Europe applications, typically the general ledger (which is managed from the US) and the three policy admin systems which handle the three lines of business in Europe. Our outsource partner for European Internal Audit, also conducts risk-based audits on other aspects of IT i.e. system implementations, data quality and governance, regulatory changes (e.g. GDPR) as well as audit work on Solvency II and capital management.

B.8. Actuarial function

The Actuarial function is governed by the Actuarial Function Policy, which details the activities of the function including specific roles and responsibilities including but not limited to: Annual Actuarial function report; Underwriting reviews; Reinsurance oversight and opinions; and, production of Technical Provisions and the Solvency Capital Requirement (SCR) for Solvency II purposes. The Actuarial Function Policy is approved by the Board.

A representative of the Actuarial function is a member of all key management committees, ensuring input and oversight of material decisions impacting liabilities and/or reserves.

B.9. Outsourcing

TWG Europe has clear guidelines set out to ensure proper documentation for all formal contracts. Beyond this, TWG Europe has an outsourcing policy that clearly outlines the additional controls that are required for the outsourcing of activity and further enhanced requirements for significant or important outsourcing arrangements. These controls include assessment of: financial stability, including relevant resources of the service provider; competency of relevant staff; effectiveness of the control environment across the service provider's operations; adequacy and effectiveness of contingency plans in place to continue to deliver services in emergency situations or business disruption.

At present, TWG Europe outsources the following significant or important outsourcing arrangements:

Description	Relevant TWG Europe Contracting Party(ies)	Scope	Key Function? (as defined in PRA rulebook glossary[6])	Territorial Scope
Intercompany services agreement	1. LGI and LGL 2. TWGSL	All services for operational and corporate requirements of each of LGI and LGL	Yes - TWGSL service delivery is overseen by the Chief Operating Officer. Services received by LGI and LGL are overseen by the Chief Financial Officer and overseen by the respective Boards	Europe
Investment management agreement	LGI and LGL	Investment management services for LGI and LGL	No as only management of transactions is outsourced – arrangement overseen by the CFO	Europe
Claims and related services agreement (for one single large client scheme)	LGI	Administration services in support of a single large client insurance programme	No as only operations for single client – arrangement is overseen by the COO	Europe
Internal audit services	TWG Europe Ltd and subsidiaries	Provision of all internal audit services under the oversight of TWG Group Head of Internal Audit	Yes - Audit Partner at reputable audit firm, overseen by a Director	Europe

B.10. *Adequacy of System of Governance*

The governance structures that are in place across the Group are designed to allow informed decision making, with the appropriate balance and consideration of commercials, financials and risks. Management and the Board continue to ensure this structure is appropriate for the size, scale and complexity of the Group.

As outlined in this section of the report (section *B System of Governance*), there are adequate and effective mechanisms, process, structures and oversight to ensure the effective operation of the Group and appropriate decision making can be facilitated.

The Board, committees of the Board and Management committees all have clear terms of reference, with enterprise-wide consideration and further refinement in Management committees completed in 2018.

Overall, Management and the Board conclude that the systems, policies and process that are embedded across the business are considered appropriate for the nature, size and scale of TWG Europe's operations.

B.11. *Other material information*

There is no other material information to disclose in relation to Systems of Governance.

[6] http://www.prarulebook.co.uk/rulebook/Glossary/FullDefinition/52841/12-06-2017

C. Risk Profile

The table below demonstrates the relative size of the risks to which TWG Europe is exposed[7]. To assist users in understanding the relative size of risks within LGI/LGL's respective risk profile, please refer to section *E.2 Solvency Capital Requirement and Minimum Capital Requirement*, of this report.

Regulatory Solvency Requirements (£'000's)	TWG Europe		LGI		LGL	
	2018	2017	2018	2017	2018	2017
Non-life underwriting risk	46,372	58,301	46,041	58,301	-	-
Health Underwriting risk	3,673	6,829	3,659	6,672	1	34
Life Underwriting risk	2,175	602	-	-	2,175	598
Market Risk	12,722	12,701	11,475	12,041	1,129	1,012
Counterparty default risk	4,810	8,298	1,925	6,060	38	143
Diversification	(15,370)	(18,445)	(11,555)	(16,543)	(641)	(426)
Basic Solvency Capital Requirement	**54,383**	**68,286**	**51,545**	**66,531**	**2,702**	**1,361**
Operational risk	4,775	6,071	4,440	5,802	348	268
Solvency Capital Requirement	**59,158**	**74,357**	**55,985**	**72,333**	**3,050**	**1,629**

C.1. *Underwriting risk*

Risk description and sub-risks
Premium risk is split into two distinct sub risks:

- Underwriting risk – Losses due to inadequate pricing or underwriting – e.g. underwritten events do not occur with the frequency or costs as assumed when pricing the business, inadvertent coverage of risks not priced for;
- Reserving risk - Adverse change in the value of insurance liabilities, due to inadequate provisioning assumptions - e.g. Reserves are inadequate to meet liabilities.

Risk profile and changes in 2018
As the insurance business of LGI and LGL is the core of TWG Europe's business, insurance risk is the key risk in TWG Europe's strategy. This is managed with a clear and focussed underwriting approach and risk appetite. The underwriting principles and appetite pursued by TWG Europe reflect:

- Strategic focus on high frequency, low severity business in which TWG Europe has good historic experience;
- Realistic target loss ratios based on experience data allowing margin for adverse trends before business becomes unprofitable;
- Establishing relationships with clients on a Business-to-Business basis, rather than a direct to consumer business model allows for some adjustability in acquisition costs and profit and loss share arrangements to mitigate risks; and,
- Minimal exposure to products that are exposed to material man-made or natural catastrophe risk.

Reserving risk is governed by the Reserving Policy and overseen by the Reserving Committee. With high frequency, low severity claims experience and minimal latent claims, reserving risk is relatively low for TWG Europe. The creditor and life books have a longer tail risk profile in respect of both reporting delays (due to the first year being covered by national government) and settlement delays (due to regular claims payments extending over several years). Claim numbers are lower than the miscellaneous financial loss and fire and other damage lines of business, but total quantum is higher. The creditor book constitutes TWGE's largest class from a claim reserve standpoint.

In 2018, creditor business ceased to be written by LGI and LGL (except for contractual renewals on certain existing contracts). All other creditor contracts are in the process of being terminated or are already in run-off. There has been no other material change in LGI or TWGE's underwriting risk profile in the year.

[7] Post diversification risk quantification within the SCR. Non-life, life and health risks all classified as underwriting risks.

TWG Europe, and the entities within the group, do not hold or have exposure to any off-balance sheet items or utilise any special purpose vehicles.

Risk management and monitoring
Underwriting risks are overseen by the New Business Committee and the Commercial and Claims Committee for new and existing business respectively. The New Business Committee makes decisions on new business, ensuring that there is clear evaluation of the risks prior to approval. The Commercial and Claims Committee, reviews the underwriting performance of existing business and variance of performance to plan.

Concentration
TWGE's and the insurance firms' policies or attached risks are held by individuals across a number of geographic areas and are not exposed to significant insurance concentration risk.

TWGE does not have any material exposure to catastrophe risk.

Mitigation
In addition to the risk mitigation techniques employed within individual client deals, such as profit and loss shares, LGI employs several reinsurance arrangements.

All reinsurance risks are overseen and monitored by the Solvency & Capital Committee (SCC), with exposures and counterparty risks also considered.

An outward quota-share arrangement is in place to share the insurance risks that LGI underwrites. This 20% quota-share arrangement shares any risks that are written in GBP, EUR or PLN (note that the polish office was closed in 2017 as per note in the summary section). This arrangement is overseen by the Commercial and Claims Committee.

From 1 January 2018, a catastrophe reinsurance treaty has also been put into place. This covers any catastrophic events leading to over £500,000 of aggregate claims costs on the Motor GAP portfolio capped at a maximum of £14.5m.

C.2. *Market risk*

Risk description and sub-risks
Market risk is 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. TWG Europe manages market risk with the following sub-risks: adverse foreign exchange movements; credit spreads widen; interest rate increase; failure of an investment counterparty; equity risk; and, collateralised securities risk.

Market risk is managed within the limits and tolerances outlined in the Investment Management Agreement between TWG Europe and the Investment Manager (currently BlackRock). Adherence to the agreement and market risk sensitivities are monitored by the Investment Committee. Below is a summary of the approach taken by TWG Europe in managing the key characteristics of the investment portfolio – this is aligned across each entity:

Investment Universe	Investment grade fixed and European corporate and government bonds.
Asset class restrictions	Sliding scale of limits to individual holdings within the portfolio, based on credit ratings
Credit Quality	Guidelines to have an aggregate portfolio rating of AA-, with a limited exposure to BBBs, and 0% below a BBB rating
Duration	Durations of Assets and Liabilities are broadly matched
Foreign Exchange	Currencies of assets and liabilities are broadly matched, with GBP and CHF holding asset surpluses to meet regulatory requirements

Risk profile and changes in 2018

The prudent approach to investments and focus on high quality investments have ensured minimal impact to TWG Europe's market risk profile from any market volatility. The approach to investments and the management of market risk have not materially changed in the period, with a focus on appropriate foreign exchange management, driven not only by market volatility but by capital management (with the Standard Formula requiring additional capital for surplus funds not held in home currency (GBP)).

Risk management and monitoring
Financial risks (Credit, Market and Liquidity risks) are overseen by the Investment Committee.

The management of market risk is prescribed in the TWG Europe Market Risk and Investment policies, with limits and tolerances aligned to the detailed Investment Management Agreement between TWG Europe and the Investment Manager.

Concentration
The maximum single investment counterparty exposure at 31st December 2018 is summarised in the table below:

2018	UK Gilts	Corporate Bond
LGI	17.20%	1.60%
LGL	18.20%	3.80%

The corporate bonds referred to in the above table are AAA rated.

Mitigation
With a reasonably risk averse market risk appetite, as outlined above, no specific mitigating instruments are utilised by TWG Europe, LGI or LGL, such as swaps/options/derivatives.

Investments – Prudent person principle
The investment strategy is set by the Board and the Board oversees its effective implementation. The Investment portfolio is overseen by Management through the Chief Financial Officer and the Investment Committee. Assets are managed in line with the prudent person principles, considering associated liability profiles and are invested in a prudent, appropriate manner.

No TWG Europe products are market, guarantee or index linked in nature. No derivatives are traded/held by the group or solo entities.

C.3. *Credit risk*

Risk description and sub-risks
Credit risk is the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of counterparties and debtors (issuers of securities are considered within Market Risk). TWG Europe manages credit risk in three material sub-risks:

- adverse impact to financial position due to reinsurance exposure;
- financial exposure arising from client captive reinsurance arrangements; and,
- failure of counterparty/inability to collect monies owed.

Risk profile and changes in 2018
There has been little change to the credit risk profile during 2018. Many client reinsurance arrangements are running off, leading to reduced exposure. The main remaining credit risk is in respect of the quota share reinsurance treaty with VSC, a fellow A rated group company.

Risk management and monitoring
Credit risk management and monitoring processes are outlined in the Credit Risk Policy and overseen by the Investment Committee. This policy dove-tails with the Reinsurance Policy, ensuring prudent management of both reinsurance and credit exposures. The Reinsurance Policy is prescriptive in the requirements of credit standing/rating of counterparties and additional security to be sought if this criterion is not met. Both the Credit Risk Policy and Reinsurance Policy are approved by the Board.

The material inherent credit risk relates to the quota-share reinsurance arrangement, which is managed with frequent performance monitoring of the ceded book and credit review of the reinsurer. Whilst residually the quota-share risk is significantly reduced, the scenario testing of reinsurer default remains a key annual test to quantify the exposure and risk.

Whilst various reinsurance arrangements remain with client captives, the position net of additional security and mitigation techniques such as escrow accounts, trusts and letters of credit, rates low on TWG Europe's overall risk profile.

Current outstanding debtor balances tend not to be material, with escalation processes in place as and when required.

Concentration
The only significant credit risk exposure relates to the 20% outward reinsurance quota-share arrangement to an A-rated insurer. The performance of the ceded book and the credit standing of the counterparty are both closely monitored. The reinsurer is a related TWG Inc. company, with the commercial agreement fully considered and analysed on an arm-length basis.

Mitigation
Mitigation of credit risk is predominantly completed through:

- For Reinsurance – rating criteria of at least A- or other acceptable forms of mitigation are required such as letters of credit or escrow accounts and
- For Debtors – lines of credit are considered to each debtor in the ordinary course of business, with oversight and management as outlined above.

C.4. *Liquidity risk*

Risk description and sub-risks
Liquidity risk is the risk that TWG Europe/LGI/LGL is unable to realise investments and other assets in order to settle financial obligations when they fall due.

TWG Europe manages this risk on two levels:

- day-to-day cash flow needs of the business, including the associated processes for cash flow management; and,
- projecting the liquidity of the investment portfolios in times of stress.

Risk profile and changes in 2018
Liquidity risk (both elements described above) rate low in TWG Europe's overall risk profile and have not changed materially in the year. Day-to-day cash flows are reasonably stable, with any accumulation of cash above the defined threshold passed over to the investment portfolio. The conservative investment portfolio helps reduce liquidity risk, with no significant funds incapable of realisation in the short term (<1 month). This is reviewed and confirmed by investment manager in presentations to the Board.

Day-to-day cash flow monitoring and planning has not materially changed in the period, nor has the liquidity within the investment portfolio.

Risk management and monitoring
Liquidity risk is overseen by the Investment Committee and managed in line with the Liquidity Policy. Above and beyond the day-to-day cash management controls, liquidity assessments are in place, overseen by the Investment Committee.

Expected profit in future premiums
As required by regulation, disclosure of the total amount of the expected profit included in future premiums as calculated in accordance with Article 260(2) is required within this document. At the valuation date, for TWG Europe, LGI and LGL, the total amount at a solo and Group level was valued at nil.

Mitigation
With the investment portfolio considered highly liquid (i.e. all realisable with very short notice, predominantly same day with 2 days of transaction time to transfer realised funds), no further liquidity mitigation is considered appropriate or required by LGI or LGL.

C.5. *Operational and conduct risk*

Risk description and sub-risks
Operational risk is associated with the internal or day-to-day operation of the organisation; it is the risk of loss arising from inadequate or failed internal processes, personnel, systems or from external events. Operational risk is typically not taken in exchange for an expected return; it inherently exists in the normal course of business activity.

At a high-level, operational risk can occur due to:

- An error by the person doing an activity;
- The system necessary to perform an activity is broken or not functioning;
- The process supporting an activity is flawed or inappropriately controlled; or
- An external event occurs that disrupts activity.

Conduct risk is the risk of loss arising from failure to conduct business in a manner to ensure the delivery of fair customer outcomes and ensure market integrity, including meeting the regulatory requirements relating to the documentation of such process. As conduct risk is at the core of the business of TWG Europe, it is deemed part of the operational risk framework and managed accordingly.

Risk profile and changes in 2018

Overall the operational risk profile of TWG Europe remains relatively stable, with no material alteration of residual risk. However, people and outsourcing remain areas of focus:

- People risk – with ongoing organisation changes during the period, including several changes in senior executives at the end of the year and in early 2019, the risk remains relatively high. Whilst the organisational changes are positive for the strategic positioning of TWG Europe, they create uncertainty and therefore additional challenges in the management of associated HR risks such as maintaining staff morale, engagement and productivity, to ensure that organisational changes do not distract from achievement of individual commitments and organisational goals;
- Outsourcing risk – the inherent risk profile of outsourcing is high; during the period additional controls and oversight continued to be embedded to further mitigate the risk to within acceptable levels for our risk appetite.
- Data Protection – With the GDPR project completed during the period, relevant risks were reassessed, taking into account the regulatory impact of GDPR, and the risk profile of our data protection risk category was adjusted accordingly. The GDPR project included risk mitigations and actions to address the heightened risk, to ensure the risk is managed within our risk appetite.

Risk management and monitoring

Operational risks are proportionately managed by TWG Europe, with suitable controls in place. Each identified risk is assigned an executive risk owner, who is responsible for ensuring the appropriate management of their risks.

With the scope of operational and conduct risks being wide and diverse, TWG Europe has in place a number of group-wide corporate policies, with the majority of these aimed at setting out the principles for managing relevant operational and conduct risks. The policies set the overarching tone, requirements and responsibilities for individuals within the Group. Beneath each policy sits control processes and operational activity that fulfil the requirements of each of the policies.

Conduct risk is a key area of mitigation for TWG Europe, and this focus is informed and overseen by an embedded Operational Governance function in the 1st Line of Defence, which acts as a key control in ensuring that conduct risks are effectively managed. This function works closely with all relevant functions of the business and the 2nd Line of Defence, to ensure the appropriate management and mitigation of conduct risks in the current and future regulatory and customer environments.

Mitigation

Operational and conduct risks are mitigated by control environments across the business with critical processes and controls clearly documented. Risk, Compliance and Internal Audit testing and assurance is focussed on the operational and conduct risk control environments, to ensure appropriate, adequate and effective controls are in force.

C.6. Other material risks

The other key risk category managed by TWG Europe is Strategic risks. Strategic risks are categories of risks that may cause loss arising from the unsuccessful pursuit of a business plan or inability to meet the assumptions used in the plan or arising from poor positioning in the business environment in which TWG Europe operates or failing to respond to changes within that environment, including regulatory changes.

Strategic risks managed by TWG Europe include risks related to the acquisition of new business, including winning business deals, innovation of products, and, delivering these solutions to clients and end customers, and the retention and improvements sought in existing business. These risks are overseen by senior management, who consider the effective management of such risks vital in increasing the probability of the successful achievement of the strategy and associated business plan.

Brexit

Brexit remains a material risk for TWG Europe for the third year given the impact of the risk, the nature of the measures taken to manage it and continued uncertainty over the future relationship between the UK and EU.

Following completion of the acquisition of The Warranty Group by Assurant, Inc. it was decided to establish new European insurers to undertake the combined EU business of the two organisations and that those entities would sit within the TWGE group. The Netherlands was selected as the preferred option to take advantage of the existing operational hub we have in Amsterdam. A formal application was submitted in draft to De Nederlandsche Bank ("DNB") and the authorisation process is ongoing. The new insurers are yet to transact any business.

Integration into Assurant

Significant operational focus was placed on activities during 2018 to ensure TWGE could affect the integration into Assurant following the acquisition of the ultimate parent by Assurant, Inc., while protecting our clients, retaining key talent, and ensuring business continuity. An integration team was created to manage, amongst other matters, resultant commercial, operational and people risks associated with the transaction. We also identified integration champions in each business area to support integration activities, including assessment of 'best of the best' systems and processes from the two companies.

C.7. Stress testing and sensitivities

Stress, Scenario and Reverse Stress Testing (RST) are fundamental parts of TWG Europe's risk framework and are explored in detail within our ORSA. In our stress tests we vary only one factor whilst holding all others constant. In our scenario tests we vary two or more factors whilst holding all others constant. Stress testing is based on a specific set of stresses applied to the business that quantify impact on the P&L and regulatory solvency. The programme of stress testing is considered by the Board annually. The stress test results focus on the impact on:

1. Own Funds;
2. Impact on SCR;
3. Resulting solvency margin

Furthermore, stress testing provides comfort in the assessment of the SCR, ensuring that it remains appropriate and suitable against plausible stressed situations, by not fully exhausting capital above policy holder protection levels.

RST considers extreme situations that could render TWG Europe's business unviable and works backwards, analysing the triggers and associated controls that would mitigate against such an event. We have taken two approaches to our RST; a qualitative approach and a quantitative approach. The qualitative approach is a more holistic approach which looks at scenarios which we cannot realistically model (mainly due to a lack of data). The quantitative approach produces numerical results which can be analysed by the Board. Both approaches help to facilitate discussions at Board and management levels.

For all stress, scenario and reverse stress tests, we have considered potential management action(s) as well as the associated triggers which would start any management action(s).

Reinsurance Stress Test
The most significant stress to Equity and the Solvency of the Group has been identified as a complete reinsurance failure from Quarter 4 2019 with a loss given default of 100%. Management and the Board consider this stress an absolute extreme, but the quantification aids the understanding of the inherent risk quantification and reliance on such risk mitigating items.

The outcome of this stress, before any management action or capital mitigation steps, results in a reduction in the LGI solvency ratio to a low point of 140% in 2021. These results relate to 2019; the year in which our test assumes reinsurer default occurs.

Management and the Board consider the extremity of the stress significant enough to justify the use of the SCR capital and are comfortable that policy holder protection is not impacted in the stress. If this extreme event were to occur, management actions such as the placement of alternative reinsurance cover with another appropriate reinsurer would be considered along with other actions of capital remediation.

Sensitivities
Sensitivity testing quantifies how sensitive TWG Europe's own funds are to movements in different risks. These sensitivities are chosen as the material sensitivities to the Group solvency and financial position, with down side stresses tested (i.e. those that decrease profitability/equity).

Risk	Sensitivity description	LGI £'000	LGL £'000
Underwriting Risk	Increase in 1 percentage point to loss ratio	523	12
Strategic Risk - New business	Net written premium volumes increase 1% above plan*	80	
Market Risk - FX	Sensitivity to 1 cent movement in GBPEUR rates	2,886	171
Market Risk - Interest rate	10-year GILT increase 100bps	523	12

*** i**ncrease in premiums is an adverse sensitivity in terms of solvency because increased business volumes lead to capital strain.

This table is not intended to list all possible deteriorations of the solvency position. Rather, this table is designed to show how the capital position is affected by reasonably likely adverse events.

C.8. ***Any other disclosures***

There are no other matters to be disclosed.

D. Valuation for Solvency Purposes

The solo entities and TWG Europe's consolidated accounts are prepared under UK GAAP. TWG Europe has a Valuation of Assets and Liabilities Policy that details the approach taken to valuation for each asset and liability class.

For Solvency II purposes, the assets valuation rules have been considered on a solo basis for the two insurance subsidiaries. The Group uses the default 'method 1 consolidation' approach as set out in the Delegated Acts (articles 335 and 336).

The Balance Sheet at 31 December 2018 is detailed below on both a UK GAAP and Solvency II basis, with differences in the treatment of each item detailed in the sections that follow:

£'000	TWGE		LGI		LGL	
	Solvency II	UKGAAP	Solvency II	UKGAAP	Solvency II	UKGAAP
Assets						
Deferred acquisition costs	-	83,283	-	98,517	-	-
Intangible assets	-	7,951	-	10	-	-
Deferred tax assets	3,089	3,089	1,662	1,662	-	-
Property, plant & equipment held for own use	719	719	4	4	-	-
Investments	216,783	215,241	208,024	206,556	8,739	8,739
Equities	413	422	413	5,604	-	-
Government Bonds	56,047	48,293	53,780	46,051	2,628	2,628
Corporate Bonds	122,003	135,340	117,113	125,296	4,891	4,891
Collateralised securities	1,934	-	1,934	-	-	-
Investment funds	25,213	20,031	23,632	18,450	1,581	1,581
Deposits other than cash Eq.	11,171	11,154	11,152	11,154	-	-
Reinsurance recoverables	26,407	57,004	26,399	56,995	9	9
Insurance & intermediary receivables	6,853	39,012	56	23,334	10	10
Reinsurance receivables	-	3,191	-	3,191	-	-
Receivables (trade, not insurance)	6,094	1,868	2,840	959	155	155
Cash and cash equivalents	29,931	29,954	2,575	2,577	196	196
Any other assets, not elsewhere shown	-	3,233	-	1,811	-	-
Total assets	289,875	444,546	241,560	395,616	9,109	9,109
Liabilities						
Technical provisions - non-life	86,636	185,400	91,483	185,400	-	-
Technical provisions - health (similar to life)	33,815	28,188	33,022	28,201	-	-
Technical provisions – life	3,032	2,960	-	-	2,947	2,947
Provisions other than technical provisions	8,313	-	-	-	-	-
Deferred tax liabilities	1,196	1,003	152	961	35	35
Insurance & intermediary payables	40,580	68,560	-	27,767	-	-
Reinsurance payables	-	3,168	-	3,136	-	-
Payables (trade, not insurance)	15,257	12,503	16,782	16,638	1,591	1,591
Any other liabilities, not elsewhere shown	-	36,278	-	27,473	-	-
Total liabilities	188,829	338,060	141,439	289,576	4,573	4,573
Own funds / Equity	101,047	106,486	100,121	106,040	4,536	4,536

The valuation methods do not differ between the solo insurance entities to the Group position.

D.1. Assets

The below table details the changes in valuation principles between UKG AAP and Solvency II assets. The most material change to assets is the nil value of Deferred Acquisition Costs (DAC) in the Solvency II balance sheet, as a result of the valuation change from UK GAAP to Solvency II.

For Solvency II purposes, TWG Europe does not deviate from the valuation principles set out in the Solvency II directive, Delegated Act or EIOPA guidance, with the majority of assets either valued at their mark to market value and traded on a regulated exchange, or not included on the regulatory balance sheet (such as intangible assets). Treatment of Balance sheet items for the solo and group are detailed below:

Balance Sheet item	Treatment under Solvency II
Deferred acquisition costs	Basis change to Solvency II results in the deferred acquisition costs being valued at nil on the solvency balance sheet, per Article 12 of the Solvency II Delegated Acts.
Intangible assets	Intangible assets represent bespoke computer software that are provided with a value on the UKGAAP balance sheet. As there is no probable ready market a zero valuation has been provided on the Solvency II balance sheet.
Deferred tax assets	Asset is valued to include discounting of future cashflows on the Solvency II balance sheet. Due to the relatively short duration of the asset, discounting has no material impact on the valuation of the asset. No unused tax losses and no valuation differences between UK GAAP and Solvency II.
Property, plant & equipment held for own use	Solvency II basis of fair value compared to the UKGAAP basis – difference in valuation minimal
Investments	Valuation principles aligned between Solvency II and UKGAAP. Equities recognised at fair value on the statutory and regulatory balance sheets. Accrued interest is recognised in the valuation of 'investments' on the Solvency II balance sheet, but held within 'other assets' on the UKGAAP balance sheet. Whilst the principles are aligned and overall value of investments closely aligned (identical when including the accrued interest from 'other assets on the UKGAAP balance sheet), allocation of investments between investment categories varies between the balance sheet, material changes are: • Separation of collateralised securities on the SII balance sheet; • Government backed/materially owned corporate bonds classified as government bonds; and, • ETF investment classified as an 'investment fund' on the SII balance sheet, but as 'equity' on the UKGAAP balance sheet. 99.8% of investments are valued on an active market. Investments held (0.2%) on inactive markets are valued annually by investment partners.
Reinsurance recoverables	Reinsurance contracts are valued in a consistent way to insurance obligations. The amount of the recoverable is calculated on a similar basis to the Best Estimate, as described in the Technical Provision section below. Thus, proportionately these values reduce broadly in line with the reduction in Technical Provisions.
Insurance & intermediary receivables	Not due insurance debtors have been moved to technical provisions in line with Solvency II reporting standards and discounted in accordance with the timing of their cash flows. Each receivable is subject to impairment review.
Reinsurance receivables	Not due reinsurance receivables have been moved to technical provisions in line with Solvency II reporting standards and discounted in accordance with the timing of their cash flows. Each receivable is subject to impairment review.
Receivables (trade, not insurance)	Asset is valued to include future cashflows on the Solvency II balance sheet. Each receivable is subject to impairment review.
Cash and cash equivalents	This is valued at fair value.
Any other assets, not elsewhere shown	The value held on the UKGAAP balance sheet related to accrued investment income and prepayments, which are shown in investments and receivables respectively, on the Solvency II balance sheet.

No changes in the recognition and valuation bases used, or to estimations during the reporting period.

Deferred tax assets

The deferred tax asset on the Solvency II balance sheet of £3,089,000 (£4,561,000 2017) is valued by reference to expected future taxable profits. The deferred tax asset is treated as Tier 3 capital in Basic Own Funds. Further details are set out in section E.1.

D.2. Technical provisions

Below are the details of the Technical Provisions from the UK GAAP valuation basis to a Solvency II basis. The valuation principles used are in line with the Solvency II regulation without deviation. The UKGAAP best estimate for reserves (with no margin for prudence) are used as the starting point, with adjustments for:

- Discounting of future cash flows;
- Binary events;
- Data margins; and,
- Embedded profit,

to end at the Best Estimate of Liabilities, before the addition of the Risk Margin, to arrive at a Solvency II Technical Provision (TP). In the case of LGL, the UK GAAP valuation methodology has been simplified to adopt Solvency II as the basis of preparation for UK assets and liabilities.

This is detailed for TWG Europe, LGI and LGL below (*note: the net Solvency II Technical Provision below is equal to the total technical provisions in the balance sheet minus the Reinsurance Recoverable Asset*).

TWG Europe – Technical Provisions 2018 (£000s)	UK GAAP net Insurance Liabilities	Valuation adjustments	Technical Provisions
Fire and other damage to property	10,023	1,616	11,639
Miscellaneous financial loss	70,418	(15,598)	54,820
Health	21,414	6,179	27,593
Life	2,951	72	3,023
Total – all lines of business	**104,806**	**(7,731)**	**97,075**

LGI – Technical Provisions 2018 (£000s)	UK GAAP net Insurance Liabilities	Valuation adjustments	Technical Provisions
Fire and other damage to property	9,202	3,287	12,489
Miscellaneous financial loss	55,230	3,588	58,818
Health	20,987	5,813	26,799
Total – all lines of business	**85,419**	**12,687**	**98,106**

LGL – Technical Provisions 2018 (£000s)	UK GAAP net Insurance Liabilities	Valuation adjustments	Technical Provisions
Health	(13)	0	(13)
Life	2,951	0	2,951
Total – all lines of business	**2,938**	**0**	**2,938**

Note: technical Provisions held at Group level do not equal the sum of the contributions from the solo entities. This is due to the expense provision held at Group level.

The below tables detail the composition of the Technical Provisions for TWG Europe, LGI and LGL. The Technical Provisions consist of actuarial best estimate of claims and premium reserves *plus* a risk margin.

Gross Technical Provisions

TWG Europe – Technical Provisions 2018 (£000s)	Best estimate of liabilities	Risk Margin	Technical Provisions
Fire and other damage to property	15,008	728	15,736
Miscellaneous financial loss	67,469	3,430	70,899
Health	32,204	1,620	33,824
Life	2,760	263	3,023
Total – all lines of business	**117,441**	**6,041**	**123,482**

LGI – Technical Provisions 2018 (£000s)	Best estimate of liabilities	Risk Margin	Technical Provisions
Fire and other damage to property	15,857	728	16,585
Miscellaneous financial loss	71,468	3,430	74,898
Health	31,409	1,613	33,022
Total – all lines of business	**118,734**	**5,771**	**124,505**

LGL – Technical Provisions 2018 (£000s)	Best estimate of liabilities	Risk Margin	Technical Provisions
Health	(11)	7	(4)
Life	2,688	263	2,951
Total – all lines of business	**2,677**	**270**	**2,947**

Net Technical Provisions

TWG Europe – Technical Provisions 2018 (£000s)	Best estimate of liabilities	Risk Margin	Technical Provisions
Fire and other damage to property	10,911	728	11,639
Miscellaneous financial loss	51,390	3,430	54,820
Health	25,973	1,620	27,593
Life	2,760	263	3,023
Total – all lines of business	**91,034**	**6,041**	**97,075**

LGI – Technical Provisions 2018 (£000s)	Best estimate of liabilities	Risk Margin	Technical Provisions
Fire and other damage to property	11,760	728	12,489
Miscellaneous financial loss	55,388	3,430	58,818
Health	25,187	1,613	26,799
Total – all lines of business	**92,335**	**5,771**	**98,106**

LGL – Technical Provisions 2018 (£000s)	Best estimate of liabilities	Risk Margin	Technical Provisions
Health	(20)	7	(13)
Life	2,688	263	2,951
Total – all lines of business	**2,668**	**270**	**2,938**

Uncertainty of Technical Provisions

There are several areas of uncertainty in the calculation of the Technical Provisions:

Claims reserving is carried out using standard actuarial methods of projecting the paid (or known) claims to estimate the ultimate claim experience. These methods are generally based on the assumption that the future experience will develop in the same way as historic experience. There is uncertainty in the actual future development patterns, for example due to changes in handling processes (either internally or externally).

Projections are dependent on the data used, and therefore are also impacted by the late receipt of data from certain clients. This leads to greater uncertainty in projections made for these clients. This risk is mitigated by careful choice of projection method.

Premium Reserving is generally calculated by applying an estimated future loss ratio to the current UPR (Unearned Premium Reserve). The UPR is unlikely to change in any material way, and therefore the uncertainty lies in the possibility that the emergent loss ratio may be different to that predicted. The loss ratio assumptions are derived and set at a granular level. This means that a significant movement in the overall loss ratio is unlikely, due to the countering effects of movements in the opposite direction in other segments.

For Warranty business (both Motor and Appliance & Technology), key areas of uncertainty are wage and parts inflation, which affect the settlement cost of individual claims. Another key uncertainty is around the evolution of products – for example, an increase in electrical parts in both cars and appliances which may result in higher repair costs.

For GAP business, the key area of uncertainty is the depreciation of vehicle values. This may be impacted by government actions, for example the recently mooted idea of charging additional congestion charge fees for diesel cars over a certain age. This has impacted the first-order market dynamics by making diesel cars less attractive. The second-order effect is that used diesel cars have lost a proportion of their value, effectively leading to a higher depreciation rate.

For Creditor business, the key area of uncertainty is the morbidity experience of the book. Due to the relatively small size of the book, the number of claims is subject to statistical volatility.

No specific assumptions are made regarding policyholder behaviour. It is therefore implicitly assumed that policyholder behaviour will remain stable compared to historic experience. This represents a risk and an opportunity, as policyholder behaviour may change in either beneficial or adverse ways. Hypothetical examples include increasing levels of risk aversion leading to an increase in purchases of insurance and warranties, versus increased propensity to make claims for trivial amounts).

Similarly, no specific future management actions are assumed in the analysis. This is likely to represent an upside risk as future management actions will generally be selected and implemented with the specific aim of providing beneficial impacts (such as reduced expenses).

Expenses are calculated for each entity within TWGE. LGI and LGL expenses are estimated using a proportion of premium. The expenses and premiums in the business plan are compared to derive an expense loading (as a percentage of premium). This is applied to the premiums that make up the runoff of the UPR. This yields an estimated expense cashflow. For TWGS, the expenses related to insurance business are estimated by applying run-off sensitivity factors to the annual expense base. This expense base is run-off in line with premium run-off. The key areas of uncertainty are the delivery of expense savings, and the emergence of other unexpected costs that are not accounted for in the business plan.

The Technical Provisions are subjected to 1st line controls. Comparisons and walks are completed on a quarterly basis by the Actuarial Function and presented to the Solvency and Capital Committee. All material changes are explained and final results are referred to the committee for approval.

TWG Europe, LGI and LGL do not use the matching adjustment, volatility adjustment, transitional interest rate term structure or the transitional deduction on technical provisions and therefore no adjustments have been made to technical provisions relating to these transitional measures.

Material changes in assumptions used in calculation of technical provisions
There have been no material changes to assumptions in calculating the Technical Provisions compared to the previous year.

SCR Reduction

During 2018, there has been a reduction in the SCR of LGI (and hence of TWGE). The main reason for this movement is the reduction in premium volumes that LGI continues to experience. It is expected that this trend will continue into 2019.

A reduction in the SCR leads to a proportionate reduction in the Risk Margin element of the Technical Provision. This does not represent a change in assumption, but does explain part of the reduction in the technical provisions.

D.3. *Other liabilities*

The below table details the changes in valuation principles between UKGAAP and Solvency II liabilities other than technical provisions, which are covered in section D.2. above. Overall there is no material change to other liabilities, other than the removal after reinsurers' share of deferred acquisition costs (which has a nil value under Solvency II).

Balance Sheet item	Treatment under Solvency II
Deferred tax liabilities	Measurement principles are aligned between the UKGAAP and Solvency II, however, the valuation change in reserves, noted above from UKGAAP to a Solvency II basis, changes the overall valuation of liabilities and associated deferred taxes. No unused tax losses and no valuation differences between UK GAAP and Solvency II.
Insurance & intermediary payables	Amounts not past due in insurance payables have been moved to technical provisions in line with Solvency II reporting standards and discounted in accordance with the timing of their cash flows.
Reinsurance payables	Amounts not past due in reinsurance payables have been moved to technical provisions in line with Solvency II reporting standards and discounted in accordance with the timing of their cash flows.
Payables (trade, not insurance)	Liability is valued to include future cashflows on the Solvency II balance sheet. Accruals included in the other liabilities on the UKGAAP balance sheet are included under after liabilities' payables for Solvency II.
Provisions other than technical provisions	Group expenses allocated to non-insurance business.
Any other liabilities, not elsewhere shown	With the exception of accruals covered above, the remaining balance on the UKGAAP balance, relates in the main, to reinsurers share of deferred acquisition costs, which is valued at nil for Solvency II purposes.

There have been no changes made to the recognition and valuation basis used or to estimations during the reporting period.

Deferred tax liabilities

The deferred tax liability on the Solvency II balance sheet of £1,196k (£3,448k 2017) is valued by reference to forecast future taxable profits.

D.4. *Alternative methods for valuation*

There are no other valuation methods utilised to note. The vast majority of investments are level 1 or level 2 investments, and thus do not require the use of other, subjective valuations. The single investment in level 3 assets (equity on the balance sheet) relates to an LLP investment that is valued at fair value and revalued monthly. The treatment and valuation of this investment is consistent and compliant with the valuation principles of Solvency II.

Level 1 category financial assets are those that can be measured by reference to published quotes in an active market.

Level 2 category financial assets are those that can be measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions.

Level 3 category financial assets are those that can be measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

D.5. *Any other information*

All information on the valuation for solvency purposes of the Group and solo entities have been covered above.

E. Capital Management

Capital management is governed by the Capital Management Policy, which is approved by the Board. The Policy is applied consistently across the Group and is equally applicable for TWG Europe, LGI and LGL. The policy provides a framework within which to manage capital, considering the capital requirements of:

- maintaining a credit rating in the A range;
- maintaining sufficient capital to meet the internal view of required capital (i.e. economic capital); and,
- maintaining Own Funds in excess of regulatory capital requirements, with the addition of a suitable management buffer to ensure continuous solvency.

As at 31 December 2018, capital was maintained above the required risk appetite levels for rating agency, economic and regulatory capital requirements for TWG Europe, LGI and LGL.

Capital is considered over the business planning period which is four years, ensuring that at least three full future years can be used to project capital needs. This capital forecasting informs and ensures that future business plans remain within appetite.

In the event of a breach of risk appetite (i.e. capital falling below any one of the measures listed above), a Contingency Capital Management Plan will be drawn up by the Solvency and Capital Committee, managed to delivery by the CFO, and overseen by the Board. The detailed contents of the contingency plan will be based upon the circumstances and scale of the breach. Potential mitigating actions are listed in the Capital Management Policy – these will be assessed for appropriateness at the time of the breach. Mitigating actions include, for example: placement of additional reinsurance; refining future business plans; and, capital injection from parent.

E.1. *Own funds*

TWG Europe's capital management aims to hold high quality Own Funds, with all Own Funds classified as Tier 1 capital except for deferred tax assets, which are classified as Tier 3. All eligible and available Own Funds held as Tier 1 capital are classified as eligible Own Funds to meet the SCR and MCR – for lower tiers of own funds, restrictions are in place for eligibility against the SCR and Tier 2 and 3 capital is removed to meet the MCR.

As the TWG Europe, LGI and LGL articles allow for cancellation of dividends after declaration, this allows for Tier 1 unrestricted eligibility of retained earnings. The vast majority of solo resources are available at Group level, the exception being what we have classified as "unavailable own funds". This consists of the diversification benefit between LGI and LGL of which we cannot take advantage under Solvency II.

TWG Europe, LGI and LGL do not make use of Tier 2 capital. No entity has applied for or makes use of Transitional measures for own fund items (including those listed in Articles 308b(9) and 308b(10) of the Solvency II directive (2009/138/EC).

A breakdown of Own Funds and associated capital tiering is provided below, at both 31st December 2018 and 31 December 2017:

TWG Europe - Own Funds (£'000's)	Total		Tier 1 Unrestricted		Tier 1 Restricted		Tier 2		Tier 3	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Ordinary Share Capital	49,550	49,550	49,550	49,550	-	-	-	-	-	-
Reconciliation Reserve	48,407	51,491	48,407	51,491	-	-	-	-	-	-
Net Deferred Tax Assets	3,089	4,561	-	-	-	-	-	-	3,089	4,561
Total basic Own Funds after deductions	101,047	104,797	97,957	101,041	-	-	-	-	3,089	3,757
Eligible Own Funds to meet the consolidated group SCR	101,047	104,797	97,957	101,041	-	-	-	-	3,089	3,757
Eligible Own Funds to meet the minimum consolidated group SCR	97,957	101,041	97,957	101,041	-	-	-	-	-	-

LGI - Own Funds (£'000's)	Total		Tier 1 Unrestricted		Tier 1 Restricted		Tier 2		Tier 3	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Ordinary Share Capital	34,000	34,000	34,000	34,000	-	-	-	-	-	-
Reconciliation Reserve	54,459	66,143	54,459	66,143	-	-	-	-	-	-
Net Deferred Tax Assets	1,662	1,626	-	-	-	-	-	-	1,662	1,626
Total basic Own Funds after deductions	90,121	101,768	88,459	100,143	-	-	-	-	1,662	1,626
Eligible Own Funds to meet the consolidated group SCR	90,121	101,768	88,459	100,143	-	-	-	-	1,662	1,626
Eligible Own Funds to meet the minimum consolidated group SCR	88,459	100,143	88,459	100,143	-	-	-	-	-	-

LGL - Own Funds (£'000's)	Total		Tier 1 Unrestricted		Tier 1 Restricted		Tier 2		Tier 3	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Ordinary Share Capital	3,750	3,750	3,750	3,750	-	-	-	-	-	-
Reconciliation Reserve	786	740	786	740	-	-	-	-	-	-
Net Deferred Tax Assets	-	1,048	-		-	-	-	-	-	1,048
Total basic Own Funds after deductions	4,536	5,538	4,536	4,490	-	-	-	-	-	1,048
Eligible Own Funds to meet the consolidated group SCR	4,536	4,734	4,536	4,490	-	-	-	-	-	244
Eligible Own Funds to meet the minimum consolidated group SCR	4,536	4,490	4,536	4,490	-	-	-	-	-	-

Reconciliation of the movement in reconciliation reserve £'000's	TWGE	LGI	LGL
Opening reconciliation reserve - 1 January 2018	51,491	66,143	740
Dividend		(10,000)	
Increase in restricted own funds			
Decrease/(increase) in DTA	1,472	(36)	1,048
Increase in excess assets	(4,556)	(1,648)	(1,002)
Closing reconciliation reserve - 31 December 2018	**48,407**	**54,459**	**786**

LGI own funds for 2018 totalled £100.1m before foreseeable dividends, which has decreased 2% over 2017 (£101.8m). Tier 1 funds represent 98.2% of LGI total own funds, with Tier 3 funds making up the balance of 1.3%. LGI has foreseeable dividends of £10m, which was paid from Tier 1 funds in March 2019, which reduces the LGI own funds for 2018 to £90.1m. The Tier 3 funds are made up of deferred tax assets.

LGL own funds for 2018 totalled £4.5m, which has reduced 18% over 2017 (£5.5m), following the write down of LGL's DTA. As a result Tier 1 funds represent 100% of LGL total own funds, with Tier 3 funds now being 0%. LGL has no foreseeable dividends.

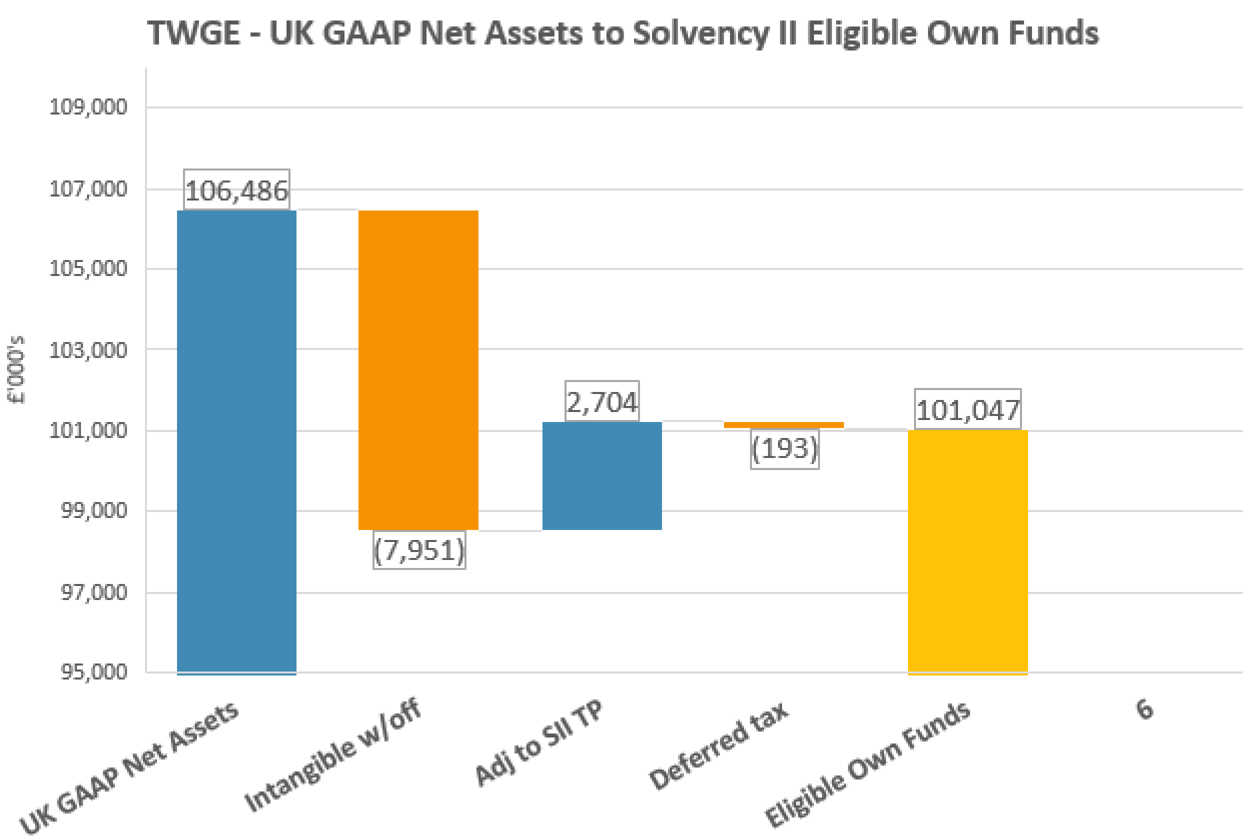
TWGE own funds for 2018 totalled £101.0m, which has slightly decreased over 2017 (£104.8m). Tier 1 funds represent 96.9% of TWGE, with Tier 3 funds making up the balance of 3.1%. TWGE has no foreseeable dividends. The Tier 3 funds are made up of deferred tax assets.

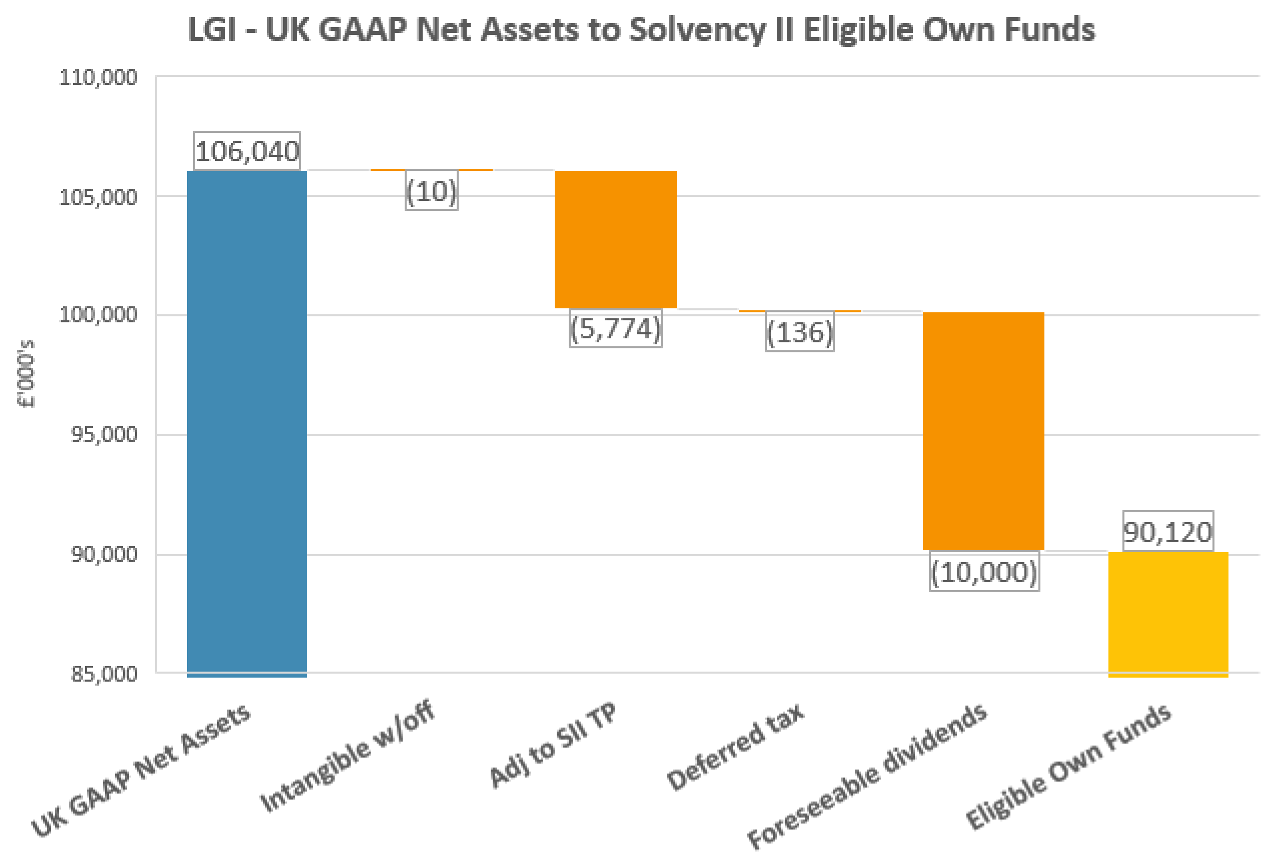
The business plan is projected for four years, so at least three complete years of future business is planned for at any point in time through the year. The planning process has not flagged or caused concern of capital strain in future years. No material changes or transactions are anticipated or included in the planning process.

Group own funds are reported net of any intra-group transactions, as all intra-group balances are eliminated on consolidation (including internal subordinated debt balances).

Differences between equity on the UKGAAP balance sheet and assets over liabilities for Solvency II are detailed below for TWG Europe and LGI. There are no differences for LGL as Technical Provisions in the UK GAAP balance sheet are calculated on a Solvency II basis.

Note that the abbreviation TP stands for Technical Provisions in the first charts below.





Valuation adjustments in the above graphs are the differences between the value of technical provisions per the financial statements and the recalculated Solvency II technical provisions.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

SCR

TWG Europe and the solo insurance entities all use the Standard Formula to quantify regulatory solvency needs.

LGI (and thus TWG Europe at the group level) have received PRA approval to use a USP for the miscellaneous financial loss risk category. This amends the standard formula parameter of 13% to an undertaking-specific parameter reflecting LGI's specific volatility experience. This reduction in parameter results in an overall reduction in the SCR compared to the standard formula. The parameter is updated annually in line with the TWGE USP Policy and was changed from 9.35% to 9.02% in 2018. The annual refresh of the USP for 2019 is currently underway.

No simplification methods are applied to the risk modules of the SCR.

The final amount of the Solvency Capital Requirement is still subject to supervisory assessment.

Below is a breakdown of the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR), for the group and solo entities:

Regulatory Solvency Requirements (£'000's)	TWG Europe		LGI		LGL	
	2018	2017	2018	2017	2018	2017
Non-life underwriting risk (Insurance risk)	46,372	58,301	46,041	58,301	-	-
Health Underwriting risk (Insurance Risk)	3,673	6,829	3,659	6,672	1	34
Life Underwriting risk (Insurance Risk)	2,175	602	-	-	2,175	598
Market Risk	12,722	12,701	11,475	12,041	1,129	1,012
Counterparty default risk	4,810	8,298	1,925	6,060	38	143
Diversification	(15,370)	(18,445)	(11,555)	(16,543)	(641)	(426)
Basic SCR	**54,383**	**68,286**	**51,545**	**66,531**	**2,702**	**1,361**
Operational risk	4,775	6,071	4,440	5,802	348	268
Loss-absorbing capacity of technical provisions	-	-	--	-	-	-
SCR	**59,158**	**74,357**	**55,985**	**72,333**	**3,050**	**1,629**
MCR (minimum consolidated SCR for TWG Europe)	**21,419**	**26,281**	**18,131**	**23,031**	**3,288**	**3,251**

As at the valuation date, eligible Own Funds remain in excess of the SCR and MCR, for both LGI and LGL:

Regulatory Solvency Requirements	TWG Europe		LGI		LGL	
	2018	2017	2018	2017	2018	2017
SCR	171%	141%	161%	141%	149%	291%
MCR	457%	384%	488%	435%	138%	138%

The above ratios are calculated in the following ways:

- SCR ratio = Total available own funds to meet SCR/SCR
- MCR ratio = Total available own funds to meet MCR/MCR

Minimum Capital Requirement (MCR)

The inputs used for the MCR are in accordance with the EIOPA standard formula for calculation of the MCR, with inputs to the calculation detailed in the 's.28.01.01' QRTs included in the appendix of this report.

For LGI as a non-life insurer, this involves calculating a capital charge based on the volume of premiums and technical provisions relating to each line of business. The factors are then summed to determine the MCR, before a corridor of the SCR is applied, restricting the MCR to between 25% and 45% of the SCR respectively. LGI's MCR is materially above the aMCR (absolute minimum capital requirement).

For LGL as a life insurer, the calculation factors are applied to the sum at risk and technical provisions at the valuation date, with a similar corridor approach taken to the MCR relative to the SCR. For LGL, the aMCR is materially above the calculated MCR, and so the aMCR of €3.7m is applied (per Article 129 of Solvency II Directive). At 31/12/2018 this equalled £3.29m.

As the aMCR is the final capital requirement for LGL, the deferred tax asset in the eligible own funds is removed on the solo LGL basis. At the group level, with the Group SCR in excess of the minimum consolidated group SCR, this restriction is not applicable at the Group level.

Movement in SCR during 2018

The following table shows the main movements in SCR during the 2018 year.

SCR £'m	LGI (1)	LGL aMCR	LGL SCR (2)	Other Group (3)	TWGE (1+2+3)
YE 2017	**72**	**3**	**2**	**0**	**74**
Business Volumes	(13)		(0)		(13)
USP Update (2018)	(2)				(2)
Modelling Approach	(1)		1		0
Market Risk	(1)			0	(0)
YE 2018	**56**	**3**	**3**	**1**	**60**

To clarify;

- For LGL the aMCR applies when looking at the solo entity, whereas the LGL SCR provides the contribution to the overall Group SCR (i.e. for TWGE).
- Business volumes have decreased (both actual, and planned). This decreases the SCR.
- The USP update during 2018 led to a slight decrease in parameter and hence a slight decrease in SCR. The USP changed from 9.35% to 9.02% in 2018.
- Market Risk has decreased negligibly during the year.

Full/partial Internal Model

TWG Europe, LGI and LGL do not currently utilise an internal or partial internal model for the calculation of regulatory capital requirements.

However, an Igloo capital model is currently under development, with the expectation that this will lead to the creation of a Partial Internal Model (PIM) in due course. Immediately, this will inform the Economic view of capital. In the longer term, regulatory approval of the model may be sought. This would lead to the PIM result taking the place of the Standard Formula SCR.

E.3. Any other information

All information relating to capital management has been covered above

Appendix 1 - Glossary

C

Claims
Demand by an insured for payment of benefits under an insurance contract.

Claims development triangles
Tabulations of claims development data. This data is set out with underwriting years along one axis and years of development. (e.g. calendar year end dates) along the other.

Claims incurred
Claims that have occurred, regardless of whether or not they have been reported to the insurer.

Claims outstanding
Claims which have been notified at the balance sheet date but not settled.

D

Deferred acquisition costs
Costs incurred for the acquisition or renewal of insurance policies (e.g. brokerage and underwriter related costs) which are capitalised and amortised over the term of those policies.

E

Earned premium
That proportion of a premium which relates to the portion of a risk which has expired during the period.

F

Financial Conduct Authority (FCA)
The FCA regulates financial firms providing services to consumers and maintains the integrity of the UK's financial markets. It focuses on the regulation of conduct by both retail and wholesale financial services firms. Like its predecessor the FSA, the FCA is structured as a company limited by guarantee.

G

Gross premiums written
Amounts payable by the insured, including any brokerage or commission deducted by intermediaries but excluding any taxes or duties levied on the premium.

I

Individual Capital Assessment (ICA) / Individual Capital guidance (ICG)
Up until 31/12/2015, the ICA and ICG regime was in place in the UK and governed the prudential regulation of the Group and solo entities. Firms submitted their own confidential Individual Capital Assessment (ICA) calculations to the PRA, who then reviewed them and issued Individual Capital Guidance ("ICG"). If the PRA was happy with a firm's ICA calculations, it will issue no additional ICG. However, if the PRA believed that a firm had not adequately assessed all the risks to which it is exposed, it issued additional ICG, to be added to the ICA that the firm had calculated.

On 1/1/16, this prudential regime was replaced by Solvency II.

Incurred but not reported (IBNR)
Anticipated or likely claims that may result from an insured event although no claims have been reported so far.

M

Minimum Capital Requirement (MCR)
A minimum level below which the amount of financial resources should not fall. It is necessary that this level be calculated in accordance with a simple formula, which is subject to a defined floor and cap based on the risk-based SCR in order to allow for an escalating ladder of supervisory intervention, and that it is based on the data which can be audited. Solvency II also determines an absolute floor for the MCR – this is referred to as the absolute Minimum Capital Requirement (aMCR).

N

Net written premiums
Gross premiums written less outwards reinsurance premiums.

Net Retained Revenue
Net written premiums *plus* net written admin fees.

O

Own Funds
Value of capital instruments to meet the SCR. In essence this is the value of Assets *minus* Liabilities on the Solvency II balance sheet, but under Solvency II, restrictions and fungability of own funds are considered to ensure eligibility to be used to meet the SCR and MCR levels. Rules for Own funds are set out in Directive 2009/138/EU (Solvency II) Chapter VI, Section 3, Articles 87 to 99.

Own Risk and Solvency Assessment
ORSA is the name given to the entirety of the processes and procedures employed by a (re)insurance undertaking to identify, assess, monitor, manage and report the short and long term risks it faces or may face and to determine the own funds

necessary to ensure that the undertaking's overall solvency needs are met at all times.

P

Prudential Regulation Authority (PRA)

The PRA is part of the Bank of England. It works alongside the FCA and has two statutory objectives: to promote the safety and soundness of banks, building societies, credit unions, insurers and investment firms. to secure protection for policyholders

R

Risk Management Framework
An integrated framework expanding on internal control to provide a more robust and extensive focus on the broader subject of risk management.

S

Sarbanes-Oxley
An act passed by U.S. Congress in 2002 to protect investors from the possibility of fraudulent accounting activities by corporations. The Sarbanes-Oxley Act (SOX) mandated strict reforms to improve financial disclosures from corporations and prevent accounting fraud.

Solvency Capital Requirement (SCR)
Key quantitative capital requirement defined in the Solvency II Directive. The SCR is the higher of the two capital levels required in Solvency II and provides an approximant 1 in 200 year level of protection.

Standard Formula
A non-entity specific risk-based mathematical formula used by insurers to calculate their Solvency Capital Requirement under Solvency II.

Solvency II
From 1/1/16, the PRA aligned their prudential regulatory rules to those of the EU-wide Solvency II regulation, including the details include in the Delegated Act, Implementing Technical Standards (ITS) and subsequent guidance and consultation by the PRA.

Initiative launched by the European Commission to revise current EU insurance solvency rules, Solvency II focuses on capital requirements, risk modelling, prudential rules, supervisory control, market discipline and disclosure.

T

Technical provisions
The term 'technical provisions' is an all-embracing term to cover provisions for items such as unearned premiums, unexpired risk provisions, claims outstanding (whether or not reported) and equalisation provisions.

U

Undertaking Specific Parameter (USP)
When calculating the Solvency Capital Requirement, undertakings may replace a subset of parameters (standard parameters) within the standard formula by parameters specific to them, if the standard formula does not provide an appropriate representation of their underlying risks. This should help to promote sound risk management within insurance and reinsurance undertakings. LGI and TWG Europe have approval for a USP relating to the premium miscellaneous financial loss parameter. Further details of USPs are set out in Article 104(7), 110, 111, 230, 248(2) of Directive 2009/138/EU (Solvency II), as well as to Articles 218, 219, 220, 338 and 356 of Commission Delegated Regulation (EU) 2015/35 (Delegate Act).

Unearned premium
The portion of premium income written in the calendar year that is attributable to periods after the balance sheet date. It is accounted for as unearned premiums in the underwriting provisions.

Appendix 2 – 2018 Year-end, SFCR Qualitative Reporting Templates (QRTs)

This appendix contains the revised SFCR Qualitative Reporting Templates (QRTs) the Group (TWG Europe), and solo templates for both London General Insurance Company Limited (LGI) and London General Life Company Limited (LGL), as required by the Commission Implementing Regulation (EU) 2015/2453, which sets out the implementing technical standards of Solvency II.

The below table details the templates included in this appendix:

Entity	QRT number	QRT name
TWG Europe	S.02.01.02	Balance sheet
	S.05.01.02	Premiums, claims and expenses by line of business
	S.05.02.01	Premiums, claims and expenses by country
	S.23.01.22	Own funds
	S.25.02.22	SCR – for groups on standard formula
	S.32.01.22	Undertakings in the scope of the group
LGI	S.02.01.02	Balance sheet
	S.05.01.02	Premiums, claims and expenses by line of business
	S.05.02.01	Premiums, claims and expenses by country
	S.12.01.02	Life and Health SLT Technical Provisions
	S.17.01.02	Non-life Technical Provisions
	S.19.01.21	Non-life insurance claims – Accident Year
	S.23.01.01	Own funds
	S.25.01.21	SCR – for undertakings on standard formula
	S.28.01.01	MCR – Only Life or only non-life insurance or reinsurance activity
LGL	S.02.01.02	Balance sheet
	S.05.01.02	Premiums, claims and expenses by line of business
	S.05.02.01	Premiums, claims and expenses by country
	S.12.01.02	Life and Health SLT Technical Provisions
	S.23.01.01	Own funds
	S.25.01.21	SCR – for undertakings on standard formula
	S.28.01.01	MCR – Only Life or only non-life insurance or reinsurance activity

The information contained in these forms are presented in thousands of pounds (except for ratios).

TWG Europe Limited

Solvency and Financial Condition Report

Disclosures

31 December

2018

(Monetary amounts in GBP thousands)

General information

Participating undertaking name	TWG Europe Limited
Group identification code	213800DN9XK5ME6AVH90
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2018
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Standard formula
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.05.02.01 - Premiums, claims and expenses by country
S.23.01.22 - Own Funds
S.25.01.22 - Solvency Capital Requirement - for groups on Standard Formula
S.32.01.22 - Undertakings in the scope of the group

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	3,089
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	719
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	216,783
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	413
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	413
R0130	*Bonds*	179,985
R0140	*Government Bonds*	56,047
R0150	*Corporate Bonds*	122,003
R0160	*Structured notes*	0
R0170	*Collateralised securities*	1,934
R0180	*Collective Investments Undertakings*	25,213
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	11,171
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	26,407
R0280	*Non-life and health similar to non-life*	20,176
R0290	*Non-life excluding health*	20,176
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	6,231
R0320	*Health similar to life*	6,231
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	6,853
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	6,094
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	29,931
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	289,875

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	86,636
R0520	*Technical provisions - non-life (excluding health)*	86,636
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	82,477
R0550	*Risk margin*	4,158
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	36,846
R0610	*Technical provisions - health (similar to life)*	33,815
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	32,204
R0640	*Risk margin*	1,611
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	3,032
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	2,760
R0680	*Risk margin*	271
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	8,313
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	1,196
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	40,581
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	15,257
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	188,829
R1000	**Excess of assets over liabilities**	101,047

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business							30,748					57,307					88,055
R0120	Gross - Proportional reinsurance accepted							0					93					93
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share							16,421					16,917					33,337
R0200	Net		0					14,327					40,483					54,810
	Premiums earned																	
R0210	Gross - Direct Business							31,411					97,250					128,661
R0220	Gross - Proportional reinsurance accepted							257					785					1,042
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share							16,816					24,395					41,211
R0300	Net		0					14,852					73,639					88,492
	Claims incurred																	
R0310	Gross - Direct Business							9,171					24,403					33,575
R0320	Gross - Proportional reinsurance accepted							-86					106					19
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share							844					6,499					7,343
R0400	Net		0					8,241					18,010					26,251
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net		0					0					0					0
R0550	**Expenses incurred**		0					9,731					50,098					59,829
R1200	**Other expenses**																	175
R1300	**Total expenses**																	60,004

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	9,818			861					10,679
R1420	Reinsurers' share	1,899			6					1,905
R1500	Net	7,919			855					8,774
	Premiums earned									
R1510	Gross	13,958			8,141					22,099
R1520	Reinsurers' share	2,828			7					2,835
R1600	Net	11,130			8,135					19,265
	Claims incurred									
R1610	Gross	8,469			925					9,395
R1620	Reinsurers' share	1,405								1,405
R1700	Net	7,064			925					7,989
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net	0			0					0
R1900	**Expenses incurred**	6,388			6,706					13,094
R2500	**Other expenses**									
R2600	**Total expenses**									13,094

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			IT	ES	DE	FR	NL	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	53,488	10,274	6,354	4,183	4,159	2,621	81,080
R0120	Gross - Proportional reinsurance accepted	60	38	-5				93
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	23,101	2,558	2,474	854	1,611	525	31,123
R0200	Net	30,447	7,754	3,875	3,329	2,548	2,096	50,050
	Premiums earned							
R0210	Gross - Direct Business	67,334	19,526	4,170	3,232	6,662	3,594	104,517
R0220	Gross - Proportional reinsurance accepted	91	311	378	0	1		781
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	26,874	9,374	1,325	665	2,813	721	41,772
R0300	Net	40,551	10,462	3,223	2,567	3,850	2,873	63,526
	Claims incurred							
R0310	Gross - Direct Business	17,259	6,729	1,113	1,397	208	712	27,417
R0320	Gross - Proportional reinsurance accepted	44	1	56	0	1		102
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	4,290	1,377	346	282	65	142	6,503
R0400	Net	13,014	5,352	823	1,116	143	569	21,016
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	30,555	8,437	2,070	1,915	2,084	1,528	46,589
R1200	**Other expenses**							
R1300	**Total expenses**							46,589

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400			NL	IE	BE	ES	DE	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	149	6,576	2,744	1,144	68	-2	10,679
R1420	Reinsurers' share	-37	1,341	511	79	10	0	1,905
R1500	Net	186	5,235	2,232	1,065	57	-2	8,774
	Premiums earned							
R1510	Gross	441	7,013	1,974	5,595	67	13	15,103
R1520	Reinsurers' share	89	1,341	511	79	-245	0	1,775
R1600	Net	352	5,671	1,463	5,517	312	14	13,328
	Claims incurred							
R1610	Gross	-966	-739	-203	184	50	-2	-1,676
R1620	Reinsurers' share	0				-43		-43
R1700	Net	-966	-739	-203	184	93	-2	-1,633
	Changes in other technical provisions							
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net	0	0	0	0	0	0	0
R1900	**Expenses incurred**	131	2,627	1,044	5,158	187	3	9,150
R2500	**Other expenses**							
R2600	**Total expenses**							9,150

S.23.01.22

Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	49,550	49,550		0	
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	48,407	48,407			
R0140	Subordinated liabilities	0		0	0	0
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	3,089				3,089
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	0	0	0	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**					
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	101,047	97,957	0	0	3,089
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0

S.23.01.22
Own Funds

	Basic own funds before deduction for participations in other financial sector	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	101,047	97,957	0	0	3,089
R0530	Total available own funds to meet the minimum consolidated group SCR	97,957	97,957	0	0	
R0560	Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	101,047	97,957	0	0	3,089
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	97,957	97,957	0	0	
R0610	**Minimum consolidated Group SCR**	21,419				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	457.33%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	101,047	97,957	0	0	3,089
R0680	**Group SCR**	59,158				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	170.81%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	101,047
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	
R0730	Other basic own fund items	52,639
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	
R0760	**Reconciliation reserve**	48,407
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.22

Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	12,722		
R0020	Counterparty default risk	4,810		
R0030	Life underwriting risk	2,175		
R0040	Health underwriting risk	3,673		
R0050	Non-life underwriting risk	46,372		
R0060	Diversification	-15,370		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	54,383		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	4,775
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	59,158
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	59,158
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	21,419
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	0
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D&A	0
R0570	**Solvency capital requirement**	59,158

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

S.32.01.22

Undertakings in the scope of the group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	213800QOT4WOYBK3SN79	LEI	London General Insurance Company Limited	Non life insurance undertaking	limited by shares	Non-mutual	Prudential Regulation Authority
2	GB	213800HE9OSV4773SU18	LEI	London General Life Company Limited	Life insurance undertaking	limited by shares	Non-mutual	Prudential Regulation Authority
3	GB	213800UHNTC599U19T78	LEI	TWG Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	limited by shares	Non-mutual	Financial Conduct Authority
4	GB	213800DN9XK5ME6AVH90	LEI	TWG Europe Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	limited by shares	Non-mutual	
5	NL	2138006B4XXOR3EPC592	LEI	ASSURANT EUROPE INSURANCE N.V.	Other	limited by shares	Non-mutual	De Nederlandsche Bank
6	NL	213800AKZ9URZ73DRS89	LEI	ASSURANT EUROPE LIFE INSURANCE N.V.	Other	limited by shares	Non-mutual	De Nederlandsche Bank
7	NL	213800T8HSSCZXQJXY64	LEI	ASSURANT EUROPE SERVICES B.V.	Other	limited by shares	Non-mutual	De Nederlandsche Bank

S.32.01.22

Undertakings in the scope of the group

				Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	GB	213800QOT4WOYBK3SN79	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
2	GB	213800HE9OSV4773SU18	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
3	GB	213800UHNTC599U19T78	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
4	GB	213800DN9XK5ME6AVH90	LEI							Included in the scope		Method 1: Full consolidation
5	NL	2138006B4XXOR3EPC592	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
6	NL	213800AKZ9URZ73DRS89	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
7	NL	213800T8HSSCZXQJXY64	LEI	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation

London General Insurance Company Limited

Solvency and Financial Condition Report

Disclosures

31 December

2018

(Monetary amounts in GBP thousands)

General information

Undertaking name	London General Insurance Company Limited
Undertaking identification code	213800QOT4WOYBK3SN79
Type of code of undertaking	LEI
Type of undertaking	Non-life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2018
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.05.02.01 - Premiums, claims and expenses by country
S.12.01.02 - Life and Health SLT Technical Provisions
S.17.01.02 - Non-Life Technical Provisions
S.19.01.21 - Non-Life insurance claims
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	1,661
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	5
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	208,024
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	413
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	413
R0130	*Bonds*	172,827
R0140	*Government Bonds*	53,780
R0150	*Corporate Bonds*	117,113
R0160	*Structured notes*	0
R0170	*Collateralised securities*	1,934
R0180	*Collective Investments Undertakings*	23,632
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	11,152
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	26,399
R0280	*Non-life and health similar to non-life*	20,176
R0290	*Non-life excluding health*	20,176
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	6,222
R0320	*Health similar to life*	6,222
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	56
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	2,840
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	2,575
R0420	Any other assets, not elsewhere shown	
R0500	**Total assets**	241,559

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	91,483
R0520	*Technical provisions - non-life (excluding health)*	91,483
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	87,325
R0550	*Risk margin*	4,158
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	33,022
R0610	*Technical provisions - health (similar to life)*	33,022
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	31,409
R0640	*Risk margin*	1,613
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	0
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	0
R0680	*Risk margin*	0
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	152
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	16,782
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	141,439
R1000	**Excess of assets over liabilities**	100,120

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business							30,748					57,307					88,055
R0120	Gross - Proportional reinsurance accepted							0					93					93
R0130	Gross - Non-proportional reinsurance accepted																	0
R0140	Reinsurers' share							16,421					16,917					33,337
R0200	Net							14,327					40,483					54,810
	Premiums earned																	
R0210	Gross - Direct Business							31,411					97,250					128,661
R0220	Gross - Proportional reinsurance accepted							257					785					1,042
R0230	Gross - Non-proportional reinsurance accepted																	0
R0240	Reinsurers' share							16,816					24,395					41,211
R0300	Net							14,852					73,639					88,492
	Claims incurred																	
R0310	Gross - Direct Business							9,171					24,403					33,575
R0320	Gross - Proportional reinsurance accepted							-86					106					19
R0330	Gross - Non-proportional reinsurance accepted																	0
R0340	Reinsurers' share							844					6,499					7,343
R0400	Net							8,241					18,010					26,251
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted																	0
R0440	Reinsurers' share																	0
R0500	Net							0					0					0
R0550	**Expenses incurred**							9,731					50,098					59,829
R1200	**Other expenses**																	175
R1300	**Total expenses**																	60,004

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	9,836								9,836
R1420	Reinsurers' share	1,899								1,899
R1500	Net	7,937								7,937
	Premiums earned									
R1510	Gross	13,723								13,723
R1520	Reinsurers' share	2,703								2,703
R1600	Net	11,020								11,020
	Claims incurred									
R1610	Gross	8,414								8,414
R1620	Reinsurers' share	1,405								1,405
R1700	Net	7,009								7,009
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net	0								0
R1900	**Expenses incurred**	6,351								6,351
R2500	**Other expenses**									
R2600	**Total expenses**									6,351

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			IT	ES	DE	FR	NL	
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business	53,488	10,274	6,354	4,183	4,159	2,621	81,080
R0120	Gross - Proportional reinsurance accepted	60	38	-5				93
R0130	Gross - Non-proportional reinsurance accepted							0
R0140	Reinsurers' share	23,101	2,558	2,474	854	1,611	525	31,123
R0200	Net	30,447	7,754	3,875	3,329	2,548	2,096	50,050
	Premiums earned							
R0210	Gross - Direct Business	67,334	19,526	4,170	3,232	6,662	3,594	104,517
R0220	Gross - Proportional reinsurance accepted	91	311	378	0	1		781
R0230	Gross - Non-proportional reinsurance accepted							0
R0240	Reinsurers' share	26,874	9,374	1,325	665	2,813	721	41,772
R0300	Net	40,551	10,462	3,223	2,567	3,850	2,873	63,526
	Claims incurred							
R0310	Gross - Direct Business	17,259	6,729	1,113	1,397	208	712	27,417
R0320	Gross - Proportional reinsurance accepted	44	1	56	0	1		102
R0330	Gross - Non-proportional reinsurance accepted							0
R0340	Reinsurers' share	4,290	1,377	346	282	65	142	6,503
R0400	Net	13,014	5,352	823	1,116	143	569	21,016
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted							0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**	30,555	8,437	2,070	1,915	2,084	1,528	46,589
R1200	**Other expenses**							
R1300	**Total expenses**							46,589

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400			NL	IE	BE	ES	DE	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	136	6,707	2,549	393	52	-2	9,836
R1420	Reinsurers' share	-42	1,341	511	79	10	0	1,899
R1500	Net	179	5,366	2,038	314	42	-2	7,937
	Premiums earned							
R1510	Gross	118	4,458	1,644	446	49	13	6,727
R1520	Reinsurers' share	-42	1,341	511	79	-245	0	1,644
R1600	Net	160	3,117	1,132	367	294	14	5,083
	Claims incurred							
R1610	Gross	-994	-1,367	-262	-80	50	-2	-2,656
R1620	Reinsurers' share	0	0	0	0	-43	0	-43
R1700	Net	-994	-1,367	-262	-80	93	-2	-2,613
	Changes in other technical provisions							
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net	0	0	0	0	0	0	0
R1900	**Expenses incurred**	117	1,078	827	636	172	3	2,833
R2500	**Other expenses**							
R2600	**Total expenses**							2,833

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts without options and guarantees	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts without options and guarantees	Other life insurance: Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)	Health insurance (direct business): Contracts without options and guarantees	Health insurance (direct business): Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**																0
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																0
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**												31,409				31,409
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default												6,222				6,222
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re												25,187	0			25,187
R0100	**Risk margin**											1,613					1,613
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole																0
R0120	Best estimate																0
R0130	Risk margin																0
R0200	**Technical provisions - total**											33,022					33,022

S.17.01.02

Non-Life Technical Provisions

		Direct business and accepted proportional reinsurance												Accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	C0180
R0010	**Technical provisions calculated as a whole**							0					0					0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole																	0
	Technical provisions calculated as a sum of BE and RM																	
	Best estimate																	
	Premium provisions																	
R0060	Gross							12,841					64,062					76,903
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default							3,547					14,393					17,941
R0150	**Net Best Estimate of Premium Provisions**							9,294					49,668					58,962
	Claims provisions																	
R0160	Gross							3,016					7,406					10,422
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default							549					1,686					2,236
R0250	**Net Best Estimate of Claims Provisions**							2,467					5,720					8,186
R0260	**Total best estimate - gross**							15,857					71,468					87,325
R0270	**Total best estimate - net**							11,760					55,388					67,148
R0280	**Risk margin**							728					3,430					4,158
	Amount of the transitional on Technical Provisions																	
R0290	Technical Provisions calculated as a whole																	0
R0300	Best estimate																	0
R0310	Risk margin																	0
R0320	**Technical provisions - total**							16,585					74,898					91,483
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**							4,097					16,080					20,176
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**							12,489					58,818					71,307

S.19.01.21

Non-Life insurance claims

Total Non-life business

Z0020 **Accident year / underwriting year** Accident Year

Gross Claims Paid (non-cumulative)
(absolute amount)

		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0170	C0180
	Year					**Development year**							**In Current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											2	2	2
R0160	2009	50,942	17,015	341	140	66	160	6	16	10	9		9	68,704
R0170	2010	60,270	15,215	398	209	250	145	7	7	7			7	76,508
R0180	2011	99,706	9,217	592	165	111	704	34	13				13	110,543
R0190	2012	99,468	10,267	470	151	215	45	28					28	110,643
R0200	2013	120,978	12,631	459	426	114	47						47	134,654
R0210	2014	116,588	7,211	900	300	94							94	125,093
R0220	2015	68,299	7,443	521	106								106	76,369
R0230	2016	55,020	5,327	199									199	60,546
R0240	2017	52,103	5,095										5,095	57,197
R0250	2018	31,185											31,185	31,185
R0260												**Total**	36,785	851,443

Gross Undiscounted Best Estimate Claims Provisions
(absolute amount)

		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0360
	Year					**Development year**							**Year end (discounted data)**
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											24	24
R0160	2009	28,325	1,095	495	361	343	192	74	30	33	33		34
R0170	2010	26,116	1,148	581	535	408	21	3	3	3			3
R0180	2011	23,747	1,172	519	392	48	1	1	1				1
R0190	2012	22,964	1,303	674	227	47	48	50					51
R0200	2013	19,504	1,152	271	38	5	5						5
R0210	2014	15,966	756	40	21	12							13
R0220	2015	12,247	321	52	15								16
R0230	2016	16,359	424	186									191
R0240	2017	12,184	360										367
R0250	2018	9,411											9,717
R0260												**Total**	10,422

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	34,000	34,000		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	54,459	54,459			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	1,661				1,661
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	90,120	88,459	0	0	1,661
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	90,120	88,459	0	0	1,661
R0510	Total available own funds to meet the MCR	88,459	88,459	0	0	
R0540	Total eligible own funds to meet the SCR	90,120	88,459	0	0	1,661
R0550	Total eligible own funds to meet the MCR	88,459	88,459	0	0	
R0580	**SCR**	55,985				
R0600	**MCR**	18,131				
R0620	**Ratio of Eligible own funds to SCR**	160.97%				
R0640	**Ratio of Eligible own funds to MCR**	487.89%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	100,120
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	10,000
R0730	Other basic own fund items	35,661
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	54,459
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	
R0790	**Total Expected profits included in future premiums (EPIFP)**	0

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	11,475		
R0020	Counterparty default risk	1,925		
R0030	Life underwriting risk	0		
R0040	Health underwriting risk	3,659		
R0050	Non-life underwriting risk	46,041	6	
R0060	Diversification	-11,555		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	51,545		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	4,440
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	55,985
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	55,985
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	17,421

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance	0	
R0030	Income protection insurance and proportional reinsurance	0	
R0040	Workers' compensation insurance and proportional reinsurance	0	
R0050	Motor vehicle liability insurance and proportional reinsurance	0	
R0060	Other motor insurance and proportional reinsurance	0	
R0070	Marine, aviation and transport insurance and proportional reinsurance	0	
R0080	Fire and other damage to property insurance and proportional reinsurance	11,760	14,327
R0090	General liability insurance and proportional reinsurance	0	
R0100	Credit and suretyship insurance and proportional reinsurance	0	
R0110	Legal expenses insurance and proportional reinsurance	0	
R0120	Assistance and proportional reinsurance	0	
R0130	Miscellaneous financial loss insurance and proportional reinsurance	55,388	40,483
R0140	Non-proportional health reinsurance	0	
R0150	Non-proportional casualty reinsurance	0	
R0160	Non-proportional marine, aviation and transport reinsurance	0	
R0170	Non-proportional property reinsurance	0	

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_L Result	710

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations	25,187	
R0250	Total capital at risk for all life (re)insurance obligations		258,638

	Overall MCR calculation	C0070
R0300	Linear MCR	18,131
R0310	SCR	55,985
R0320	MCR cap	25,193
R0330	MCR floor	13,996
R0340	Combined MCR	18,131
R0350	Absolute floor of the MCR	3,288
R0400	**Minimum Capital Requirement**	18,131

London General Life

Solvency and Financial Condition Report

Disclosures

31 December

2018

(Monetary amounts in GBP thousands)

General information

Undertaking name	London General Life Company Limited
Undertaking identification code	213800HE9OSV4773SU18
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	31 December 2018
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.12.01.02 - Life and Health SLT Technical Provisions
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	0
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	8,739
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	7,158
R0140	*Government Bonds*	2,268
R0150	*Corporate Bonds*	4,891
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	1,581
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	0
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	0
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	9
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	9
R0320	*Health similar to life*	9
R0330	*Life excluding health and index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	10
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	155
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	196
R0420	Any other assets, not elsewhere shown	0
R0500	**Total assets**	9,109

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	2,947
R0610	*Technical provisions - health (similar to life)*	-4
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	-11
R0640	*Risk margin*	7
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	2,951
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	2,689
R0680	*Risk margin*	263
R0690	Technical provisions - index-linked and unit-linked	0
R0700	*TP calculated as a whole*	0
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	0
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	35
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	0
R0820	Insurance & intermediaries payables	0
R0830	Reinsurance payables	0
R0840	Payables (trade, not insurance)	1,591
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	0
R0880	Any other liabilities, not elsewhere shown	0
R0900	**Total liabilities**	4,573
R1000	**Excess of assets over liabilities**	4,536

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	-18			861					842
R1420	Reinsurers' share				6					6
R1500	Net	-18			855					837
	Premiums earned									
R1510	Gross	235			8,141					8,376
R1520	Reinsurers' share	125			7					132
R1600	Net	110			8,135					8,245
	Claims incurred									
R1610	Gross	55			925					980
R1620	Reinsurers' share									0
R1700	Net	55			925					980
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net	0			0					0
R1900	**Expenses incurred**	38			6,706					6,743
R2500	**Other expenses**									
R2600	**Total expenses**									6,743

S.05.02.01

Premiums, claims and expenses by country

Life

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
R1400			BE	IE	ES	NL		
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	13	751	194	16	-131		842
R1420	Reinsurers' share	6		0				6
R1500	Net	7	751	194	16	-131	0	837
	Premiums earned							
R1510	Gross	323	5,150	330	18	2,555		8,376
R1520	Reinsurers' share	132		0				132
R1600	Net	191	5,150	330	18	2,555	0	8,245
	Claims incurred							
R1610	Gross	28	264	59	0	628		980
R1620	Reinsurers' share							0
R1700	Net	28	264	59	0	628	0	980
	Changes in other technical provisions							
R1710	Gross							0
R1720	Reinsurers' share							0
R1800	Net	0	0	0	0	0	0	0
R1900	**Expenses incurred**	14	4,522	217	14	1,549		6,316
R2500	**Other expenses**							
R2600	**Total expenses**							6,316

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**										0						0
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole										0						0
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**						2,689				2,689		-11				-11
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						0				0		9				9
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re						2,688	0			2,688		-20	0			-20
R0100	**Risk margin**					263					263	7					7
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						0
R0120	Best estimate										0						0
R0130	Risk margin										0						0
R0200	**Technical provisions - total**					2,951					2,951	-4					-4

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Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	3,750	3,750		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	786	786			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0				
R0290	**Total basic own funds after deductions**	4,536	4,536	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	4,536	4,536	0	0	0
R0510	Total available own funds to meet the MCR	4,536	4,536	0	0	
R0540	Total eligible own funds to meet the SCR	4,536	4,536	0	0	0
R0550	Total eligible own funds to meet the MCR	4,536	4,536	0	0	
R0580	**SCR**	3,050				
R0600	**MCR**	3,288				
R0620	**Ratio of Eligible own funds to SCR**	148.73%				
R0640	**Ratio of Eligible own funds to MCR**	137.95%				
	Reconcilliation reserve	C0060				
R0700	Excess of assets over liabilities	4,536				
R0710	Own shares (held directly and indirectly)	0				
R0720	Foreseeable dividends, distributions and charges					
R0730	Other basic own fund items	3,750				
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0				
R0760	**Reconciliation reserve**	786				
	Expected profits					
R0770	Expected profits included in future premiums (EPIFP) - Life business					
R0780	Expected profits included in future premiums (EPIFP) - Non- life business					
R0790	**Total Expected profits included in future premiums (EPIFP)**	0				

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	1,129		
R0020	Counterparty default risk	38		
R0030	Life underwriting risk	2,175		
R0040	Health underwriting risk	1		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-641		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	2,702		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	348
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	3,050
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	3,050

	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

S.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance		
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance		
R0060	Other motor insurance and proportional reinsurance		
R0070	Marine, aviation and transport insurance and proportional reinsurance		
R0080	Fire and other damage to property insurance and proportional reinsurance		
R0090	General liability insurance and proportional reinsurance		
R0100	Credit and suretyship insurance and proportional reinsurance		
R0110	Legal expenses insurance and proportional reinsurance		
R0120	Assistance and proportional reinsurance		
R0130	Miscellaneous financial loss insurance and proportional reinsurance		
R0140	Non-proportional health reinsurance		
R0150	Non-proportional casualty reinsurance		
R0160	Non-proportional marine, aviation and transport reinsurance		
R0170	Non-proportional property reinsurance		

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	205

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other life (re)insurance and health (re)insurance obligations	2,669	
R0250	Total capital at risk for all life (re)insurance obligations		213,031

	Overall MCR calculation	C0070
R0300	Linear MCR	205
R0310	SCR	3,050
R0320	MCR cap	1,372
R0330	MCR floor	762
R0340	Combined MCR	762
R0350	Absolute floor of the MCR	3,288
R0400	**Minimum Capital Requirement**	3,288